

Personnel Management and Services
Nelson E. Diaz, Deputy Superintendent

**SUBJECT: REQUEST FOR AUTHORIZATION TO RENEW BOILER AND MACHINERY
INSURANCE COVERAGE**

Pursuant to the State Board Rule 6A-1.012 (11), the Board is authorized to directly negotiate and enter into contract for insurance and risk management programs under such terms and for such period as may be in the best interest of the school district.

The Board's present carrier for Boiler and Machinery coverage, which includes coverage for the Board's boilers, air conditioning systems and other vessels, is Hartford Steam Boiler and Inspection Insurance Company (HSB) (A.M. Best A+X). Besides providing coverage for actual losses from failure of these units, HSB also provides the necessary annual boiler inspections, required by the State of Florida. Current premium for this coverage is \$72,322.

This coverage was in place at the time Hurricane Andrew struck, which resulted in proceeds from the carrier in the amount of \$2,141,633, along with a reduced deductible of \$25,000. Presently, very few companies write this type of business, with HSB being the largest insurer. The Board has benefitted from being able to continue to have a small amount of wind coverage as part of this coverage, however the deductible has continued to rise and currently stands at \$100,000 per loss. Upon renewal, HSB will begin utilizing the policy form that all other carriers have already instituted, which excludes windstorm as a covered loss, because all property owners have windstorm coverage as part of their comprehensive property insurance program, and it is viewed as coverage duplication.

The Board currently has adequate coverage for windstorm, therefore, staff is recommending the Board renew its Boiler and Machinery coverage with HSB, because of their excellent inspection services, and the other broad coverages provided as part of the policy for loss and failure of mechanical devices, including air conditioning systems, etc. Staff has also been successful in negotiating coverage previously excluded from the policy which covers losses resulting from power failure which occurs off Board property.

HSB has agreed to provide a commitment for a three year policy, subject to annual re-rate. Per occurrence deductibles will continue to be \$10,000, except for air conditioning systems, electric motor driving A/C compressors, and A/C compressors in excess of 125 HP, which remains at \$25,000 per loss, with an annual premium of \$70,000.

RECOMMENDED: That The School Board of Miami-Dade County, Florida renew its boiler and machinery insurance coverage with Hartford Steam Boiler and Inspection Insurance Company (A.M. Best A+X), through Arthur J. Gallagher & Co., Miami, Florida, effective September 13, 1999, for three, one-year renewals, at an annual premium of \$70,000 for the first year.

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