

Business Operations
Ofelia San Pedro, Deputy Superintendent

SUBJECT: RENEWAL OF DISTRICT'S PROPERTY INSURANCE PROGRAM

COMMITTEE: INNOVATION, EFFICIENCY & GOVERNMENTAL RELATIONS

LINK TO DISTRICT STRATEGIC PLAN: IMPROVE FINANCIAL SERVICES

The School Board is required to carry property insurance on all school buildings (except buildings of three classrooms or less) and all school plants including contents, boiler and machinery, pursuant to the provisions of Section 1001.42(9)(b)(8)(d), Florida Statutes.

At the Board meeting of February 13, 2008, the Board authorized staff, through Arthur J. Gallagher & Co., to secure and bind maximum available limits of all risk, replacement cost property insurance coverage with annual premiums and required fees not to exceed \$25 million. The program's existing coverage limits of \$250 million, with the authorized annual premium amount of \$25 million was renewed at a 21% decrease in pricing when compared to last year's total annual premium of \$30,565,801.

The total insured value of all covered district-owned property increased 13.4% from \$7.5 billion last year to \$8.6 billion for this year's renewal.

Staff has successfully bound \$250 million of all risk, replacement cost property insurance coverage and \$50 million of terrorism coverage, completely subscribed (no district pro-rata share of self insurance), with total annual premiums of \$24,485,072.37, representing an overall **decrease** in premiums from the expiring program of \$6,080,728.63. Additionally, existing coverage limits increased or enhancements were added, including coverage for landscaping, extra expense, and off premises power deprivation. A major coverage enhancement for this renewal is the provision of blanket coverage, thus not limiting the coverage to specific locations based upon reported replacement cost values.

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Available coverage limits were reduced from \$700 million to \$200 million at the renewal which became effective May 1, 2006 due to global market conditions following the 2004 and 2005 Atlantic Hurricane seasons. In an effort to rebuild these lost limits, the Board authorized the purchase of an additional \$50 million layer of coverage when the limits became available at last year's renewal.

While staff believes it is very important to continue to rebuild the purchased coverage beyond the current \$250 million, there currently does not appear to be enough capacity in the marketplace to increase limits for this renewal. Historical information on total insured values, rates and purchased limits from 1996 through 2008 is being sent to the Board as supplemental information to this item.

COVERAGE IN EFFECT AS OF MAY 1, 2008

PROPERTY

<u>Limits of Coverage</u>	<u>Deductibles</u>	<u>Total Annual Premium</u>
\$250 million Windstorm	4% values/loc.	\$ 24,000,000
\$250 million Other Perils	\$500,000/occ.	Included

Sub Limits:

\$25 million Flood	see above	Included
\$10 million Landscaping	see above	Included
\$25 million Extra Expense	see above	Included
\$50 million increased cost Of construction	see above	Included
\$50 million Demolition	see above	Included
\$25 million Off Premises Power Deprivation	see above	Included
\$75 million New Property	see above	Included
\$ 5 million Ingress/Egress	see above	Included
\$15.7 million Antennae And Aerials	see above	Included

Fees-	\$ 339,632.37
Florida Emergency Trust Fund FEMTF; Florida Fire College Trust; Florida Hurricane Catastrophic Fund Emergency Assessment; Florida Insurance Guaranty Association	

TOTAL PROPERTY ANNUAL PREMIUMS-	<u>\$ 24,339,632.37</u>
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TERRORISM

<u>Limits of Coverage</u>	<u>Deductibles</u>	<u>Total Annual Premium</u>
\$50 Million	\$100,000/loss	\$ 144,000.00
Fees- Florida Hurricane Catastrophic Fund Emergency Assessment		\$ 1,440.00
TOTAL TERRORISM-		<u>\$ 145,440.00</u>
GRAND TOTAL PROPERTY PROGRAM		<u>\$ 24,485,072.37</u>

Confirmation of coverage has been provided to The Bank of New York, Jacksonville, which requires that they are named as Loss Payee on the property insurance policies to protect their interests for properties which are financed with Certificates of Participation (COP's).

Section 5.3 of the Master Lease Purchase states that any policy of all risk property insurance must be obtained from a commercial insurance company or companies rated A+ by A.M. Best Company, or in one of the two highest rating categories of Moody's and S&P, or otherwise approved by the Credit Facility Issuer. An annual report from the district's insurance consultants outlining the coverage is also required.

The following requests are sought pursuant to the authority provided within State Board Rule 6A-1.012(11), wherein the district, when entering into risk management programs, may make such acquisitions by direct negotiations and contract:

1. The Board previously authorized consulting fees for property insurance related issues including the annual report, policy review and oversight, be charged to the Board's self insured property fund in an amount not to exceed \$75,000 per year, with an hourly fee of \$150/hour. Staff is requesting this authority be renewed for the new policy year.
2. At last year's renewal when the district assumed a much larger windstorm deductible, the Board approved a contract with GAB Robins (for property adjusting services on an as-needed basis following a loss to real property) with funding from the district's self insured property program. This firm is currently named in the district's property policies as the authorized adjusting firm. Continuation of this contract is vital to protect the Board's interests following a loss and to access funds from the Federal Emergency Management Agency (FEMA). Adjusting fees for losses in excess of the district's self insured deductible are paid by the insurers. Staff is recommending renewal of this contract in which the approved fee structure ranges from \$76 to \$110/hour for adjusters and from \$133 to \$195/hour for Executive/National and General Adjusters. As of this date, no fees have been paid to GAB Robins during the 2007-2008 policy year.

although the named Executive Adjuster was on site following the fire at Kensington Park Elementary on January 25, 2008.

3. For the past several years, the Board has approved the use of contracted surveying/engineering firms to provide sealed elevation certificates in order to procure necessary flood coverage. Staff is requesting this authority be continued for the upcoming policy year with expenses not to exceed \$50,000. Funds will come from the Board's self insurance program.

A letter of "reasonableness" from the Florida Office of Insurance Regulation is sought annually to comply with the provisions of Section 406 of the Federal Stafford Act which requires that the individual state's insurance commissioner certify that the property insurance carried by an insured is "reasonable" based upon market conditions. Staff is requesting authority to once again seek such a letter from the commissioner's office.

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

1. confirm placement of its excess, all risk, replacement cost property insurance program, through Arthur J. Gallagher & Co., effective May 1, 2008 to May 1, 2009. Total insurance limits are \$250,000,000 per occurrence with the following insurers and annual premiums, inclusive of all state required fees and assessments:

Allied World Assur. Co. (AmWins)	\$ 404,004.00
ARCH Specialty (AmWins)	\$ 454,504.00
Axis Surplus Ins. (Domestic)(RPS)	\$1,388,762.00
Columbia Casualty Co.	\$ 481,996.37
Commonwealth Ins. Co. (RPS)	\$ 882,503.50
Endurance American Ins. Co. (RPS)	\$ 426,430.00
Essex Insurance Co. (RPS)	\$ 454,504.00
Great Lakes Re PLC (UK)	\$ 532,884.00
James River Ins. Co. (RPS)	\$ 353,504.00
Lancashire Ins. Co. (UK)	\$ 227,254.00
Landmark American Ins. (RPS)	\$1,641,258.00
Lantana Ins. Limited (AmWins)	\$ 212,100.00
Lexington Ins. Co. (UK)	\$4,519,758.00
Liberty Mutual Fire Ins.	\$1,688,008.00
Lloyds of London (UK)	\$5,756,208.00
Max Specialty Ins. Group (RPS)	\$ 181,808.00
National Fire & Marine (AmWins)	\$ 748,414.00
SR Int'l Business Ins. Co. (UK)	\$1,598,333.00
StarrTech (LloydsSYN1919)	\$ 606,004.00
Westchester Surplus (RPS)	<u>\$1,781,395.50</u>
TOTAL	\$24,339,632.37

2. confirm purchase of terrorism coverage, including domestic and foreign (T-3 form), subject to an aggregate limit of \$50,000, from Lloyd's of London, through Arthur J. Gallagher & Co., effective May 1, 2008 to May 1, 2009, with an annual premium of \$145,440;
3. authorize consulting expenses to be paid to the Board's insurance consulting firm of Siver Insurance Consultants, Inc. to assist in policy review and issuance, preparation of annual consultants report to the Bank of New York, Jacksonville, and other required technical services. Consulting fees will be \$150/hour, in an amount not to exceed \$75,000 for the policy year. Funding for such expenses will be paid from the Board's self insured property fund (0100,5320,9112,9999,7900);
4. authorize renewal of the contract with GAB Robins for property adjusting services to be used on an as-needed basis when a loss would result in a liability to the district's self insured property program. The adjusting expenses will range from \$76 to \$110/hour for adjusters and between \$133 to \$195/hour for Executive/National and General Adjusters;
5. authorize the use of J. Bonfill & Associates, Inc.; F.R. Aleman & Associates, Inc.; Biscayne Engineering Company, Inc.; Consul-Tech Surveying & Mapping, Inc.; and Miller Legg & Associates, Inc. to produce sealed elevation certificates, pursuant to NFIP guidelines. This authorization is subject to these firms' current contracts with the Board as approved at the Board meeting of January 16, 2008, Agenda Item F-23. Expenditures for these services will be taken from the Board's self insured property fund in an amount not to exceed \$50,000; and
6. authorize the Superintendent of Schools to seek a letter of reasonableness of its current property insurance program from the State of Florida, Department of Insurance Regulation, or designee, pursuant to the requirements of Section 406 of the Federal Stafford Act.

OSP:sc