

Financial Services
Mr. Ron Y Steiger, Chief Financial Officer

SUBJECT: RENEWAL OF DISTRICT'S PROPERTY INSURANCE PROGRAM

COMMITTEE: FISCAL ACCOUNTABILITY & GOVERNMENT RELATIONS

LINK TO STRATEGIC BLUEPRINT: EFFECTIVE AND SUSTAINABLE BUSINESS PRACTICES

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

BACKGROUND AND UPDATES

At the Board meeting of February 13, 2019, the Board authorized staff to enter negotiations through its broker and secure and bind \$250M in coverage limits, with annual premiums for all property insurance premiums and associated fees not to exceed \$20M, inclusive of the renewal of the STORM Parametric Property Insurance Policy effective May 1, 2019, with payment of such coverage to be funded from the District's property insurance budget. Additionally, the Board authorized staff to secure and bind terrorism coverage, through its broker in the amount of \$50M property damage \$10M bodily injury with an annual premium not to exceed \$100,000, as well as, authorizing renewal of flood insurance coverage with the National Flood Insurance Program (NFIP), for all properties required by the Federal Government to be covered with estimated premiums not to exceed \$2.1 million. All four coverages were authorized to be secured and bound for the 12-month period of May 1, 2019, through April 30, 2020.

PROGRAM RENEWAL

Staff through its broker has secured and bound \$250 million in all risk, replacement cost property insurance which has been bound effective May 1, 2019, with all premiums, including applicable state fees totaling \$17,696,248. This represents a 3.7% increase from the expiring program.

E-67

Several factors contributed to the premium increase, including a hardening of the overall market, a reduction in capacity in the reinsurance market and an increase in the District's total insured values. In order to keep premiums as close as possible to the expiring premium, The District increased its participation from 39.1% or \$19.55 million in the \$50 million excess of \$200 million layer of coverage to 50% or \$25 million.

A portion of the primary layer of coverage is on a multi-year structured insurance program (MYSIP), including premiums and capacity to insulate the District from significant market changes. The three-year commitment has ended for North American Capacity Insurance Company (Swiss Re), and Lloyds of London (various carriers). Swiss Re provided a quote more than 11% of the expiring premium as well as 50% reduction to the no claims bonus, as a result staff is recommending nonrenewal of Swiss Re's portion of the MYSIP. Lloyds of London has chosen not to participate in the MYSIP program but has offered pricing at the traditional terms to be renewed on an annual basis. Berkshire Hathaway has agreed to increase their participation in the MYSIP from 10% to 20%. This will result in an overall decrease the MYSIP portion of the primary \$100M of coverage on a rolling three-year capacity and rate guarantee from 67% to 33.5%.

All committed MYSIP capacity from the carriers includes the same No Claims Bonus (NCB) provision, whereby the District is eligible to receive reimbursement of 10% of premiums paid, net of commissions paid in years without any reported or paid losses above the named windstorm/flood Deductible of \$100,000,000. The remainder of that layer (66.5% part of 100%) or \$66.5M is traditional all risk, replacement cost coverage which covers named windstorm/flood and all other perils coverage.

The MYSIP will be providing a NCB in the estimated amount of \$586,741 for policy year 2018. Additionally, authorized terrorism coverage with limits of \$50 million for property damage/\$10 million bodily injury has been bound with an annual premium of \$76,500, which represents a 10.5% decrease from the expiring premium of \$85,500.

The previously authorized three-year "STORM" Parametric Index Wind Speed Property Insurance Policy, with North American Capacity Insurance Company (Swiss Re), expired May 1, 2019. Swiss Re has provided a renewal quote for both MYSIP property & the STORM policy in excess of a 11% increase, therefore, staff is recommending non-renewal of the STORM policy.

PROGRAM COVERAGE IN EFFECT AS OF MAY 1, 2019

<u>Property Limits</u>	<u>Deductibles</u>	<u>Total Annual Premium</u>
\$250 million Named Windstorm	\$100 million/loss Named Windstorm Deductible	\$17,696,080
\$250 million other perils (AOP)	\$1 million/per occurrence	included
Sub Limits		included
\$25 million Flood Annual Agg	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
\$ 5million Ingress/Egress (not to exceed 30 days)	see above	included
\$18,638,000 Antennae / Aerials	see above	included

	2018-2019	2019-2020
Property	\$17,057,810	\$17,696,080
Surcharges, Fees and Assessments	\$5,388	\$168
Subtotal	\$17,063,198	\$17,696,248
Terrorism	\$85,500	\$76,500
Parametric STORM Policy	\$800,000	\$0
No Claim Bonus	\$(531,988)	\$(586,741)
Total	\$17,416,710	\$17,186,007

The following requests are sought pursuant to the authority provided within State Board Rule 6A-1.012(15) wherein the District, when entering into risk management programs, may make such acquisitions by direct negotiations and contract.

The Board has previously approved a contract with Sedgwick Claim Management Services, Inc. formerly known as Cunningham Lindsey, for property adjusting services on an as-needed basis following a loss to real property, with funding to come from the District's self-insured property fund. Sedgwick Claim Management Services, Inc. is currently named in the District's property policies as the authorized adjusting firm, which is crucial when numerous insurers participate in a layered property program. The focus of this contract would be to coordinate efforts for determination of a scope of loss to access FEMA funds for losses within the District's retention, and then to represent the carriers in a loss which exceeds the deductible.

Staff is recommending renewal of this contract at the following rates which are the same as the expiring rates:

	2019-2020 Hourly Rates
Adjuster	\$92
Branch General Adjuster	\$114
Regional General Adjuster	\$133
Protégé Adjuster	\$160
National General Adjuster	\$185
Executive General Adjuster	\$221
Senior Executive General Adjuster	\$245

For the past several years, the Board has approved the use of contracted surveying/engineering firms to provide sealed elevation certificates to procure

necessary flood coverage through the National Flood Insurance Program (NFIP). Staff is requesting this authority be continued for the upcoming policy year to access such certificates through Special Project Consultants (SPC)/Architects/Engineering Project Consultants (AEPC) firms with expenses not to exceed \$50,000, with funding to come from the District's self-insured property fund.

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 Risk Management Services, Inc., effective May 1, 2019 to April 30, 2020 consisting of total insurance limits of \$250,000,000 per occurrence with annual premiums, inclusive of all state-required fees and assessments in the amount of \$17,696,248:
2. confirm purchase of terrorism coverage, including domestic and foreign (T-3 form), subject to an aggregate limit of \$50,000,000 property damage, \$10,000,000 bodily injury from Lloyd's of London,

through Arthur J. Gallagher Risk Management Services, Inc., effective May 1, 2019 to April 30, 2020 with an annual premium of \$76,500;

3. confirm renewal of flood insurance coverage with National Flood Insurance Program, (NFIP), through Arthur J. Gallagher Risk Management Services, Inc., for all properties required by the Federal Government to be covered with estimated premiums not to exceed \$2.1 million for coverages effective for the 12-month period of July 1, 2019 to June 30, 2020;
4. authorize renewal of the adjusting services performed by Sedgwick Claim Management Services, Inc. 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, with adjusting expenses to be as follows with expenses to be paid from the District's self-insured property fund:

	Hourly Rate
Adjuster	\$92
Branch General Adjuster	\$114
Regional General Adjuster	\$133
Protégé Adjuster	\$160
National General Adjuster	\$185
Executive General Adjuster	\$221
Senior Executive General Adjuster	\$245

- 5 authorize the use of any of the SPC/AEPC firms under contract to the District, with associated fees, to access firms to produce sealed elevation certificates, pursuant to NFIP guidelines, with expenditures for these services not to exceed \$50,000 to be paid from the District's self-insured property fund.

RYS:mgf