

Business Operations
Ofelia San Pedro, Deputy Superintendent

SUBJECT: RENEWAL OF BOARD'S PROPERTY INSURANCE PROGRAM

COMMITTEE: INNOVATION, EFFICIENCY & GOVERNMENTAL RELATIONS

LINK TO DISTRICT STRATEGIC PLAN: IMPROVE FINANCIAL SERVICES

At the Board meeting of February 14, 2007, the Board authorized staff, through Arthur J. Gallagher & Co., to secure and bind maximum available limits of all risk, replacement cost property insurance coverage in anticipation of obtaining at least the existing \$200 million, with annual premiums for all property insurance, premiums and fees not to exceed \$30 million, effective May 1, 2007. The School Board is required to carry property insurance on all school buildings, and all school plants, including contents, boiler and machinery, except buildings of three classrooms or less, pursuant to the provisions of Section 1001.42(9)(b)(8)(d), Florida Statutes.

Staff has successfully bound \$200 million in coverage, completely subscribed (no pro-rata share of self insurance) including coverage for terrorism which was negotiated down from \$450,004 to \$252,504 for \$27,415,805, inclusive of all applicable surcharges and assessments, effective May 1, 2007 to May 1, 2008. This was achieved as a result of a slight decrease in the layered pricing, and the elimination of the majority of the Citizen's Assessment. The total cost of the expiring program of \$200 million, of which \$14,162,500 the Board was participating as a pro rata self insurer was \$29,863,257.90.

Staff believes that it is in the Board's best interest to take advantage of the current marketplace and purchase additional limits which have become available, consisting of a \$50 million layer, in excess of the bound \$200 million. The cost for the additional \$50 million in coverage is \$3,100,000 excluding fees and assessments.

**REVISED
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If the recommended additional limits are approved, the Board's 2007-2008 property insurance program will consist of \$250 million in all risk, replacement cost property insurance and \$50 million of terrorism limits, with total expenditures, including all fees and assessments of \$30,515,801, not including applicable fees for that layer which are estimated to be less than \$50,000. If the entire \$50 million additional limits are able to be finalized, the renewal program will reflect a 24% increase in coverage at virtually the same cost as last year's program. In order to accomplish this, staff is requesting additional authority of \$600,000 in excess of the previously authorized \$30,000,000 to finalize the recommended \$50 million layer. This layer will have the same May 1, 2007 effective date as the \$200 million.

Coverage in effect as of May 1, 2007

Limits of Coverage	Deductibles	Total Premium
Windstorm - \$200 million	4% values/loc.	\$26,850,000
Other Perils - \$200 million	\$500,000	Included
WLRN- Included	4% values/loc.	Included
Fees- (FIGA, Fire Marshall, Citizens)		\$ 313,293
Total		\$27,163,293

REVISED

TERRORISM (RENEWAL)

\$50 million	\$100,000/loss	\$ 250,000
Fees- (FIGA, Fire Marshall, Citizens)		\$ 2,504
Total		\$ 252,504

Additional recommended coverage to be effective May 1, 2007

ALL RISK PROPERTY

\$50 million xs of \$200 million	\$ 3,100,000
Estimated Fees- (FIGA, Fire Marshall)	\$ 50,000
Total	\$ 3,150,000

TOTAL COVERAGE	\$250,000,000
TOTAL MAXIMUM PROGRAM COST5-1-07 TO 5-1-08	\$ 30,565,801

Based upon the authorization received from the Board at the Board meeting in February, confirmation of coverage, effective May 1, 2007 has 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). 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.

As a result of the complexity of the Board's property program, technical oversight of the policy language contained in the 20+ policies which are issued is crucial. This combined with the significant oversight by the Bank of New York, Jacksonville regarding the Board's COP's has resulted in the need for ongoing specific technical expertise from the Board's risk management consulting firm of Siver Insurance Consultants, Inc. This consulting work is in addition to the consulting work previously authorized on the Board's "carve out" builder's risk program which provides property insurance coverage on facilities currently under construction. Therefore, it is recommended again this year that consulting expenses incurred with the current fiscal year, and expenses to be incurred during the 2007-2008 fiscal year be charged to the Board's self insured property fund (0100, 5320, 9112, 9999, 7900), in an amount not to exceed \$75,000 per year, subject to their hourly fee of \$150/hour.

CLAIMS ADJUSTING SERVICES

Staff received authority at the Board meeting of February 14, 2007 to interview insurance adjusting firms acceptable to staff and the district's insurers to provide adjusting services to the district following a loss.

Based upon that authorization, staff from the Office of Risk and Benefits Management, and the Board's property insurance broker, Arthur J. Gallagher & Co., met with three companies which had been selected as the top adjusting firms recommended by current insurers on the Board's property program. The adjusting firms included:

- Veri Claim
- GAB Robins
- Eagle Adjusting Services

After interviewing each firm which included obtaining information about their firm, experience in handling catastrophe claims, experience with FEMA reimbursements, technology, and availability following a storm, the group recommended that a contract with GAB Robins be pursued to provide adjusting services on an as-needed basis.

GAB Robins is willing to enter into a contract for adjusting services with their Senior Executive Adjuster, Mr. Tom Sheets being the lead on the program on an as-needed basis, subject to the following rate structure, with no retainer fee required:

	Adjuster	Branch General Adjuster/ And Crane Specialists
Tier 1 (includes Metro Miami)	\$76/hour	\$110/hour
Tier III (Executive, National and General Adjusters)	\$133 - \$150/hour	\$165 - \$195/hour

In addition, staff has negotiated appropriate fees for overhead of Tier III rates at 8.5%; fax, mileage (federal rate), etc, to be included in the contract.

Once called upon, GAB Robins will respond and the Board will bare the responsibility of its portion of adjustment of any claim as a percentage of the deductible to the overall loss. In essence, if the loss is not large enough to pierce the deductible, all adjusting expenses will be borne by the district. Once the loss pierces the deductible, the loss adjustment expense (ALE) will be paid by the Board and its excess insurers on a quota shared basis as determined by the amount of the loss. Therefore if the district experiences a \$50 million hurricane loss, the Board's windstorm deductible will be \$25 million, and the ALE will be split 50-50 between the Board and its insurers.

Staff is recommending that the Board enter into a contract with GAB Robins for Claims Adjusting Services as outlined, with funding for such adjusting services to be paid from the Board's Capital Budget. As such, GAB Robins will be named in the Board's excess property insurance policies as the named adjuster.

FLOOD INSURANCE ELEVATION CERTIFICATES

The Board authorized \$3.5 million as the flood insurance budget for May 1, 2007 to May 1, 2008 for those properties located in a flood zone, pursuant to the Federal Stafford Act, which provides access to FEMA public assistance grants. Often times, existing structures, as well as newly constructed additions and new facilities require new elevation certificates for National Flood Insurance Program (NFIP) rating. Annually the Board has approved the use of appropriate surveying/engineering firms currently under contract to the Board to provide the Office of Risk and Benefits Management elevation certificates in order to procure flood coverage. It is recommended that authority be provided to seek such services with annual expenses not to exceed \$50,000 to come from the Board's self-insured property fund.

LETTER FROM STATE OF FLORIDA INSURANCE COMMISSIONER

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

Back-up information regarding this item, including a letter recommending the program's structure from the Board's insurance consultant, Siver Insurance Consultants, Inc., will be provided.

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, 2007 to May 1, 2008, for a total insurance limits of \$200,000,000 per occurrence with the following insurance companies and annual premiums, inclusive of all state fees, assessments:

Allied World Assurance Co. (CRC)	\$ 833,254.00	} R E V I S E D
AMRISC (CRC)	\$1,797,804.00	
ARCH Specialty (CRC)	\$ 555,504.00	
Axis Specialty Europe (UK)	\$ 696,904.00	
Axis Surplus Ins. (Domestic)(RPS)	\$ 676,704.00	
National Fire & Marine (BH)(CRC)	\$2,100,299.00	
Commonwealth Ins. Co. (RPS)	\$1,162,522.00	
Continental Casualty (CAN)	\$ 598,514.00	
Essex Insurance Co. (CRC)	\$ 555,504.00	
Great Lakes Re PLC (UK)	\$ 459,049.00	
Great Lakes Re PLC (CRC)	\$ 464,604.00	
James River Ins. Co. (CRC)	\$ 232,304.00	
Landmark American Ins. (RPS)	\$1,818,008.00	
Lexington Ins. Co. (UK)	\$4,060,204.00	
Liberty Mutual Fire Ins. (LMG)	\$1,693,429.00	
Lloyds of London (CRC)	\$ 435,318.00	
Lloyds of London (UK)	\$7,036,690.00	
SR Int'l Business Ins. Co. (UK)	\$1,479,149.00	} R E V I S E D
Westchester Surplus (RPS)	\$ 507,529.00	
TOTAL	\$27,163,293.00	

2. confirm purchase of terrorism 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 \$252,504, effective May 1, 2007 to May 1, 2008;
3. authorize staff to negotiate the purchase of \$50 million in additional limits of an additional limit of all risk replacement cost property insurance, through Arthur J. Gallagher & Co., effective May 1, 2007 to May 1, 2008, with total expenditures for that layer not to exceed \$3,150,000;

4. authorize the use of F.R. Aleman & Associates Inc, Weidener Surveying & Mapping, P.A., J. Bonfill & Associates, Inc., and E.R. Brownell & Associates, Inc. to produce sealed elevation certificates, pursuant to NFIP guidelines, subject to their current contracts with the Board, as approved at the Board meeting of March 14, 2007, with expenditures for these services to be taken from the Board's self insured property account in an amount not to exceed \$50,000;
5. authorize the Superintendent to enter into a contract for property adjusting services to be used on an as-needed basis following a loss to real property which would result in a loss to the district's self insured property program, with GAB Robins, pursuant to the terms of their proposal to Miami-Dade County School staff and representatives, with adjusting service expense to range between \$76.00 - \$110 per hour for adjusters and between \$133-\$195 per hour for Executive/National and General Adjusters with GAB Robins to be named in the Board's excess property insurance policies as the named adjuster;
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;
7. 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 professional services and advise on the district's excess property program with consulting fees of \$150/hour, in an amount not to exceed \$75,000 for the policy year, with funding for such expenses to be paid from the Board's self insured property fund (0100,5320,9112,9999,7900); and
8. authorize staff to continue to meet with current and prospective insurance and financial markets to explore and develop alternative risk financing arrangements which can be used in the future to enhance the Board's program for future years.

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