

Therefore, taking advantage of current market conditions, staff in conjunction with the Board's Broker, Arthur J. Gallagher Risk Management Services, Inc., has negotiated a proposed new five-year Builder's Risk Program through Arthur J. Gallagher International (AJGUK), a proprietary program with Starr Indemnity and Liability Company (AM Best A, XIV), an admitted carrier, which contains substantially higher limits with significantly lower premium spend based on the reduced rates. The new program applies a percentage value multiplied by actual expenditures to come up with the premium as opposed to the expiring program which applied a rate per \$100 of construction value.

The premium rate for new construction is .85% of actual expenditures and the rate for renovations is .495% of annual expenditures. These reductions represent a rate decrease of approximately 18% for new construction and an 15% reduction for renovation from the expiring rates on the primary program. When the rates are combined with the expiring excess program rates for the additional \$50 million windstorm; which are \$1.3779 per \$100 of annual expenditures for new construction and \$.7659 per \$100 of annual expenditures for renovation, there is an overall rate decrease of over 35% for both new and renovation construction covered by the program. The proposed rates have been guaranteed for five-years and do not include a minimum earned premium requirement.

Below is a comparison of the expiring program versus the proposed program:

Rates:	Expiring Program	Proposed Program:
New Capacity:	Primary: \$1.0479/\$100 Annual Expenditures Excess: \$0.33/\$100 Annual Expenditures	.85% of Annual Expenditures
Renovation:	Primary: \$0.5840/\$100 Annual Expenditures Excess: .181/\$100 Annual Expenditures	.495% of Annual Expenditures
Terrorism:	\$0.032106 (percentage of premium)	Stand alone coverage \$99,000 \$35 Million Per Occurrence/ \$100 Million Aggregate

The total projected annual premium for each of the five 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 renovation projects, effective October 12, 2015 to October 11, 2020. An estimated 50% deposit premium is due at the start of each policy year with the remaining premium to be reconciled and paid at the end of each policy year, based upon actual construction values reported.

Based on the Capital Construction Five Year plan the constructions costs for which the Builder's Risks Premium are based for 2015-2016 are as follows:

<u>Premium Projection</u>	<u>100% Expenditures</u>	<u>50% Expenditures (Deposit Premium)</u>
New Capacity	\$ 101,998,616.94	\$50,999,308.47
Renovation	\$ 166,418,796.06	\$83,209,398.03
TOTAL	\$ 268,417,413.00	\$134,208,706.50

The 50% deposit premium based on the capital construction estimates and proposed premium would be \$845,380.64 with the remaining premium due at the end of the policy year based on the actual construction costs, if applicable.

Staff is recommending the purchase 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 Starr Indemnity and Liability Company (AM Best A, XIV), through Arthur J. Gallagher Risk Management Services, Inc. through Arthur J. Gallagher International (AJGUK), a proprietary program, with limits of coverage of \$100,000,000 per occurrence, subject to stated sub-limits and subject to a Named Windstorm deductible of 5% of total insured values at the time of risk at the time of loss with a \$1,000,000 minimum per loss deductible and a per loss deductible of \$250,000 for damage arising out of non-windstorm and a \$25,000 deductible for all other perils, with premium rates of .85% of annual expenditures for new capacity construction; .495% of annual expenditures for renovation construction; with 50% minimum deposit due each year based on estimated board approved funded capital projects and the remaining deposit to reconciled at the end of the policy year to be paid from the Board's Capital Budget for the five year period of October 12, 2015 to October 11, 2020.

Main Program Improvements Include:

- Increased Windstorm Limits to \$100,000,000 any one occurrence
- Lower Rates for both new and renovation construction
- Extended Five-Year Term program that guarantees rates with an Admitted Carrier
- Improved Policy form to "All-Risk" and broaden coverage terms
- Improved Named-Windstorm Deductible
- No Minimum Earned requirements
- Defects Liability Coverage
- Continued convenience of current audit requirements

Additionally, staff is recommending purchasing a stand-alone terrorism coverage for the Builders' Risk Program for the five-year period 2015-2020 with Lloyds of London through Arthur J. Gallagher Risk Management Services, Inc. with limits of coverage of \$35 million per occurrence and a \$100 Million aggregate, subject to a \$10,000 deductible with total five year premium of \$99,000 to be paid from the Board's capital budget.

In order to maximize the utilization of the minimum deposit premium for construction projects related to the General Obligation Bond (GOB) construction program, prior

Board authorized minimum deposit premium was deferred to the end of the 2015 policy year as opposed to paying at the beginning of the policy year. As the expiring Builder's Risk program ends, staff is reconfirming previously received authority to pay the outstanding premium on actual expenditures based on the expiring rates for coverage ending 10/11/2015, as well as any additional audit premium due subject to any minimum premium requirements.

Staff is recommending approval to pay an additional deposit premium of \$251,960.00 to Starr Indemnity and Liability Company (AM Best A, XIV), through Arthur J. Gallagher Risk Management Services, Inc. through Arthur J. Gallagher International (AJGUK), a proprietary program, to pick up all construction for both new and renovations at the improved rates and coverage terms for any projects that are not completed as of 10/11/2015. The benefit is to take advantage of the improved program, and being audited at the improved rates of .85% of annual expenditures instead of \$1.3779 per \$100 of annual expenditures for new construction and .495% of annual expenditures instead of \$.7659 per \$100 of annual expenditures for renovation. The projected savings based on the GOB Project Tracking worksheets for YR 1 and YR 2 would be just under \$1,000,000.00 for all identified projects that are not yet complete.

The School Board's broker, Arthur J. Gallagher Risk Management Services, Inc., recognized a deposit was already paid under the current program and negotiated a reasonable construction values for remaining projects as outlined below:

<u>Premium Projection</u>	<u>100% Expenditures</u>	<u>50% Expenditures (Deposit Premium)</u>
New Capacity	\$ 30,400,000.00	\$15,200,000.00
Renovation	\$ 49,600,000.00	\$24,800,000.00
TOTAL	\$ 80,000,000.00	\$40,000,000.00

The carry over construction values will be audited at actual expenditures with no minimum earned premium requirements as part of the remaining deposit to be reconciled at the end of the policy year to be paid from the Board's Capital Budget for the five year period of October 12, 2015 to October 11, 2020.

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. authorize the purchase 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 Starr Indemnity and Liability Company (AM Best A, XIV), an admitted carrier, through Arthur J. Gallagher Risk Management Services, Inc. through Arthur J. Gallagher International (AJGUK), a proprietary program, with limits of coverage of \$100,000,000 per occurrence, subject to stated sub-limits and subject to a Named Windstorm deductible of 5% of total insured values at the time of risk and the location of loss with a \$1,000,000 minimum per loss deductible and a per loss deductible of \$250,000 for damage arising out of non-windstorm and a \$25,000 deductible for all other perils, with premium rates of .85% of annual expenditures for new capacity construction; .495% of annual expenditures for other than new capacity construction; with 50% minimum deposit due each year based on estimated Board approved funded capital projects and the remaining premium due based on actual construction costs to reconciled at the end of the policy year to be paid from the Board's Capital Budget for the five-year period of October 12, 2015 to October 11, 2020;

2. authorize the purchase a stand-alone terrorism coverage for the Builders' Risk Program for the five year period 2015 through 2020 with Lloyds of London, through Arthur J. Gallagher Risk Management Services, Inc. with limits of coverage of \$35 million per occurrence and a \$100 Million aggregate, Subject to a \$10,000 deductible with total five year premium of \$99,000 to be paid from the Board's capital budget.;
3. confirm the prior authorization of the outstanding minimum deposit premium based on the expiring rates as well as any additional audit premium due to expiring program;
4. authorize approval to pay a deposit premium of \$251,960.00 to Starr Indemnity and Liability Company (AM Best A, XIV), through Arthur J. Gallagher Risk Management Services, Inc. through Arthur J. Gallagher International (AJGUK), a proprietary program, to pick up all construction for both new and renovations at the improved rates and coverage terms for any projects that are not completed as of 10/11/2015. The benefit is to take advantage of the improved program, and being audited at the improved rates of .85% of annual expenditures instead of the combined primary and excess rates of \$1.3779 per \$100 of annual expenditures for new construction and .495% of annual expenditures instead of \$.7659 per \$100 of annual expenditures for renovation and;
5. authorize consulting fees 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 for the policy period 2015-2020.

JMM:sbc