

Financial Services  
Richard H. Hinds, Chief Financial Officer

**SUBJECT**                                    **REQUEST FOR AUTHORIZATION TO EXTEND THE EXISTING PORTFOLIO BUILDER'S RISK INSURANCE PROGRAM FOR NEW AND EXISTING FACILITIES AS PART OF THE DISTRICT'S CAPITAL CONSTRUCTION PLAN AND PURCHASE AN ADDITIONAL LAYER OF COVERAGE FOR NAMED/NON-NAMED WINDSTORM LOSSES**

**COMMITTEE:**                                **INNOVATION, EFFICIENCY & GOVERNMENTAL RELATIONS**

**LINK TO STRATEGIC FRAMEWORK:**                                **FINANCIAL EFFICIENCY/STABILITY**

At the School Board meeting of October 11, 2006, authorization was received to purchase a Portfolio Builder's Risk Insurance Program (Builder's Risk) consisting of all risk, replacement cost property insurance for facilities under construction as part of the District's Five Year Capital Plan. This authorization was provided for an initial three-year term, effective October 12, 2006, and was renewed for an additional three-year term effective October 12, 2009 at the School Board meeting of May 20, 2009.

At the School Board meeting of October 10, 2012, authorization was received to renew the existing Builder's Risk coverage for an additional two-year period for policy periods October 12, 2012 to October 12, 2013 and October 12, 2013 to October 12, 2014. This authorization was provided prior to the taxpayers' approval of the \$1.2 billion General Obligation Bond (GOB) program. At that time the savings which the program had provided to the Capital budget in having the District provide the property coverage for buildings under construction, as opposed to having the contractors provide the coverage, was approximately \$25.9 million. As of September, 2013, the savings has increased to \$26,850,723. Additionally, because the School Board carries the property coverage, there is access to FEMA public assistance grants for deductibles, etc., which would not exist if the coverage was in the contractor's name.

Now that the District is ramping up for increased construction activity as a result of the GOB program, staff has determined that taking advantage of market conditions and extending the existing program for one additional year for policy period October 12, 2014 to October 12, 2015 would be fiscally prudent for the District.

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Additionally, staff is recommending an additional layer of coverage be purchased which will sit on top of the existing coverage and consist of named windstorm and non-named windstorm coverage, extending the current windstorm limits of \$25 million per occurrence by \$50 million to a total of \$75 million due to significantly increased construction activity over the next two-year period. Coverage for all other perils (other than wind) will remain at the current limits of \$50 million.

The current program consists of the following coverage/terms underwritten by Lexington Insurance Company (A.M. Best, A+, XV):

Limit of Liability:	\$50 million any one occurrence
Flood:	\$5 million for special hazard zone (A,V), \$50 million annual aggregate for all other zones
Interior Water Damage:	\$5 million any one occurrence
Earthquake:	\$50 million annual aggregate
Named Windstorm:	\$25 million any one occurrence
All other Windstorm:	\$25 million any one occurrence

**Deductibles:**

Named Storm Deductible:	5% of the total insured values at risk at the time and location of loss with a per loss minimum of \$25 million
Other Wind Deductible:	\$250,000 per occurrence
Water Damage: (Other than Flood)	\$100,000
Flood:	5% of the values for zones A,V, subject to a minimum per loss deductible of \$1 million, with all other zones at \$50,000 per occurrence
Interior Water Damage:	\$100,000 per occurrence

Staff is recommending the following financial terms for the additional one-year term for 2014-2015 school year, effective October 12, 2014 at existing rates. The rate structure for this coverage has been consistent since the program's inception in 2006 and is as follows:

New Capacity: Other than	\$1.0479/\$100 Annual Expenditures
New Capacity:	\$0.5840/\$100 Annual Expenditures
Terrorism:	\$0.032106 (percentage of premium)

Based on the above rates the projected premium for the primary layer of the Portfolio Builders' risk program for 2013-2014 will be as follows:

<u>Premium Projection</u>	<u>60% Expenditure Base (Funded Capital Projects)</u>
New Capacity	\$ 727,793.89 (60% = \$69,452,609)
Other than new capacity	\$ 810,962.51 (60% = \$138,649,771)

Terrorism	\$ 49,403.31
Citizens Assessment (State)	\$ 15,387.56
FHCF/EMPA Assessments	\$ 20,003.83
<b>TOTAL</b>	<b>\$1,623,551.10</b>

Staff is recommending placement of the additional layer of coverage consisting of \$50 million excess of \$25 million windstorm coverage for both non-named/named windstorms (following form) for a two-year period effective October 12, 2013 to October 12, 2015; with carriers, terms and conditions pursuant to the following provisions:

SwissRe/Westport Insurance Corporation (A.M. Best, A+, XV )

Loss Limit: 40% of \$50 Million excess of \$25 Million/ \$20,000,000

Westchester Surplus Lines Insurance Company (A.M. Best, A+ XV)

Loss Limit: 30% of \$50 Million excess of \$25 Million/ \$15,000,000

Houston Casualty Company (A.M. Best, A+, XV)

Loss Limit: 30% of \$50 Million excess of \$25 Million / \$15,000,000

Program Rates guaranteed for a two-year period (subject to annual year-end audits)

New Capacity: \$0.33 per \$100 New Capacity Projects

Renovation: \$0.181 per \$100 Other than New Capacity Projects

The total projected annual premium for each of the two years, is guaranteed based upon the program rates shown above and are subject to the total amount of new capacity projects and the total amount of other than new capacity projects, effective October 12, 2013 to October 12, 2014 and October 12, 2014 to October 12, 2015, for the additional layer of coverage consisting of \$50 Million excess of \$25 Million Wind coverage for non-named/named windstorms. Premiums for the 2013-2014 Builder's Risk are as follows:

**\$50 MILLION BUILDER'S RISK WINDSTORM LAYER 2013-2014**

(Deposit based on 100% of funded capital projects):	\$ 800,000.00
Citizens Assessment (State)	\$ 8,000.00
FHCF/EMPA Assessments	\$ 10,412.00
Admitted assessment based on SwissRe/Westport's Portion	\$ 320.00
<b>Total:</b>	<b>\$ 818,732.00</b>
<b>\$25 MILLION BASE BUILDER'S RISK 2013-2014</b>	<b>\$1,623,551.10</b>
<b>Annual Grand Total (combined Primary and Excess Limit)</b>	<b>\$2,442,283.10</b>

As has been the case for the existing program, staff is recommending that consulting fees be authorized to assist in reviewing issued policies, premiums, billings, and other required professional services and advice on the program, with such fees to be paid to the District's risk management consultants at \$150/hour, with annual expenditures not to exceed \$50,000 per policy year to be paid by from the District's Capital Budget.

**RECOMMENDED:**

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

1. confirm the previously authorized renewal for policy year October 12, 2013 to October 12, 2014 and authorize a one-year extension, effective October 12, 2014 to October 12, 2015 of its Portfolio Builder's Risk Insurance Program consisting of all risk, replacement cost coverage for facilities under construction, and other capital expenditures including maintenance projects from Lexington Insurance Company (AM Best A+, XV), through Arthur J. Gallagher Risk Management Services, Inc. with limits of coverage of \$50,000,000 per occurrence, subject to stated sub-limits and annual aggregates, subject to a Named Windstorm deductible of 5% of total insured values at risk at the time and the location of loss/\$25,000,000 minimum per loss deductible and a per loss deductible of \$250,000 for perils other than those subject to the Named Windstorm Deductible, and limits for interior water damage of \$5,000,000, subject to a per occurrence deductible of \$100,000, with premium rates of \$1.0479/\$100 of annual expenditures for new capacity construction; \$0.5849/\$100 of annual expenditures for other than new capacity construction; and \$0.032106 (percentage of premium) for terrorism, subject to annual audit of actual expenditures for policy years 2013-2014 and 2014-2015, inclusive of cancellation provisions as negotiated, with payments including deposit and audit premiums to be paid from the Board's Capital Budget for policy periods of October 12, 2013 to October 12, 2014 and October 12, 2014 to October 12, 2015;
2. authorize the additional layer of excess coverage consisting of \$50 Million excess of \$25 Million Wind Coverage for non-named/named windstorms for a two-year period effective October 12, 2013 to October 12, 2015 with SwissRe/Westport Insurance Corporation (A.M. Best, A+, XV ) Loss Limit: 40% of \$50 Million excess of \$25 Million/ \$20,000,000, Westchester Surplus Lines Insurance Company (A.M. Best, A+ XV)

Loss Limit: 30% of \$50 Million excess of \$25 Million/  
\$15,000,000 and Houston Casualty Company (A.M. Best,  
A+, XV) Loss Limit: 30% of \$50 Million excess of \$25  
Million / \$15,000,000 (A.M. Best, A+,XV) through Arthur  
J. Gallagher Risk Management Services, Inc. with  
premium rates of \$0.33/\$100 of annual expenditures for  
new capacity construction and \$0.181/\$100 of annual  
expenditures for other than new capacity construction  
subject to annual audit of actual expenditures for policy  
years 2013-2014 and 2014-2015, inclusive of  
cancellation provisions as negotiated, with payments  
including deposit and audit premiums to be paid from the  
Board's Capital Budget for policy periods of October 12,  
2013 to October 12, 2014 and October 12, 2014 to  
October 12, 2015; and;

3. authorize consulting expenses for assistance in reviewing issued policies, premiums, billings, and other required professional services and advice on the Portfolio Builder's Risk Program, with such fees to be paid to the District's risk management consultants at \$150/hour, subject to annual maximum expenditures of \$50,000 to be paid from the Board's Capital Budget for policy periods of October 12, 2013 to October 12, 2015.

RHH:sbc