

May 8, 2003

Financial Affairs
George M. Burgess, Chief Financial Officer

SUBJECT: RENEWAL OF BOARD'S PROPERTY INSURANCE PROGRAM

COMMITTEE: BUSINESS AND FINANCIAL SERVICES

At the Board meeting of April 9, 2003, the Board authorized Arthur J. Gallagher & Co. to secure and bind maximum available limits of all risk, replacement cost, property insurance coverage, with annual premiums not to exceed \$22 million, effective May 1, 2003. This item, pursuant to the authority received in April, will provide the Board a full report of the program which was bound effective May 1, 2003; establish a budget for flood coverage; confirm the authorization to purchase flood coverage for those properties which renewed May 1, 2003, 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

As an industry, the insurance and reinsurance marketplace continues to be a difficult or "hard" market for insureds who are seeking coverages for the following reasons:

- ✓ Hardening of the insurance marketplace beginning in calendar year 2001 due to poor underwriting results
- ✓ Terrorism events of September 11, 2001, which resulted in the largest single insured loss in insurance history
- ✓ Lack of investment income
- ✓ Increase in asbestos liability claims and re-reserving of old claims
- ✓ Ongoing corporate scandals resulting in insurance and bond losses

**REPLACEMENT
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Insurers are still struggling to quantify the exact financial loss associated with the events of September 11, 2001, with estimates being between \$40 billion and \$70 billion. There is still a big question as to whether the World Trade Center terrorist attack constituted one event or multiple events, as the final determination of this question will determine whether the policies which were in force at the time of the event will have to pay one or two policy limits.

On Tuesday November 19, 2002, Congress passed the Terrorism Insurance Act of 2002 (TRIA). While there was hope that passage of this act would have a positive effect on the industry, the fact is that only a minority of insureds have actually purchased the coverage through TRIA. Part of the reason for the lackluster impact of the bill is that it only covers foreign terrorism acts, and many large public entities including Miami-Dade County, City of Chicago, Metropolitan Exposition and Pier Authority (Chicago), among others, have been purchasing both TRIA and stand alone terrorism coverages, which will also cover acts of domestic terrorism.

The School Board actually rejected TRIA coverage and purchased stand-alone terrorism coverage last year. Staff recommends that we continue such coverage for 2003-2004, because of the risk of having an event such as a truck driving through a school, etc., not be covered by its property coverage, now that these acts are defined as "terrorist activities".

With the entire marketplace experiencing significant premium increases in 2002, the primary marketplace is now seeing some fiscal recovery from a number of years of losses. However, the reinsurance marketplace, which provides financial backup to the primary markets, continue to see poor financial returns, resulting in the downgrading of many reinsurers ratings, such as those provided by A.M. Best Company.

In spite of these problem, no claim from the World Trade Center terrorist attack of September 11, 2001 has gone unpaid, which speaks volumes to the basic strength of the insurance industry worldwide.

INSURANCE MARKETPLACE FOR CATASTROPHIC PRONE AREAS

Insureds such as The School Board of Miami-Dade County, Florida, have an inherent problem obtaining adequate coverage, which stems from a lack of capacity within the reinsurance market. All insurers allocate a percentage of their "capacity", the amount of coverage which they can write, depending upon their financial backing, and for catastrophe-prone areas such as Florida, a percentage of their entire capacity is designated as Florida aggregate. From there, insureds, such as the Board, must market themselves to the insurers in order to garner as much of the Florida aggregate coverage as possible, and to maximize the amount of purchased coverage.

Since the Board's \$96 million loss from Hurricane Andrew, and subsequent cancellations of its coverage from the two carriers who incurred the loss, staff and the Board's property insurance broker, 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 numerous advantages, two of which are listed below:

1. *AT THE TIME OF LOSS, NO ONE INSURER IS EXPOSED TO AN INORDINATE 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 COVERAGE RENEWALS BECOMES LESS FORMIDABLE.*

To provide clarification, at the time Hurricane Andrew hit South Florida, the reported total insured values were \$2.1 billion. The resultant loss from the hurricane was \$96 million. Today, total insured values are \$4.7 billion. Insurers are utilizing computer generated modeling to determine what the Board's Probable Maximum Loss (PML) would be in the event of another hurricane with the force of Andrew. However, these models must take into consideration a number of variables which are hard to determine, and could result in large variations of anticipated loss:

- ✓ *MAXIMUM SUSTAINED WINDS*
- ✓ *AREA WITHIN THE COUNTY STRUCK BY STORM*
- ✓ *SPEED OF THE STORM*
- ✓ *WIDTH OF THE STORM*

While certain models reflect a PML for Miami-Dade County Public Schools for a category 5 storm of \$350 million to \$400 million, it is important to point out that the P in "PML" does stand for Probable. As such, a \$100 million variance in the PML is only 2.1% of the Board's total insured values of \$4.7 billion, which leaves little room for error. Depending upon the model being utilized, the PML for a storm with less impact than that of Hurricane Andrew, ranged from \$307 million to \$807 million. Also, PML modeling does not include values which are not real property related, but for which coverage is provided, including fleet (value of \$122 million), and data processing equipment (value of \$185 million).

According to Colorado State University's Tropical Meteorology Project, a hurricane prediction team headed by renowned hurricane researcher William Gray, has predicted eight hurricanes during this year's hurricane season, which begins June 1, 2003. This compares with an average of 5.9 hurricanes annually since 1950. The report goes on to say that three of this season's hurricanes will be "intense" packing winds of at least 111 mph.

Considering all variables at hand, staff, the Board's insurance consulting firm of Siver Insurance Consultants, Inc., and the Board's broker, Arthur J. Gallagher & Co., feel that property limits of \$500 million would be satisfactory upon renewal. This goal takes into consideration that the Bank of New York, Jacksonville, requires an annual insurance letter outlining the Board's insurance program from the Siver firm, outlining the property insurance protection for Certificate of Participation (COP) funded properties. It also takes into consideration the necessity to obtain a favorable determination from the State of Florida Department of Insurance, that the Board has purchased adequate limits of property insurance coverage in order to receive federal disaster assistance funding from the Federal Emergency Management Agency (FEMA).

BOARD'S APPROACH TO SECURE COVERAGES

The Board's ability to continue to be successful in obtaining needed coverages, even in times of a difficult marketplace, is directly as a result of its relationships with its insurers as a quality customer, in conjunction with ongoing efforts to reduce its risk exposures. All underwriters which staff has met with, both domestically and internationally, specifically cite Miami-Dade School Board's understanding of its risk, and its long term commitment to specific insurance markets (eg., London), as their basis for their decision to commit any available capacity increases to the Board, in lieu of customers who do not employ the same business partnerships. As a result of the Board's strong partnerships, staff and the Board's broker have been successful in substantially increasing the limits of coverage made available, even though capacity in catastrophe-prone areas remains tight.

CURRENT PROPERTY PROGRAM EFFECTIVE MAY 1, 2003

Effective May 1, 2003, \$500 million of coverage was secured and bound with an annual premium of \$20,544,038, including applicable Fire Marshall surcharges and FIGA fees as required by the State of Florida, subject to a per occurrence windstorm deductible of four percent of values per affected location, and \$500,000 per occurrence for all other perils. Additionally, terrorism insurance, covering both foreign and domestic terrorist activities in the amount of \$50 million, subject to a per loss deductible of \$100,000 per occurrence, was bound for an annual premium of \$425,004. Also, all risk coverage for the aerials, transmitter equipment, towers, etc. which provides broadcasting capabilities to WLRN radio and television was secured and bound with limits of \$10,650,000, subject to a per loss deductible for wind of three percent for an annual premium of \$500,504. Total property insurance coverage premiums totaled \$21,469,546, which is slightly under the authorization not to exceed \$22 million provided by the Board at its meeting of April 9, 2003 for property coverage premiums.

The following chart reflects the expiring and current property insurance program:

YEAR	LIMITS OF COVERAGE	TOTAL PREMIUM	DEDUCTIBLES
2002-2003	Windstorm - \$200 million	\$20,504,526	4% values per loc.
	Other Perils - \$500 million	Included	\$500,000 per loss
	Terrorism - \$50 million	Included	\$1 million/loss
	<i>Loss to WLRN equipment of \$10,650,000 part of the available limits</i>		<i>3% of values per loss</i>
2003-2004	Windstorm - \$500 million	\$20,544,038	4% values per loc.
	Other Perils-\$500 million	Included	\$500,000 per loss
	Terrorism - \$50 million	\$425,004	\$100,000/loss
	WLRN- \$10.6 million	\$500,504 (separate limit)	3% of values per loss

When comparing the expired program to the current program, staff and the Board's broker were successful in renewing the program with a 5% increase in premiums:

- ★ **250% increase of windstorm coverage from \$200 million to \$500 million**
- ★ **Separate limit of coverage for \$10,650,000 stated value WLRN equipment**
- ★ **Separate lower deductible for WLRN coverage subject to 3% of values**
- ★ **Terrorism coverage of \$50 million per occurrence, including domestic and foreign acts, subject to a significantly lower deductible of \$100,000 per occurrence.**

Confirmation of coverage have been provided to The Bank of New York, Jacksonville, which requires that they are named as "Loss Payee" on the policies to protect their interests for properties which are financed with Certificates of Participation (COP's). The Board's property insurance program, effective May 1, 2003 is as follow:

<u>PRIMARY \$50 MILLION LAYER</u>			
<u>CONFIRMED CARRIER</u>	<u>A.M. BEST</u>	<u>LIMITS</u>	<u>ANNUAL PREMIUM</u>
Lloyd's/ Other London Co.	A- XV	\$22,500,000	\$ 3,206,254.00
Allianz Insurance Co.	A XV	\$ 5,000,000	\$ 713,216.50
Royal Surplus Lines	A- IX	\$ 4,000,000	\$ 570,004.00
Westchester Surplus	A X	\$ 2,000,000	\$ 285,004.00
Wausau/LMG	A XV	\$ 5,000,000	\$ 713,216.50
Commonwealth Ins.	A- VIII	\$ 2,500,000	\$ 356,254.00
Lloyd's CRC	A- XV	\$ 4,500,000	\$ 641,254.00
Allied World-Bermuda	A+ XIV	\$ 2,500,000	\$ 356,254.00
<u>Sheffield Ins.</u>	Au IX	<u>\$ 2,000,000</u>	<u>\$ 285,004.00</u>
TOTAL LAYER		\$50,000,000	\$ 7,126,461.00

\$50 MILLION EXCESS OF PRIMARY \$50 MILLION LAYER

<u>CONFIRMED CARRIER</u>	<u>A.M. BEST</u>	<u>LIMITS</u>	<u>ANNUAL PREMIUM</u>
Lloyd's/Other London Co.	A- XV	\$21,250,000	\$ 1,615,004.00
Axis Specialty/London	A XIII	\$ 3,750,000	\$ 285,004.00
Allianz Ins. Co.	A XV	\$ 5,000,000	\$ 380,384.00
Royal Surplus Lines	A- IX	\$ 4,000,000	\$ 304,004.00
Lloyd's CRC	A- XV	\$ 1,500,000	\$ 114,004.00
Wausau/LMG	A XV	\$ 5,000,000	\$ 380,384.00
Commonwealth Ins.	A- VIII	\$ 1,500,000	\$ 114,004.00
Essex/CRC	A X	\$ 3,000,000	\$ 228,004.00
<u>Great American</u>	A XIII	<u>\$ 5,000,000</u>	<u>\$ 380,004.00</u>
TOTAL LAYER		\$50,000,000	\$ 3,800,796.00

\$50 MILLION EXCESS OF \$100 MILLION

<u>CONFIRMED CARRIER</u>	<u>A.M. BEST</u>	<u>LIMITS</u>	<u>ANNUAL PREMIUM</u>
U. S. Fire Ins. Co. (C&F)	A-XI	\$10,000,000	\$ 570,574.00
Allianz Ins. Co.	A XV	\$ 5,000,000	\$ 285,289.00
Continental Ins. Co.	A XV	\$10,500,000	\$ 599,102.50
XL Insurance America	A+XV	\$10,000,000	\$ 570,574.00
Lloyds of London (1)	A-XV(1)	\$13,500,000	\$ 769,504.00
<u>Lloyd's of London (CRC)</u>	<u>A-XV</u>	<u>\$ 1,000,000</u>	<u>\$ 57,004.00</u>
TOTAL LAYER		\$50,000,000	\$ 2,852,047.50

\$50 MILLION EXCESS OF \$150 MILLION

<u>CONFIRMED CARRIER</u>	<u>A.M. BEST</u>	<u>LIMITS</u>	<u>ANNUAL PREMIUM</u>
Lloyd's of London (1)	A-XV(1)	\$28,000,000	\$ 1,197,004.00
Allianz Ins. Co.	A XV	\$ 5,000,000	\$ 213,967.75
Royal Surplus Line Ins.	A- IX	\$ 5,000,000	\$ 213,754.00
Commonwealth	A-VIII	\$ 2,500,000	\$ 106,879.00
Sheffield Insurance Co.	AuIX	\$ 2,000,000	\$ 85,504.00
XL Insurance America	A+XV	\$ 5,000,000	\$ 213,967.75
<u>Arch Speciality Insurance</u>	<u>A-X</u>	<u>\$ 2,500,000</u>	<u>\$ 106,879.00</u>
TOTAL LAYER		\$50,000,000	\$ 2,137,955.50

\$50 MILLION EXCESS OF \$200 MILLION

<u>CONFIRMED CARRIER</u>	<u>A.M. BEST</u>	<u>LIMITS</u>	<u>ANNUAL PREMIUM</u>
Lloyd's of London (1)	A-XV(1)	\$22,000,000	\$ 715,004.00
Allianz Ins. Co.	A XV	\$ 5,000,000	\$ 162,666.50
Sheffield Insurance Co.	AuIX	\$ 2,000,000	\$ 65,004.00
XL Insurance America	A+XV	\$15,000,000	\$ 487,991.50
Arch Speciality Insurance	A-X	\$ 2,500,000	\$ 81,254.00
<u>Lloyd's of London (CRC)</u>	<u>A-XV(1)</u>	<u>\$ 3,500,000</u>	<u>\$ 113,754.00</u>
TOTAL LAYER		\$50,000,000	\$ 1,625,674.00

\$50 MILLION EXCESS OF \$250 MILLION

<u>CONFIRMED CARRIER</u>	<u>A.M. BEST</u>	<u>LIMITS</u>	<u>ANNUAL PREMIUM</u>
Lloyd's of London (1)	A-XV(1)	\$17,000,000	\$ 425,004.00
Allianz Ins. Co.	A XV	\$ 5,000,000	\$ 125,129.00
Commonwealth	A-VIII	\$ 2,500,000	\$ 62,504.00
Clarendon America (RPS)	AX	\$ 5,000,000	\$ 125,004.00
XL Insurance America	A+XV	\$14,000,000	\$ 350,354.00
Sheffield Insurance Co.	AuIX	\$ 2,000,000	\$ 50,004.00
<u>Lloyd's of London (CRC)</u>	<u>A-XV</u>	<u>\$ 4,500,000</u>	<u>\$ 112,504.00</u>
TOTAL LAYER		\$50,000,000	\$ 1,250,503.00

\$50 MILLION EXCESS OF \$300 MILLION

<u>CONFIRMED CARRIER</u>	<u>A.M. BEST</u>	<u>LIMITS</u>	<u>ANNUAL PREMIUM</u>
Lloyd's of London (1)	A-XV(1)	\$ 9,500,000	\$ 142,504.00
Allianz Ins. Co.	A XV	\$ 5,000,000	\$ 75,079.00
XL Insurance America	A+XV	\$ 10,000,000	\$ 150,154.00
Axis Specialty Ltd.	AXIII	\$ 6,225,000	\$ 93,379.00
Westchester Surplus	AX	\$ 5,000,000	\$ 75,004.00
Commonwealth	A-VIII	\$ 3,275,000	\$ 49,129.00
First Speciality Ins.	AuVII	\$ 10,000,000	\$ 150,004.00
<u>Lloyd's of London (CRC)</u>	<u>A-XV</u>	<u>\$ 1,000,000</u>	<u>\$ 15,004.00</u>
TOTAL LAYER		\$ 50,000,000	\$ 750,257.00

\$50 MILLION EXCESS OF \$350 MILLION

<u>CONFIRMED CARRIER</u>	<u>A.M. BEST</u>	<u>LIMITS</u>	<u>ANNUAL PREMIUM</u>
Lloyd's of London (1)	A-XV(1)	\$ 23,775,000	\$ 237,754.00
Allianz Ins. Co.	A XV	\$ 5,000,000	\$ 50,054.00
XL Insurance America	A+XV	\$ 10,000,000	\$ 100,104.00
Axis Specialty Ltd.	AXIII	\$ 6,225,000	\$ 62,254.00
<u>First Speciality Ins.</u>	<u>AuVII</u>	<u>\$ 5,000,000</u>	<u>\$ 50,004.00</u>
TOTAL LAYER		\$ 50,000,000	\$ 500,170.00

\$100 MILLION EXCESS OF \$400 MILLION

<u>CONFIRMED CARRIER</u>	<u>A.M. BEST</u>	<u>LIMITS</u>	<u>ANNUAL PREMIUM</u>
Lloyd's of London (1)	A-XV(1)	\$ 40,000,000	\$ 200,004.00
Allianz Ins. Co.	A XV	\$ 10,000,000	\$ 50,054.00
XL Insurance America	A+XV	\$ 20,000,000	\$ 100,104.00
Commonwealth	A-VIII	\$ 5,000,000	\$ 25,004.00
Royal Surplus Lines Ins.	A-IX	\$ 20,000,000	\$ 100,004.00
<u>Westchester Surplus</u>	<u>AX</u>	<u>\$ 5,000,000</u>	<u>\$ 25,004.00</u>
TOTAL LAYER		\$100,000,000	\$ 500,174.00

PROPERTY TOTAL	\$500,000,000	\$20,544,038.00
TERRORISM & SABOTAGE	\$ 50,000,000	\$ 425,004.00
WLRN ANTENNAE, TOWER & EQUIPMENT	\$ 10,650,000	\$ 500,504.00
PROGRAM TOTAL	\$560,650,000	\$21,469,546.00

Sublimits:	Landscape	\$ 5,000,000/occurrence
	Extra Expense	\$ 2,500,000/occurrence
	Increased Cost of Construction	\$ 20,000,000/occurrence
	Demolition	\$ 20,000,000/occurrence
	Off-Premises Power Deprivation	\$ 5,000,000/occurrence
	Flood	\$ 20,000,000/occurrence

Deductibles:

All perils, excluding windstorm, (pursuant to Hurricane endorsement)	\$ 500,000 each occurrence
Flood, excess of any amounts recoverable from National Flood Insurance Program (NFIP)	\$ 500,000 each occurrence
Terrorism and Sabotage, excluding Bio- chemical and Nuclear	\$ 100,000 each occurrence
Mobile Broadcasting Equipment	\$ 10,000 each occurrence
Electronic Data Processing	\$ 25,000 each occurrence

Hurricane:

Four percent (4%) of the total insured values per location/per campus any one occurrence subject to a minimum deductible of \$1,000,000 any one occurrence. If the claim involves loss or damage at more than one location/campus, the deductible shall be calculated separately for each location/campus suffering loss or damage and applied separately to the adjusted loss at each location/campus, but in no event shall be applied to a single occurrence be less than the minimum amount specified above for all loss or damage arising from one occurrence.

Hurricane means a windstorm that:

- a. Has sustained winds of 74 miles per hour or greater.
- 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 resulting from:

- a. Rain or driven rain/water which enters the covered building or structure through an opening created by the force of a hurricane.
- b. One or more tornadoes that are a result of actions or effects of a hurricane.
- c. Any material, object or debris that is carried, propelled or in any manner moved by a hurricane.

Terms/Conditions:

- ✓ Terms and Conditions subject to Manuscript Wording
- ✓ Terrorist Exclusion - except for stand alone coverage
- ✓ Service of Suit Clause naming Mendes and Mount or their nominees and other Non-Admitted Carriers
- ✓ Claims Notification Clause
- ✓ 90 day notification of cancellation - except for non-payment of premium
- ✓ Y2K Exclusion
- ✓ Seepage and Pollution Exclusion Clause and Asbestos Clause as per individual company's treaty wording
- ✓ Loss to be adjusted by Eudy and Associates, Joe Eudy and/or his designee
- ✓ Automatic Acquisition Clause limit \$50,000,000
- ✓ Replacement Cost Valuation Basis except vehicles on actual cash value (ACV)
- ✓ Mold

Loss Payee:

As respects all Certificate of Participation funded facilities as their interest may appear:

Bank of New York, Jacksonville
10161 Centurion Highway
Highwoods Center
Jacksonville, Florida 32256
Attention: Ms. Linda Boenish, Assistant Treasurer

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 McCarran-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 flood which occurred in October, 2000, the Board collected \$832,512.50 from FEMA to repair or replace flood damaged properties for properties which were not in a stipulated flood plain, and therefore 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 were subsequently insured for flood through NFIP which is a requirement for receiving FEMA funding.

NFIP policies are written on a **building by building basis**, therefore, numerous policies are required for purchase on the Board's campuses requiring flood coverage where multiple buildings are located.

The budget for NFIP for May 1, 2002 to May 1, 2003 was \$3,300,000. The federal government is instituting a mandatory rate increase on NFIP policies, however, at this time it is being recommended that the budget remain at the existing \$3,300,000, and if additional funds are needed further into the year as the flood policies are renewed, a subsequent request will come to the Board at a future Board meeting.

Because the purchase of flood policies typically require 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.

LETTER OF REASONABLENESS FROM INSURANCE COMMISSIONER

As a result of the Board having to assume materially higher levels of self-insurance for its property coverages last year, staff felt it absolutely necessary to obtain a letter from the State of Florida Insurance Commissioner's office seeking confirmation that the Board's program would meet the reasonableness test, pursuant to the provisions set forth in Section 406 of the Federal Stafford Act.

A letter dated May 30, 2002 was sent from the Superintendent to Mr. Tom Gallagher seeking a letter affirming that the Board had purchased adequate property coverage, based upon what was reasonable and available in the marketplace.

Following much staff follow-up with the Insurance Commissioner' office, a letter from them was received, dated July 15, 2002 specifically stating that the Board had done its best to purchase reasonable coverage with financially stable insurers. While the Board's program for 2003-2004 is comprised of limits which are far greater than what was available last year, it still consists of large deductibles, therefore, staff will be seeking another letter from the Insurance Commissioner's office to comply with Section 406 of the Federal Stafford Act, so that FEMA will respond in the event of an emergency.

OTHER OUTSTANDING ISSUES

For the past ten years, staff has utilized a system to determine its replacement cost for owned properties, consisting of a cost of construction per square foot, in conjunction with the square footage of all facilities according the Florida Inventory of School House (FISH) reports. While staff feels that this technique is very adequate for the most part, it does not take the place of having actual appraisals completed by a licensed appraisal company.

Gallagher-Bassett Services, Inc. staff which provides services as part of the Board's loss prevention services contract with the Board has made staff aware of the opportunity to obtain funds which may be available from within the London market to conduct building appraisals. Staff is currently working closely with both Gallagher-Bassett Services, and the London insurance market to identify available funding which could be used to have formal appraisals conducted on key buildings.

The insurers who utilize computer generated modeling techniques in an attempt to determine estimated losses from storms of various strengths, have identified additional data which can be provided to them to make their studies more accurate. Staff will be working with the Board's broker, Arthur J. Gallagher & Co., and participating insurers to collect data on Board buildings such as roofing systems, roof geometry, roof anchoring, roof equipment, and design code. This additional data will provide invaluable information which will provide more accurate computer generated models resulting in more accurate estimates of losses in the event of a storm.

While the current program is in place, the insurance marketplace for windstorm coverage in South Florida continues to be unsettled. Staff is seeking authority to continue negotiations with its carriers to enter into a multi-year policy in the future, subject to cancellation provisions and annual re-rate, in order to provide some stability to this very important coverage.

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, 2003 to May 1, 2004, for total insurance limits of \$500,000,000 per occurrence with the following insurance companies and annual premiums:

Lloyd's of London & other Cos.	\$ 8,508,036.00
Allianz Insurance Co.	\$ 2,055,839.75
Royal Surplus Ins. Co.	\$ 1,187,766.00
Westchester Surplus Lines	\$ 385,012.00
Emp. Ins. Of Wausau/LMG	\$ 1,093,600.50
Commonwealth Ins.Co.	\$ 713,774.00
U.S. Fire (C&F)	\$ 570,574.00
AWAC (US)	\$ 356,254.00
Sheffield Ins. Co.	\$ 485,516.00
XL Insurance America	\$ 1,973,249.25
Arch Specialty	\$ 188,133.00
Clarendon	\$ 125,004.00
Great American E&S	\$ 380,004.00
Lloyd's CRC	\$ 1,053,524.00
Essex	\$ 228,004.00
Continental Casualty (CNA)	\$ 599,102.50
First Specialty	\$ 200,008.00
TOTAL	\$ 20,103,401.00

2. confirm purchase of terrorism and sabotage coverage, including domestic and foreign (T-3 form), subject to an aggregate limit of \$50,000,000, from Lloyd's of London, through Arthur J. Gallagher & Co., with an annual premium of \$425,004, effective May 1, 2003 to May 1, 2004;
3. confirm purchase of excess all risk, replacement cost property insurance with limits of \$16,200,000 with Axis Specialty Ltd., through Arthur J. Gallagher UK, subject to same terms and conditions as all other excess property coverages in program, effective May 1, 2003 to May 1, 2004, with an annual premium of \$440,637;
4. confirm purchase of stated value, all risk, replacement cost physical damage property coverage for WLRN equipment including antennae, transmission lines, dishes, towers, and other equipment, with Allianz Insurance Co. (A.M. Best A XV) through Arthur J. Gallagher & Co., with limits of \$10,650,000, per stated schedule, at an annual premium of \$500,504;

5. Authorize renewal of flood insurance, with National Flood Insurance Program (NFIP), through Arthur J. Gallagher & Co., for all properties required by the federal government to be covered with estimated premiums not to exceed \$3,300,000 for coverages effective May 1, 2003 to May 1, 2004;
6. 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, 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;
7. authorize the Superintendent of Schools to seek a letter of reasonableness of its current insurance program from the State of Florida Insurance Commissioner, pursuant to the requirements of Section 406 of the Stafford Act;
8. authorize the continued approach to the London insurance market to obtain funding for formal appraisals to be completed on selected Board-owned buildings; and
9. authorize the Superintendent, through Arthur J. Gallagher & Co., to continue meetings with insurers to begin negotiations for renewal terms and conditions, including the use of a multi-year policy, and re-rate provisions, for coverage beginning May 1, 2004.