

Financial Services  
Mrs. Judith M. Marte, Chief Financial Officer

**SUBJECT: PROPERTY INSURANCE**

**COMMITTEE: FISCAL ACCOUNTABILITY**

**LINK TO STRATEGIC  
BLUEPRINT: EFFECTIVE AND SUSTAINABLE BUSINESS PRACTICES**

The School Board is required to carry property insurance on all school buildings (except buildings of three classrooms or less) and all school plants, including contents, boiler and machinery, pursuant to the provisions of Section 1001.42(11)(b)(8)(d), Florida Statutes.

### **BACKGROUND AND UPDATES**

At the Board Meeting of February 15, 2017 the Board authorized staff to enter into 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 \$19 million, inclusive of the second year renewal of the STORM Parametric Property Insurance Policy and effective May 1, 2017, with payment of such coverage to be funded from the District's property insurance budget, with a full report including confirmation of coverages, carriers, deductibles, costs and terms to be submitted to the Board at the May 24, 2017 meeting.

Additionally, the Board authorized staff through the Board's broker, to secure and bind terrorism coverage in the amount of \$50 million property damage/\$10 million bodily injury, with an annual premium not to exceed \$100,000, including state fees, effective May 1, 2017, as well as authorized renewal of flood insurance coverage with the National Flood Insurance Program (NFIP), through the Board's Broker, for all properties required by the Federal Government to be covered with estimated premiums not to exceed \$2.5 million for coverages effective for the 12-month period of July 1, 2017 through June 30, 2018.

Over the past five years the District has been able to achieve significant reductions in premium to the property program. Staff through the Boards broker has been able to continue this trend for the 2017-2018 property renewal with an 11.34% decrease in property insurance premiums as compared to the expiring program costs.

### **PROGRAM RENEWAL**

Staff is pleased to report to the Board that the recommended \$250 million in all risk, replacement cost property insurance has been secured and bound effective May 1, 2017, with all premiums, not including applicable state fees totaling \$17,057,886.

**E-67**

## **Multi-Year Structured Insurance Program (MYSIP)**

A significant portion of the primary layer of coverage is on a multi-year commitment, including premiums and capacity to insulate the District from significant market changes that would result due to a change in capacity or as a result of a global catastrophe such as a major windstorm event. We have structured 60% of the primary \$100M of coverage on a rolling three-year capacity and premium guarantee which is led by Swiss RE. Swiss Re was renewed for a three year commitment during the last renewal and staff has successfully renegotiated the Lexington portion of the three-year guarantee during this renewal cycle and replaced the Ascot Syndicate portion with a new three year agreement with Lloyds of London – Endurance/WBC Syndicate.

All committed 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 (40% part of 100%) or \$40M 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 \$580,084 for the 2016 year which will bring the annual premium for property coverage to \$16,483,090.16 including state required fees.

Additionally, authorized terrorism coverage with limits of \$50 million for property damage/\$10 million bodily injury has been bound with an annual premium of \$87,420, resulting in an updated premium for property and terrorism coverage, including state required fees of \$5,288.16 resulting in an annual premium of \$16,570,510.16.

The previously authorized "STORM" Parametric Index Wind Speed Property Insurance Policy, enters into the second year of a three year period effective May 1, 2016 through May 1, 2019, with North American Capacity Insurance Company (Swiss Re), with a total insured premium of \$2,400,000 inclusive of state fees and surcharges to be paid in three annual installments of \$800,000. When totaled with the \$800,000 annual premium for the STORM Policy the updated annual premium is \$17,370,510.16.

Lastly, with the addition of the budgeted premium for the National Flood Insurance Program of \$2,100,000 the District's total annual insurance premium for Property (including parametric policy), terrorism and flood is \$19,470,510.16 including surcharges and assessments. This represents a total savings of \$2,490,333.54 as compared to the budgeted expenditures from the 2016-2017 policy period. It is important to note that along with favorable market conditions; this significant level of saving is partially achieved by right sizing the program to the level of \$250M down from \$300M. Most similar governments in the area we model in, carry less than \$250M of coverage.

**PROGRAM COVERAGE IN EFFECT AS OF MAY 1, 2017**

Property Limits	Deductibles	Total Annual Premium
\$250 million Named Windstorm	\$100 million/loss Named Windstorm Deductible*	\$17,057,886, as outlined below
\$10 million Named Windstorm/ \$20 million aggregate (Parametric STORM)	\$0 per event	included
\$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

\*Multiple Year Named Windstorm Program (\$750,000 corridor/aggregate deductible applies only to the 2017-2018 National Fire & Marine (Berkshire) participation)

2017-2018 Master Property Program		Premium	AM Best Rating
Primary \$100M Layer	participation		
Traditional Insurance Coverage	40.00%	\$3,720,000	
Landmark American Ins. Co. - RSUI	7.00%		A+ XIV
Liberty Surplus Insurance Corporation	2.50%		A XV
Ironshore Specialty Insurance Co	4.20%		A XIV
Axis Surplus Insurance Company	3.00%		A+ XV
Allied World Assurance Company	2.09%		A XV
Westchester Surplus Lines Insurance Co.	3.97%		A++ XV
Lloyds of London (Various Syndicates)	17.24%		A XV
3YR Multi-year Agreement (GUARANTEED)	60.00%	\$5,917,061	
SwissRe (Westport Ins. Corp)	33.50%		A+ XV
Lexington Ins. Co. - London (Renewed 2017)	10.00%		A XV
Lloyds of London (New: Endurance   WBC Syndicate)	3.50%		A XV
National Fire & Marine (Berkshire)	3.00%		A++ XV
Lloyds of London – (Various Syndicates)	10.00%		A XV

Supporting AOP Layers - various carriers		\$592,300	
subtotal		\$10,229,361	
First Excess Layer - \$50M excess Primary \$100M			
subtotal		\$3,022,500	
Second Excess Layer - \$50M excess \$150M			
subtotal		\$2,255,250	
Third Excess Layer - \$50M excess \$200M			
subtotal		\$1,550,775	
Total Annual Premium		\$17,057,886	
Surcharges & Fees		\$5,288.16	
Total Annual Premium including Surcharges & Fees		\$17,063,174.16	
Estimated No Claim Bonus - from 3YR Multi-Agreement (2016)		\$ (580,084.00)	
Subtotal		\$16,483,090.16	
<b>Terrorism</b>			
Limits of Coverage	Deductibles	Total Annual Premium	
\$50 million	\$100,000 / Loss	\$87,420	
Total Property /Terrorism Premium Less NCB		\$16,570,510.16	
"STORM" Parametric Index Wind Speed Property Insurance Policy		\$800,000	
Subtotal		\$17,370,510.16	
Total National Flood Insurance (NFIP) Estimated Premium		\$2,100,000	
GRAND TOTAL PROGRAM OF PROPERTY, TERRORISM and FLOOD (NFIP)		\$19,470,510.16	
2016 TOTAL PROGRAM (Board item: \$21,970,317.70 included estimated NCB at \$566,568.00), Actual NCB for 2015: \$576,042, a difference of \$9,474)			
Revised 2016 TOTAL PROGRAM:		\$21,960,843.70	
<b>SAVINGS FROM PREVIOUS PROGRAM PERIOD</b>		<b>\$2,490,333.54</b>	

The following requests are sought pursuant to the authority provided within State Board Rule 6A-1.012(15) and *Board Policy 6332*, wherein the District, when entering into risk management programs, may make such acquisitions by direct negotiations and contract.

The Board previously authorized consulting fees to Siver Insurance Consultants, the Board's Insurance consultant, for property insurance related issues, including the required annual report, policy review and oversight, to be charged to the Board's self-insured property fund in an amount not to exceed \$75,000 per year, with an hourly fee of \$150/hour. Staff is recommending that this authority be renewed for the new policy year.

The Board has previously approved a contract with 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. Cunningham Lindsey 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:

	2017-2018 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

As of this date, no fees have been paid to Cunningham Lindsey for fiscal year 2016-2017.

For the past several years, the Board has approved the use of contracted surveying/engineering firms to provide sealed elevation certificates in order 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, 2017 to May 1, 2018 consisting of total insurance limits of \$250,000,000, per occurrence with the following insurers and annual premiums, inclusive of all state-required fees and assessments:

Allied World Assurance Company   (Amwins)	\$194,606.50
Arch Specialty Ins. Company   (Amwins)	\$287,141
Axis Specialty (Lloyds)   (AJGUK)	\$458,145
Axis Surplus Insurance Company   (RPS)	\$279,004
BRIT Synd 2987 (Lloyds)   (RPS)	\$69,789
Chubb Custom Insurance Co.   (CV Starr)	\$151,750
Colony Insurance Company   (Amwins)	\$258,746
Endurance (Lloyds)   (AJGUK)	\$252,440
Evanston Ins. Co.   (RPS)	\$226,691
General Security Indemnity Co. of AZ   (CV Starr)	\$151,748
Great Lakes Reinsurance (UK) SE / AJGUK   (AJGUK)	\$395,835
Hiscox Syndicate (Lloyds)   (Amwins)	\$143,573
Ironshore Specialty Insurance Co   (RPS)	\$730,639
Landmark American Ins. Co.   (RPS)	\$1,034,401
Lexington Insurance Company   (AJGUK)	\$2,047,867
Liberty Surplus Ins. Corporation   (RPS)	\$353,179
Lloyds of London (Various Syndicates)   (AJGUK)	\$5,028,629
National Fire & Marine Ins. Co.   (Berkshire)	\$584,062
Scottsdale Surplus Lines Ins. Co   (RPS)	\$419,682
Starr Surplus Lines Ins Co.   (CV Starr)	\$151,748
Westchester Surplus Lines Ins. Co.   (RPS)	\$439,235.50
Westport Insurance Corp   (Swiss Re)	\$3,404,263.16
	<b>\$17,063,174.16</b>

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, 2017 to May 1, 2018, with an annual premium of \$87,420;
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, 2017 to June 30, 2018;
4. confirm the payment of the annual installment (2 of 3) for the "STORM" Parametric Property Insurance Policy, bound for three year period effective May 1, 2016 through May 1, 2019, through Arthur J. Gallagher Risk Management Services, Inc. with North American Capacity Insurance Company (Swiss Re)., annual installment of \$800,000, part of the total insured premium of \$2,400,000 inclusive of state fees and surcharges;

5. authorize consulting expenses to be paid to Siver Insurance Consultants to assist in policy review and issuance, preparation of the annual consultant's report to The Bank of New York Mellon Trust Company, NA, and other required technical services with such fees to be paid at \$150/hour, in an amount not to exceed \$75,000 for the policy year with funding for such expenses to be paid from the District's self-insured property fund;
6. authorize renewal of the adjusting services performed by Cunningham Lindsey 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

7. 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.

JMM:mf