

Financial Services  
Mrs. Judith M. Marte, Chief Financial Officer

**SUBJECT: REQUEST AUTHORIZATION TO PURCHASE MEDIA LIABILITY COVERAGE AND AUTHORIZE THE RENEWAL OF EXISTING COVERAGES INCLUDING FACILITIES USE INSURANCE COVERAGE, CATASTROPHIC ATHLETIC ACCIDENT COVERAGE, POLICE PROFESSIONAL LIABILITY INSURANCE, EXCESS WORKERS' COMPENSATION, GENERAL/ AUTOMOBILE/ PROFESSIONAL LIABILITY INSURANCE, BOILER AND MACHINERY COVERAGE AND CYBER LIABILITY COVERAGE**

**COMMITTEE: FISCAL ACCOUNTABILITY**

**LINK TO STRATEGIC BLUEPRINT: EFFECTIVE AND SUSTAINABLE BUSINESS PRACTICES**

At the Board meeting of October 14, 2015, the Board awarded its Risk Management and Insurance Broker Services contract to Arthur J. Gallagher Risk Management Services, Inc., pursuant to Request For Qualifications (RFQ) #14-058-ND, Request For Qualifications for Risk Management and Insurance Broker Services, effective January 1, 2016. The following recommended insurance renewals/placements are subject to the brokerage contract's provisions:

### **FACILITIES USE INSURANCE COVERAGE**

School Board Policy 7510, Use of School Board Facilities, requires outside users of School Board facilities to provide proof of liability insurance coverage. If the renter does not carry their own liability coverage, the renter can procure such coverage through the Board's Facilities Use Liability Insurance Policy, which is administered by the Office of Risk and Benefits Management at very competitive rates.

As of May 22, 2016, premiums collected from users of the Facilities Use Policy for scheduled activities, which run through the end of the 2015-2016 school year, total \$10,749. These premium collections from outside organizations represent a cost offset to the total paid minimum and deposit premium of \$12,500. Total premiums for fiscal year 2015-2016 are \$13,160 inclusive of surcharges and TRIA terrorism coverage. In order to assure coverage availability for outside users, a maximum not to exceed threshold of \$15,000 was established and authorized by the Board at its meeting of June 19, 2013. A report listing entities that utilized this policy during fiscal year 2015-2016 will be transmitted as supplemental information to this item.

Mesa Underwriters Specialty proposed a renewal program with limits and coverages at terms, rates and conditions the same as the expiring program. Staff is recommending renewal terms for this coverage effective July 1, 2016 through June 30, 2017, for a total deposit premium of \$13,160, including TRIA terrorism coverage and fees with a maximum not to exceed threshold of \$15,000, with Mesa Underwriters Specialty (A.M. Best A+ XII) through the District's Broker, Arthur J. Gallagher Risk Management Services, Inc.

### **CATASTROPHIC ATHLETIC ACCIDENT COVERAGE**

At the Board Meeting of June 17, 2015, the Board authorized placement of the Catastrophic Athletic Insurance coverage with Zurich American Insurance Company, (A.M. Best A+ XV) through Arthur J. Gallagher Risk Management Services, Inc. for a one-year period, effective August 1, 2015 to July 31, 2016, with an annual premium of \$76,514. The Accident Medical policy has a maximum benefit per insured per covered accident of \$6,000,000 with a \$25,000 deductible per covered accident that must be met within the first 2 years of covered injury. Also included is the Catastrophic Cash Benefit of \$500,000. Purchase of this coverage is a requirement of the Florida High School Activities Association, Article 3.1.2.

Zurich American Insurance Company (A.M. Best A+ XV), through Arthur J. Gallagher Risk Management Services, Inc. proposed a renewal program with limits and coverages at terms, rates and conditions the same as the expiring program for a one-year period effective August 1, 2016 to July 30 2017. Staff is recommending renewal of this program based upon the terms presented for renewal for a one-year period effective August 1, 2016 through July 31, 2017, with a policy annual aggregate limit of \$6 million dollars and a \$25,000 deductible for a total premium of \$76,514, including TRIA terrorism coverage.

### **LAW ENFORCEMENT AND PROFESSIONAL LIABILITY INSURANCE**

At the Board meeting of June 17, 2015, the Board authorized renewal of Law Enforcement and Professional Liability Insurance coverage with Lexington Insurance Company (AIG) (A.M. Best A XV), through Arthur J. Gallagher Risk Management Services, Inc. effective July 1, 2015 through June 30, 2016, with an annual premium of \$187,500, with a \$5 million each wrongful act/annual aggregate a self-insured retention of \$200,000.

Lexington Insurance Company, through Arthur J. Gallagher Risk Management Services, Inc. has provided staff with a renewal quote in the amount of \$198,000 representing a 5.6% increase from the expiring premium of \$187,500. The increase is due to the increased frequency of claims incurred. Staff believes that the renewal is competitive based on market conditions, current potential exposures, as well as the number of police related incidents nationwide.

Staff is recommending the renewal of the Law Enforcement and Professional Liability Insurance coverage with Lexington Insurance Company (AIG) (A.M. Best A XV), through Arthur J. Gallagher Risk Management Services, Inc. effective July 1, 2016 through June 30, 2017, with an annual premium of \$198,000, with a \$5 million each wrongful act/annual aggregate and a self-insured retention of \$200,000. All other terms and conditions remain per the expiring policy term.

### **EXCESS WORKERS' COMPENSATION INSURANCE**

At the Board meeting of June 17, 2015, the Board authorized renewal of the District's Excess Workers' Compensation Insurance coverage with Safety National Casualty Corporation (AM Best A XI) through Arthur J. Gallagher Risk Management Services, Inc. for a one-year term, effective July 1, 2015 through June 30, 2016, at a rate of \$.0687 per \$100 of annual payroll with a deposit premium of \$1,250,488 including State of Florida fees subject to a per claim, self-insured retention of \$1,500,000.

Staff has received a renewal quote with a deposit premium of \$1,304,220 at a rate of \$.0745 per \$100 of annual payroll including surcharges and with a self-insured retention of \$1,500,000. This represents a 4.3% increase from the expiring premium of \$1,250,488.

The increase in the renewal premium is as a result of a very tight excess workers' compensation marketplace nationally, predominately attributable to rising medical costs. Additionally, the District has incurred several large claims which could threaten to pierce the self-insured retention. Staff has created a multi-year Millennial Access Platform (MAP) strategy to reduce workers' compensation claims through increased loss prevention strategies and education of worksite supervisors in prompt claims reporting as well as the importance of returning injured workers back to pre-injury work locations. The second year of this MAP strategy has been completed and as result the District is forecasted to reduce the overall workers' compensation budget by approximately \$5 million or 14% of the overall budgeted expenses for the District's workers' compensation program.

In addition to standard excess workers' compensation coverage Safety National Casualty Corporation (Safety National) provides additional value added services which provides enhancements to the District's current Workers' Compensation Program. These Services include "Ask Best Doctors" which is a pro-active, non-adversarial, consultative medical review by a *Best Doctors* specialist for injured workers at high risk for adverse developments in their medical condition as well as "CatCare", a Catastrophic Injury Claims program that provides real-time guidance from top experts in trauma, rehabilitation and other specialties, helping reduce errors and ensuring that best practices are being followed. In addition, they have provided a suite of online safety training tools, programs and classes which are in the process of being integrated into the District's loss control program.

Staff is recommending renewing the District's Excess Workers' Compensation Insurance Coverage with Safety National Casualty Corporation (AM Best A XI) through Arthur J. Gallagher Risk Management Services, Inc. for a one-year term, effective July 1, 2016 through June 30, 2017, at a rate of \$.0745 per \$100 of annual payroll with a deposit premium of \$1,304,220 including surcharges, with a self-insured retention of \$1,500,000.

### **GENERAL/AUTOMOBILE/PROFESSIONAL LIABILITY INSURANCE**

At the June 18, 2014 Board meeting the Board authorized renewal of its General/Automobile/Professional Liability/Errors and Omissions coverage with United Educators Risk Retention Group (United Educators) (A.M. Best A VIII) through Arthur J. Gallagher Risk Management Services, Inc (AJG) for five one-year terms effective July 1, 2014 through June 30, 2019, subject to annual re-rate and cancellation provisions with the second year's premium totaling \$303,739, effective July 1, 2015 through June 30, 2016.

This unique program provides the School Board Attorney's Office and the Office of Risk and Benefits Management needed latitude to use the excess coverage, when necessary to settle claims which if taken to the Legislature as Legislative Claim Relief Acts would cost the District significantly more money. Additionally, the existence of the coverage allows the District to produce needed proof of insurance to comply with contractual requirements for student field trips, and other District requirements where insurance is required.

The program consists of General and Automobile liability coverage with primary limits of liability of \$500,000 per occurrence per wrongful act subject to a \$3,250,000 annual aggregate. The Professional Liability/Errors and Omissions coverage provides coverage consisting of an additional \$500,000 excess of primary \$500,000 per wrongful act subject to annual aggregate of \$2,500,000. The coverage is subject to a self-insured retention for the General/Automobile coverage, commensurate with the current levels of limited Sovereign Immunity of \$200,000 per claim/\$300,000 per accident and a flat, per wrongful act self-insurance retention of \$200,000 for Professional Liability claims.

United Educators continues to be a leader in providing insurance and risk management resources to educational institutions including K-12 public, private and parochial schools. In addition to providing excess coverage, the value added benefits of the Board's membership in this Risk Retention Group include access to materials related to school liability, loss prevention and resources including seminars provided by national experts in the field of education liability.

The renewal quote for the period of July 1, 2016 to June 30, 2017, is \$306,776 representing a 1% premium increase. Staff feels that this slight premium increase is warranted and feels strongly that the program continues to provide invaluable protection to District assets, while providing premium savings since the program was re-structured from a traditional liability insurance program in 1991. Based upon that re-structuring, there are realized premium savings of over \$10,000,000 since 1991 on a paid-claim basis.

Continuity in the District's liability insurance programs is paramount. As such, staff is recommending the third year renewal of the five-year one-year terms of its General/Automobile/Professional Liability/Errors and Omissions coverage with United Educators Risk Retention Group (United Educators) (A.M. Best A VIII) through Arthur J. Gallagher Risk Management Services, Inc (AJG) subject to annual re-rate and cancellation provisions with the third year's premium totaling \$306,776 effective July 1, 2016 through June 30, 2017.

### **BOILER AND MACHINERY COVERAGE**

The District purchases insurance coverage on its boilers, air conditioning systems and other vessels pursuant to the requirements contained within Section 230.23(9) (d), Florida Statutes. In addition to providing coverage for equipment breakdown, the District's boiler and machinery program with Hartford Steam Boiler Insurance and Inspection Company (HSB) provides full inspection services with a dedicated representative from the carrier inspecting and filing inspection certificates with the State of Florida.

At the June 17, 2015 Board Meeting, the Board authorized the renewal of the Boiler and Machinery coverage with Hartford Steam Boiler Insurance and Inspection Company (A.M. Best A+ XV) through Arthur J. Gallagher Risk Management Services, Inc (AJG) for the second year of the three-year term, effective September 13, 2015. This program will include a rate agreement through 2017, subject to the loss ratio of 30% or less, with policy limits of \$100 million per loss at a rate of .00219 per \$100 total insured values, subject to a base of \$7.8 billion with the annual premium for 2015-2016 being \$179,498;

Staff has received a renewal quote with a premium of \$203,321 based on the flat rate and representing 13.3% increase in premium due to increased insured values. The policy limits remain at \$100 million per loss at the expiring rate of .00219 per \$100 total insured values, subject to a base of \$9.9 billion for the current renewal, subject to a \$10,000 deductible.

Staff is recommending renewal of the Boiler and Machinery coverage with Hartford Steam Boiler Insurance and Inspection Company (A.M. Best A+ XV) through Arthur J. Gallagher Risk Management Services, Inc (AJG) for the third year of the three-year term, effective September 13, 2016 through September 12, 2017, with policy limits of \$100 million per loss at a rate of .00219 per \$100 total insured values, subject to a base of \$9.9 billion with the annual premium for 2016-2017 being \$203,321.

## **CYBER LIABILITY COVERAGE**

The District is completing the second year of its Cyber Liability Program. At this time last year, cyber breaches were garnering national exposure. As a result staff from various departments, including the Office of Risk and Benefits Management, ITS, the Office of Financial Services, and School Operations met to discuss the issue. It was determined that the District should pursue purchasing Cyber Liability policy.

At the Board meeting of June 17, 2015, the Board authorized the renewal of the Cyber Liability coverage with Brit-Lloyd's (A.M. Best A, XV) through Arthur J. Gallagher Risk Management Services, Inc. for a one year period effective July 1, 2015 through June 30, 2016, for a total premium of \$139,500 with coverage limits of \$10 million per claim/annual aggregate subject to a \$250,000 self-insured retention.

Brit-Lloyd's (A.M. Best A, XV) through Arthur J. Gallagher Risk Management Services, Inc. proposed a renewal program with limits and coverages at terms, rates and conditions the same as the expiring program. Staff is recommending renewing the cyber liability coverage with Brit-Lloyd's (A.M. Best A, XV) through Arthur J. Gallagher Risk Management Services, Inc for a one-year period effective July 1, 2016 through June 30, 2017, for a total premium of \$139,500 with coverage limits of \$10 million per claim/annual aggregate subject to a \$250,000 self-insured retention.

## **MEDIA LIABILITY COVERAGE**

WLRN produces original television content for local, national and international broadcast. This requires contracting with multiple distributors include; Public Broadcasting Services (PBS), American Public Television (APT) and the National Educational Telecommunications Association (NETA). Each distributor requires WLRN to secure an errors and omissions television production insurance policy ("E&O Policy") for the program with a claims limit of not less than \$1,000,000 per occurrence and \$3,000,000 in the aggregate with \$10,000 deductible. Now that WLRN is expanding its distribution into new media to include streaming video over mobile devices and third party commercial platforms such as Netflix, the coverage requirement increases to \$1,000,000 per occurrence and \$5,000,000 in the aggregate with \$10,000 deductible.

Additionally, the policy will provide media liability coverage for the District as it expands its use of social media, increases its web presence and continues to utilize other traditional media opportunities.

Media Liability Coverage is a specific form of errors and omissions insurance which is designed to protect the District against claims resulting from slander, defamation, copyright infringement, unauthorized use of material, and plagiarism among other perils

Therefore, staff is recommending that The School Board of Miami-Dade County, Florida, authorize the purchase of media liability coverage with Atlantic Specialty

Insurance (A.M. Best A, X) through Arthur J. Gallagher Risk Management Services, Inc. with coverage limits of \$1 million per claim and \$5 million annual aggregate subject to a self-insured retention of \$10,000 with an annual premium of \$7,164 for a one-year period effective July 1, 2016 thru June 30, 2017.

**RECOMMENDED:** That The School Board of Miami-Dade County, Florida:

1. authorize renewal terms of the Facilities Use insurance coverage effective July 1, 2016 through June 30, 2017, with Mesa Underwriters Specialty (A.M. Best A+ XII) through Arthur J. Gallagher Risk Management Services, Inc., subject to a total deposit premium of \$13,160, inclusive of TRIA terrorism coverage with a maximum not to exceed threshold of \$15,000, including all fees;
2. authorize renewal terms of the Catastrophic Athletic Accident insurance with Zurich American Insurance Company, (A.M. Best A+ XV) through Arthur J. Gallagher Risk Management Services, Inc for a one-year period effective July 1, 2016 through June 30, 2017, with a policy annual aggregate limit of \$6 million dollars and a \$25,000 deductible for a total premium of \$76,514, inclusive of TRIA terrorism coverage;
3. authorize the renewal of the Law Enforcement and Professional Liability Insurance coverage with Lexington Insurance Company (AIG) (A.M. Best A XV), through Arthur J. Gallagher Risk Management Services, Inc. effective July 1, 2016 through June 30, 2017, with an annual premium of \$198,000, with a per wrongful act self-insured retention of \$200,000;
4. authorize renewal of the District's Excess Workers' Compensation Insurance coverage with Safety National Casualty Corporation (AM Best A XI) through Arthur J. Gallagher Risk Management Services, Inc. for a one-year term, effective July 1, 2016 through June 30, 2017, at a rate of \$.0745 per \$100 of annual payroll with a deposit premium of \$1,304,220 subject to a per claim, self-insured retention of \$1,500,000;

5. authorize the second year renewal of the five-year one-year terms of its General/Automobile/Professional Liability/Errors and Omissions coverage with United Educators Risk Retention Group (United Educators) (A.M. Best A VIII) through Arthur J. Gallagher Risk Management Services, Inc (AJG) subject to annual re-rate and cancellation provisions with the second year's premium totaling \$306,776 effective July 1, 2016 through June 30, 2017, subject to a self-insured retention for the General/Automobile coverage, commensurate with the current levels of limited Sovereign Immunity of \$200,000 per claim/\$300,000 per accident and a flat, per wrongful act self- insurance retention of \$200,000 for Professional Liability claims;
6. authorize renewal of the Boiler and Machinery coverage with Hartford Steam Boiler Insurance and Inspection Company (A.M. Best A+ XV) through Arthur J. Gallagher Risk Management Services, Inc (AJG) for the third year of the three-year term, effective September 13, 2016 through September 12, 2017, with policy limits of \$100 million per loss at a rate of .00219 per \$100 total insured values, subject to a base of \$9.9 billion with the annual premium for 2016-2017 being \$203,321;
7. authorize the renewal of the Cyber Liability coverage with Brit-Lloyd's (A.M. Best A, XV) through Arthur J. Gallagher Risk Management Services, Inc for a one year period effective July 1, 2016 through June 30, 2017, for a total premium of \$139,500 with coverage limits of \$10 million per claim/annual aggregate subject to a \$250,000 self-insured retention; and
8. authorize the purchase of Media Liability coverage with Atlantic Specialty Insurance (A.M. Best A, X) through Arthur J. Gallagher Risk Management Services, Inc. with coverage limits of \$1 million per claim and \$5 million annual aggregate subject to a self-insured retention of \$10,000 with an annual premium of \$7,164 for a one-year period effective July 1, 2016 thru June 30, 2017.

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