Office of Superintendent of Schools
Board Meeting of May 15, 2002

May 10, 2002

Financial Affairs
Richard H. Hinds, Chief Financial Officer

SUBJECT: RENEWAL OF BOARD'S PROPERTY INSURANCE PROGRAM

At the Board meeting of March 13, 2002, the Board authorized Arthur J. Gallagher & Co. to secure and bind maximum available limits of property insurance coverage, with annual premiums for catastrophic, all risk, replacement cost coverage not to exceed $15 million, effective May 1, 2002. This item, pursuant to the authority received in March, will provide the Board a full report of the program which was bound effective May 1, 2002; establish a budget for flood coverage; and confirm the authorization to purchase flood coverage, for those properties which renewed May 1, 2002, and outline the property insurance program for antennae, towers and equipment owned by the Board related to its television and radio operations.

CURRENT STATUS OF THE INSURANCE MARKETPLACE

Staff has been keeping the Board informed as to the current difficult insurance marketplace, which was exacerbated by the horrible events of September 11, 2001. In the memorandum which was distributed to the Board on November 7, 2001, the Superintendent attached a memorandum outlining the specifics of a report issued by Morgan Stanely which set forth the two following effects on the industry:

✓ **THE CAPACITY OF THE REINSURANCE MARKET WORLDWIDE TO TAKE RISK, CURRENTLY AROUND $120 BILLION ANNUALLY OF PREMIUM, WILL SHRINK SIGNIFICANTLY - PERHAPS BY ONE-THIRD OR EVEN MORE; AND**

✓ **REINSURANCE AND INSURANCE PRICING WILL RISE SIGNIFICANTLY**

Most recently, in a report provided by the Extreme Events Committee of the American Academy of Actuaries, dated April 17, 2002, the following information was provided:

✓ **THE SEPTEMBER 11, 2001 TERRORIST ATTACKS HAVE CAUSED THE LARGEST INSURED LOSS EVER RECORDED**

REPLACEMENT
G-49

✓ **ESTIMATES OF ANTICIPATED LOSSES ARE BETWEEN $30 BILLION AND $70 BILLION, PRE-TAX (THIS COMPARES TO THE PREVIOUS LARGEST WORLDWIDE INSURED LOSS WHICH WAS HURRICANE ANDREW IN 1992, NOW ESTIMATED TO HAVE CAUSED $20 BILLION (IN TODAY'S DOLLARS) IN INSURED LOSSES) THE BOARD'S INSURED LOSS FROM HURRICANE ANDREW WAS $96 MILLION.**

✓ **ANALYSTS AND REINSURANCE EXECUTIVES FORECAST THAT 60 TO 80 PERCENT OF THESE LOSSES LIE WITH THE REINSURANCE INDUSTRY**

Large property owners, like Miami-Dade County School Board, have an inherent problem obtaining enough coverage, which stems from a lack of capacity within the reinsurance market (insurance companies which provide insurance to primary insurers). Additionally, property owners, which have concentrated values in catastrophic prone areas are the most difficult cases because the insurers have a limited amount of capacity to provide, and they do not want to provide it all in one area in order to achieve a spread of risk. In the report from the American Academy of Actuaries, they state that **capacity reductions will especially impact coverage for prominent properties and in cities with concentrations of high-value buildings.**

Since Hurricane Andrew, and the Board's $96 million loss, and subsequent cancellations of its coverage from two carriers, staff and Arthur J. Gallagher & Co. have developed a layered program where numerous Lloyd's of London syndicates, and foreign and domestic insurers share a portion of the risk for each layer of coverage. This technique has two advantages:

1. At the time of loss, no one insurer is exposed to a large share of the loss; and

2. When the market turns difficult, securing insurers to replace layers where other insurers have not been able to provide renewals becomes less formidable.

This year, a third advantage has come into play which is:

3. By re-structuring layers, those companies whose reinsurance does not allow them to write primary coverages (first layer after deductible), companies can provide coverages in the secondary layer by dividing up a $100 million primary layer into two $50 million layers, resulting in needed capacity.

Also, at the Board meeting of May 16, 2001, the Board authorized Arthur J. Gallagher & Co. to contract with Risk Management Solutions, Inc., Menlo Park, California, for a catastrophic modeling program utilizing RiskLink, at a cost not to exceed $50,000. Arthur J. Gallagher & Co. ended up purchasing this program at their own expense, in order to provide this service to the Board and other large property clients. The result of the modeling, utilized by each insurer providing coverage, is that the School Board could incur a loss of somewhere between $300 million and $350 million from a storm like Hurricane Andrew. This information then dictates the limits available from carriers to the School Board, as well as determining various wind deductibles.

Across the industry, large property owners are having to incur 5% wind deductibles. Following an analysis of the amount of money the Board would have to fund with various deductible scenarios, meetings held with domestic carriers and Lloyd's of London, and other European-based insurers, resulted in negotiating a maximum 4% wind deductible.

Much of the ability to negotiate terms and conditions in this marketplace, stem from not only the fact that the underwriters feel that the Board's property is a quality risk, but also because the Board has allowed staff to meet with the underwriters annually and market the improvements which have been made to the risk. Insurance is a relationship-based business and the Boards' relationships with its carriers have resulted in more capacity and better terms and conditions than other property owners will achieve in this difficult marketplace.

CURRENT PROPERTY PROGRAM EFFECTIVE MAY 1, 2002

Effective May 1, 2002, $120 million of coverage was secured and bound with an annual premium of $13,004,360.25, including applicable state fees. The Board authorized expenditures not to exceed $15,000,000, leaving $1,995,639.75 in the initial authorization. Confirmations of coverage were provided to both The Bank of New York, Jacksonville, and J.P. MorganChase Bank, who require that they are named as "Loss Payee" on the policies, to protect their interests for properties which were financed with Certificates of Participation (COP)s. The Board property insurance program, effective May 1, 2002 is as follows:

$50 MILLION PRIMARY LAYER

CONFIRMED CARRIERS	A.M.BEST	LIMITS	PREMIUM
Lloyd's and Other Co's.	A- XV	$21,500,000	$3,225,004
LMG/Employers of Wausau	A+ XV	$ 5,000,000	$ 750,754
Allianz	A++ XV	$ 5,000,000	$ 750,754
Westchester	A IX	$ 2,000,000	$ 300,304
Royal Excess/Surplus	A VIII	$ 4,000,000	$ 600,004
Lloyd's/Essex Insurance	A- XV	$ 3,000,000	$ 450,004
United National Ins.	A+ IX	$ 3,500,000	$ 525,004
Commonwealth	A- VIII	$ 1,500,000	$ 225,004
Coregis	A VIII	$ 2,000,000	$ 300,304
Allied World Ass. Co./AWAC	N/A	$ 2,500,000	$ 375,004
TOTAL		**$50,000,000**	**$ 7,502,140**

$50 MILLION EXCESS OF PRIMARY $50 MILLION LAYER

CONFIRMED CARRIERS	A.M. BEST	LIMITS	PREMIUM
Lloyd's and other Co.'s	A- XV	$23,500,000	$1,880,004
LMG/Employers of Wausau	A+ XV	$ 5,000,000	$ 400,404
Allianz	A++ XV	$ 5,000,000	$ 400,404
Royal Excess/Surplus	A VIII	$ 4,000,000	$ 320,004
Lloyd's/Essex Ins. Co.	A- XV	$ 3,000,000	$ 240,004
Commonwealth	A- VIII	$ 1,500,000	$ 120,004
Coregis	A IX	$ 3,000,000	$ 240,244
Great American	A XII	$ 5,000,000	$ 400,004
TOTAL		**$50,000000**	**$ 4,001,072**

$20 MILLION EXCESS OF $100 MILLION LAYER

CONFIRMED CARRIERS	A.M. BEST	LIMITS	PREMIUM
London - Open Market	N/A	$ 4,850,000	$ 363,754
CNA	A XV	$10,150,000	$ 762,015.25
Crum & Forster	A- X	$ 5,000,000	$ 375,379
TOTAL		**$ 20,000,000**	**$ 1,501,148.25**

PROGRAM TOTAL TO DATE ***$120,000,000*** ***$13,004,360.25***

Sublimits:	Landscape	$ 5 million/occurrence
	Extra Expense	$2.5 million/occurrence
	Increased Cost of Const.	$ 20 million/occurrence
	Demolition	$ 20 million/occurrence
	Off-Premises Power Deprivation	$ 5 million/occurrence
	Flood	$ 20 million/occurrence

DEDUCTIBLES:

All perils, excluding windstorm (pursuant to named storm endorsement)	$500,000 each occurrence
Mobile Broadcasting Equipment	$ 10,000 each occurrence
Electronic Data Processing	$ 25,000 each occurrence
Flood (Non-NFIP locations)	$500,000 each occurrence

Named Windstorm (Hurricane) Deductible:

Four percent (4%) of the total insured values per location/per campus shall be deducted any one occurrence subject to a minimum deductible of $1,000,000 any one occurrence.

Whether the claim involves loss at one or more locations, the deductible amount shall apply against total loss suffered by the Insured from any one occurrence.

Hurricane means a windstorm that:

a. Has sustained wind speed of 74 miles per hour and greater; and

b. Has been declared by the National Weather Service to be a hurricane

c. Includes the period of time:
   I. For the entire duration of the hurricane
   II. The 72 hours immediately following the downgrading of a hurricane

Hurricane cause also includes loss relating from:

a. Rain or wind driven rain/wind which enters the covered building or structure through an opening created by the force water of a hurricane.

b. One or more tornadoes that are a result of action or effects of a hurricane.

c. Any material, object or debris that is carried, propelled or in any manner moved by a hurricane.

Other than Named Storm (Hurricane) Windstorm Deductible:

$500,000 per occurrence for any loss or damage caused by or resulting from Windstorm/Hail except as provided for under the Named Storm (Hurricane) deductible.

Terms/Conditions:
- ✓ Manuscript policy form including Mr. Joe Eudy, or designee as adjuster
- ✓ Excess flood coverage over National Flood Insurance Program (NFIP)
- ✓ Replacement cost valuation, except actual cash value (ACV) for autos
- ✓ 90-notice of cancellation, except 10 days for non-payment of premiums
- ✓ Each carrier attaches its own endorsements for asbestos, seepage, pollution and nuclear

Loss Payee:

As respects G. Holmes Braddock Senior High School:
J.P. MorganChase, Trustee
450 West 33rd Street, 15th Floor
New York, New York 10001
Attention: Joanne Adamis

As respects other Certificates of Participation (COP) funded facilities as their interests may appear:
Bank of New York, Jacksonville
10161 Centurion Parkway
Highwoods Center
Jacksonville, Florida 32256
Attention: Linda Boenish, Assistant Treasurer

TERRORISM EXCLUSION

Most insurers, subsequent to the events of September 11, 2001, have either completely excluded terrorism coverage from their property insurance programs, or provided a sublimit amount which would apply to all of their total insurance limits outstanding. The federal government is entertaining the prospect of providing some form of global terrorism protection. Various bills have been introduced in the Senate and in the House of Representatives whereby insurance companies could pay into a fund which would allow the federal government to provide terrorism coverage in the event of another catastrophe like the destruction of the World Trade Center in New York.

A recently published GAO report, Terrorism Insurance, observes that the transfer process for terrorism risk is currently in a migratory stage. It notes that as the reinsurance treaties are renewed and coverage is generally not provided, terrorism risk has already begun moving in a significant way from the reinsurance market, where two-thirds of this risk resided before September 11, 2001, to primary insurers. The economic impact on the country of this occurring is significant, as it could include the cancellation or delay of certain large projects, property owners operating without protection, thereby subject to catastrophic loss, technical defaults on loans, and an increase in unemployment.

This report continues to observe that higher rates with less coverage seem likely to be more pronounced for larger rather than smaller risks and for major city risks rather than rural risks. With the Board's replacement cost values being in excess of $4.7 billion, and increasing, the report sets the problem squarely on property owners like the Board.

The Insurance Services Office (ISO) has filed with U.S. regulators terrorism exclusion language for inclusion in commercial insurance policies. However, reinsurance contract coverage is not subject to regulation, therefore, there is no industry reinsurance organization similar to the ISO. Staff and Arthur J. Gallagher & Co. have reviewed numerous versions of terrorism exclusions, including those provided by London, Allianz Insurance Company, Crum & Forster, etc. Staff will work with the Board's insurance consultants, Siver Insurance Consultants, Inc. to identify a form which can be utilized on the Board's program, with the goal to obtain as narrow as possible the definition of terrorism for the exclusionary endorsement. Additionally, staff from the Office of Risk and Benefits Management has been working with the Department of Federal Legislation to identify the weaknesses in the proposed bills before congress in order to attempt to get as liberal as possible legislation passed, which in the end will not further deteriorate the pool of insurance companies from which the Board seeks available coverage.

The Board is a member of the Risk and Insurance Management Society (RIMS), an international risk management professional organization, consisting of public and private companies. The President of RIMS met with President Bush and Security Director Tom Ridge, to provide input from the business community. RIMS representatives, including the Board of Directors, which includes the Board's Risk Manager, plan to meet with various representatives in congress to explain the impact that having no coverage for terrorism has on a company's ability to seek financing.

PROPERTY INSURANCE EFFECT ON SCHOOL CONSTRUCTION

Section 5.3 of the covenants in the Certificates of Participation sets forth the requirements for the Board's property insurance program, including limits, insurance company ratings, and deductible levels. Additional language exists which dictates that the insurance requirements must be available on commercially available terms, as well as being reasonable, depending upon the insurance marketplace. On an annual basis, the Board's insurance consultant, Siver Insurance Consultants, Inc., has provided the financial institutions such a report. The financial institutions are in receipt of the Board's current property program, representing \$120 million in coverage, down from last year's limits of \$580 million and the previous year's \$700 million. A copy of a letter from Siver is being sent as back-up regarding their recommendations, and subsequent to Board authorization, Siver will send their final consultants report to the financial institutions.

With the Board's total outstanding COPs, which are financing real property requiring adequate property insurance, approaching \$800 million, with additional COPs to be issued in fiscal year 2002-2003, it is not inconceivable that the banks may get to a point that the Board's obtainable property insurance limits are of concern. While it is not expected that a catastrophic loss would destroy Board-owned facilities, including COP-funded properties in excess of \$120 million, it certainly is possible. This, in conjunction with the fact that Florida Statute 230.23(9)(d) requires the school board to carry insurance on every school building in all school plants, including contents, boilers, and machinery, except buildings of three classrooms or less which are of frame construction, staff is recommending that efforts continue to attempt to obtain additional limits of coverage throughout the policy year.

As outlined in the information provided to the Board by the Superintendent, dated November 7, 2001, total expenditures for the Board's core property program for policy year May 1, 2001 – May 1, 2002 was $12,544,842.56, representing $580 million in coverage. While the Board had authorized a total expenditure for this program of up to $13 million, in order to achieve the previously attained $700 million in coverage, the additional limits were not available.

The comparison of purchasing $580 million in coverage last year for $12,544,842.56, as compared to purchasing $120 million so far this year for $13,004,360.25, is shocking, however, it is important that the current pricing be put in perspective when compared to previous years.

The worst year thus far in the Board's ability to purchase insurance coverage was immediately following Hurricane Andrew. That program, which became effective May 1, 1993, consisted of $150 million in coverage with total premiums of $6.8 million. The primary $100 million layer was priced at $6 million. The previous year, prior to Hurricane Andrew, the Board carried $125 million of coverage, for a total annual premium of $770,000.

A comparison of the 1993 program and the 2002 program is as follows, reflecting that the rate charged per $100 of value for 2002 is still less than what the Board paid in 1993:

	1993-1994	2002-2003	DIFFERENCE
LIMIT	**$100 Million**	**$100 Million**	**Same**
Total Insured Values	**$2.08 Billion**	**$4.7 Billion**	**128% Increase**
Wind Deductible	**2% of affected**	**4% of affected**	**100% Increase**
Annual Premium	**$6,000,000**	**$11,500,000**	**92% Increase**
Rate Per $100/Value	**Approx. $0.29**	**Approx. $0.24**	**17.24 Decrease**

RECOMMENDATIONS FOR ADDITIONAL COVERAGE

Ongoing negotiations for additional limits/coverages for the Board's program are continuing. Berkshire Hathaway Insurance Company has provided a quotation containing a package of coverages as follows:

PROPERTY INSURANCE COVERAGE:

LIMITS INCLUDING NAMED WINDSTORM (HURRICANE) COVERAGE - $30 MILLION

PROPERTY DAMAGE FOR TERRORISM - $50 MILLION (SUBJECT TO $1 MILLION DEDUCTIBLE/OCCURRENCE)

PROPERTY COVERAGE EXCLUDING WIND, FLOOD, EARTHQUAKE - $200 MILLION

Lengthy negotiations for this package resulted in a premium cost of $4,750,004, including applicable state fees.

Staff is recommending that the Board purchase these coverages for numerous reasons, including the addition of much-needed windstorm coverage; the addition of terrorism coverage with a low deductible; and the addition of top limits for all other perils. If purchased, the limits of the Board's program would be as follows:

Property insurance coverage, including windstorm (named hurricane) - $150 million/occ.
Property insurance coverage for terrorism peril - $50 million/occ.
Property insurance for perils other than windstorm, earthquake, flood - $350 million/occ.
Total annual premium - $17,754,364.25

As indicated previously, of the initial authorization for blanket property premiums received in March of $15,000,000, $1,995,639.75 has not been committed to date. Staff and the Board's consultant, Siver Insurance Consultants, Inc., feel that the additional limits, including windstorm and terrorism coverages, should be purchased, based upon the Board's exposure in the event of a loss. Due to the lack of capacity in the marketplace, few insurers are able to provide limits in this layer of coverage. However, once the initial $150 million of windstorm coverage is in place, additional limits of coverage could become available.

Pursuant to the hurricane modeling program, the Board's probable maximum loss (PML) in the event of a storm, such as Hurricane Andrew, is between $300 - 350 million. Based upon these expected losses, its is recommended that the Board attempt to purchase insurance limits of at least $200 million in coverage for windstorm. Therefore, staff is recommending that the additional coverage from National Fire & Marine Ins. Co. (Berkshire Hathaway) be purchased for $4,750,004, less the $1,995,639.75 left from the Board's prior authorization, resulting in a recommendation for additional authority for premium expenditures of the blanket property program of $2,754,364.25, for a total annual premium of $17,754,364.25. Additionally, staff is also recommending that additional limits of at least $50 million be sought, bringing the total coverage, including windstorm, to $200 million. Pricing indications of this layer are expected to be approximately $2,250,000. To secure those companies who will provide coverage, staff is recommending that authority be obtained to secure as much coverage in this layer, subject to a minimum participation of 50% from insurers.

PROPERTY COVERAGE FOR WLRN EQUIPMENT

Currently the Board carries coverage for its antennae, transmission lines, transmitters, and dishes at six locations in Broward, Miami-Dade and Monroe Counties with total insured values, established at last year's renewal, to be $5,210,000. This coverage, which was provided by Lloyd's of London and Allianz Insurance Company currently has a $5,000 deductible for perils other than windstorm, and a windstorm deductible of 3% of values per location. Annual premiums for 5-1-01 – 5-1-02 was $234,524.34.

Allianz Insurance Company is unable to secure proper reinsurance to continue underwriting this coverage. Limits are presently being sought from Lloyd's of London, however, few syndicates are interested. As such, it is recommended that the windstorm deductible be raised from 3% of values per location, to a flat $1 million per occurrence. Updated values of equipment reflect insurance needs of approximately $8 million in coverage, not including the Board's new tower which is currently being constructed, and covered by a property insurance (builder's risk) policy secured by the contractor. Once construction finishes and the Board assumes responsibility for the insurance coverage, total insured values could rise by another $9 - $10 million.

In order to place some limits of coverage, Staff is recommending that the Board provide authorization to allow Arthur J. Gallagher & Co. to secure and bind maximum available limits of property coverage for scheduled values of WLRN equipment, with annual premiums not to exceed $500,000. A report of limits, and premiums will be brought back to the Board meeting of June 19, 2002.

NATIONAL FLOOD INSURANCE PROGRAM (NFIP)

The Board's blanket property insurance program covers properties for flood, but only for those properties which are located in a flood plain which does not require purchase of flood insurance through the federal government, pursuant to the provisions of the McCarren-Ferguson Act. Under the federal government guidelines for NFIP, if the Board were to sustain a flood loss for properties eligible for the coverage, and failed to purchase coverage, the Federal Emergency Management Agency (FEMA) would not respond.

As a result of the floods which occurred in October 3, 2000, the Board collected $832,512.50 from FEMA to repair and replace flood damaged properties for properties which were not in a stipulated flood plain, and were not covered by NFIP. Additionally, $243,342.43 was received as a result of claims made against NFIP for insured properties, for a total amount collected from that storm of $1,075,854.93. Properties which were not covered by NFIP at that time, must now be insured for flood through NFIP. NFIP policies are written on a *building by building* basis, therefore, requiring numerous policies for some of the Board's multi-building campuses.

The budget for NFIP for May 1, 2002 – May 1, 2002 was established at $3 million. To accommodate the additional policies which must be secured, as well as a federal government approved rate increase for the NFIP program of 6% - 8%, it is recommended that the flood budget be increased to $3,300,000 for May 1, 2002 – May 1, 2003.

Because the purchase of flood policies typically requires sealed elevation certificates, pursuant to NFIP guidelines, authorization is being sought to obtain these certificates from the surveying companies currently under contract to the Board, including E.R. Brownell & Co., J. Bonfill & Associates, Manucy & Associates, Ludovici & Orange Consulting Engineers, Inc., and Precision Engineering & Surveying, with annual expenditures not to exceed $50,000.

OUTSTANDING ISSUES

Typically, the policy form, applicable sublimits and endorsement, which become part of the Board's property insurance program, are in place at the time the program is approved by the Board. Unfortunately, with the current situation in the marketplace, some insurers have been forced to change their standard forms and endorsement to comply with their reinsurer's guidelines. Staff and the Board's consultant will continue to review and approve all for changes and make the Board aware of any material changes in coverages, exclusions, sublimits etc., at future Board meetings.

Another major issue is the effect that the current insurance marketplace will have on the Board's current construction program. Currently, all general contractors are required to secure specified insurance coverages, including property insurance (builder's risk) coverages for the full amount of the building under construction, either new construction or additions. Two years ago, the maximum deductible for this coverage was raised to 3%, to accommodate the insurance marketplace.

The Office of Risk and Benefits Management, which monitors all insurances required of vendors, including contractors, is finding that general contractors are having increased difficulty in obtaining property coverages. They are experiencing the same problems that the Board is experiencing including rising premium costs, and a constriction of available limits.

Staff is looking at different alternatives, and a recommendation for possible changes to the Board's insurance specifications of its construction contracts will be brought back to the Board at a future Board meeting.

With the Board having to assume materially higher levels of self-insurance for its property coverages, it is crucial that proper procedures be put in place in order to expedite and maximize FEMA reimbursements in the event of a catastrophic storm. Pursuant to the recommendations contained in the report from OPPAGA, the Office of Risk and Benefits Management has finalized a comprehensive hurricane preparedness manual which is being sent out to every work location. This manual identifies the procedures established by FEMA for reimbursement of eligible expenses, as well as the necessary information that insurance adjusters will need to properly value a loss.

A copy of the Miami-Dade County Public School's Hurricane Preparedness Manual is being sent to the Board as back-up to this item.

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

1. confirm renewal of its excess all risk, replacement cost property insurance program, through Arthur J. Gallagher & Co., effective May 1, 2002 to May 1, 2003, for total insurance limits of $120,000,000 per occurrence with the following insurance companies and annual premiums:

Lloyd's & other companies	$5,468,762.00
Allianz Insurance Co.	$1,151,158.00
Royal Surplus Ins.Co.	$ 920,008.00
Westchester Fire Ins. Co.	$ 300,304.00
Coregis Ins. Co.	$ 540,548.00
Employers Ins. Of Wausau/LMG	$1,151,158.00
Commonwealth Ins. Co.	$ 345,008.00
Lloyd's/Essex	$ 690,008.00
Allied World Ass.Co., Ltd./AWAC	$ 375,004.00
United National	$ 525,004.00
Great American	$ 400,004.00
U.S. Fire Ins. Co.	$ 375,379.00
Continental Ins. Co. (CNA)	$ 762,015.50
TOTAL	**$13,004,360.50**

2. authorize the purchase of additional coverages, including property coverage, including windstorm, terrorism coverage, and property coverage for perils other than windstorm/hail, flood, and earthquake, at specified limits, with an annual premium of $4,750,004, including applicable state fees, from Berkshire Hathaway Insurance Companies (A.M. Best A++ XV), through Arthur J. Gallagher & Co., effective May 1, 2002 to May 1, 2003;

3. authorize Arthur J. Gallagher & Co. to secure and bind maximum available limits of all risk, stated value, replacement cost physical damage insurance for antennae, transmission lines, dishes, towers, and other equipment, not to exceed premiums of $500,000, effective May 1, 2002, with specifics of such placement to come back to the Board meeting of June 19, 2002;

4. authorize renewal of flood insurance, through National Flood Insurance Program (NFIP), through Arthur J. Gallagher & Co., for all properties required by the Federal Government to be covered, with estimated annual premiums not to exceed $3,300,000;

5. authorize the use of E.R. Brownell & Associates, J. Bonfill & Associates, Inc., Manucy & Associates, Ludovici & Orange Consulting Engineers, Inc., and Precision Engineering & Surveying, to produce sealed elevation certificates for properties requiring such certificates, pursuant to NFIP guidelines, subject to their current contracts with the Board, with expenditures for these services to be taken from the Board's self-insured property account in an amount not to exceed $50,000; and

6. authorize the Superintendent, through Arthur J. Gallagher & Co., to continue to obtain additional property insurance limits, including coverage for windstorm/hail, with limits of at least $50 million, subject to pricing in the area of $2,250,000, and bind such available coverage if insurance coverage is available for at least 50% of the $50 million layer, with the Board coinsuring the balance of that layer, with confirmation to come back to the Board at its meeting of June 19, 2002.

RHH:sc