

Financial Services  
Mr. Ron Y Steiger, Chief Financial Officer

**SUBJECT: RENEWAL OF DISTRICT'S PROPERTY INSURANCE PROGRAM**

**COMMITTEE: FISCAL ACCOUNTABILITY & GOVERNMENT RELATIONS**

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

The School Board is required to carry property insurance on all school buildings and all school plants including contents, boilers and machinery, except buildings of three classrooms or less, pursuant to the provisions of Section 1001.42(9)(b)(8)(d), Florida Statutes.

### **BACKGROUND AND UPDATES**

At the Board meeting of February 12, 2020, the Board authorized staff to enter 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 \$20M, with payment of such coverage to be funded from the District's property insurance budget. Additionally, the Board authorized staff to secure and bind terrorism coverage, through its broker in the amount of \$50M property damage \$10M bodily injury with an annual premium not to exceed \$100,000, as well as, authorizing renewal of flood insurance coverage with the National Flood Insurance Program (NFIP), for all properties required by the Federal Government to be covered with estimated premiums not to exceed \$2.1 million. All four coverages were authorized to be secured and bound for the 12-month period of May 1, 2020, through April 30, 2021.

### **PROGRAM RENEWAL**

Staff through its broker has secured and bound \$200 million in all risk, replacement cost property insurance which has been bound effective May 1, 2020, with all premiums, including applicable state fees totaling \$17,811,972. This represents a 0.73% increase from the expiring program.

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This hardening of the catastrophic property market continues for the second year in a row. A recent survey of other large school districts shows the majority receiving double digit premium increases with some increases up to 30%. The District currently quota shares 50% the \$50 million excess of \$200 million layer of coverage or \$25 million. If the district kept the current coverage limits the same as the expiring rates, it would result in a 7.6% rate increase. In order to keep premiums as close as possible to the expiring premium, staff is recommending retaining the \$50 million excess of \$200 million layer.

A portion of the primary layer of coverage is on a multi-year structured insurance program (MYSIP), including premiums and capacity to insulate the District from significant market changes. The three-year commitment has ended for Lexington Insurance Company and Endurance Insurance Company and they have chosen not to participate in the MYSIP. Berkshire Hathaway is in the second year and the sole remaining participant on the MYSIP with 20% of the primary \$100M layer.

All committed MYSIP 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 (80% part of 100%) or \$80M 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 \$273,854 for policy year 2019. Additionally, authorized terrorism coverage with limits of \$50 million for property damage/\$10 million bodily injury has been bound with an annual premium of \$76,253.

### **PROGRAM COVERAGE IN EFFECT AS OF MAY 1, 2020**

| <u>Property Limits</u>                             | <u>Deductibles</u>                                      | <u>Total Annual Premium</u> |
|--|---|-----------------------------|
| <b>\$200 million Named Windstorm</b>               | <b>\$100 million/loss</b><br>Named Windstorm Deductible | \$17,811,848                |
| <b>\$200 million other perils (AOP)</b>            | <b>\$1 million/per occurrence</b>                       | 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                    |
| \$18,580,000 Antennae / Aerials                    | see above   | included                    |

|                                  | 2019-2020    | 2020-2021    |
|----------------------------------|--------------|--------------|
| Property                         | \$17,696,080 | \$17,811,848 |
| Surcharges, Fees and Assessments | \$168        | \$124        |
| Subtotal                         | \$17,696,248 | \$17,811,872 |
| Terrorism                        | \$76,500     | \$76,253     |
| No Claim Bonus                   | \$(531,988)  | \$(273,854)  |
| Total                            | \$17,416,710 | \$17,614,371 |

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

The Board has previously approved a contract with Sedgwick Claim Management Services, Inc. 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. Sedgwick Claim Management Services, Inc. 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:

|                                   | 2020-2021 Hourly Rates |
|-----------------------------------|------------------------|
| Adjuster                          | \$110                  |
| Branch General Adjuster           | \$137                  |
| Regional General Adjuster         | \$160                  |
| Protégé Adjuster                  | \$199                  |
| National General Adjuster         | \$219                  |
| Executive General Adjuster        | \$265                  |
| Senior Executive General Adjuster | \$296                  |

For the past several years, the Board has approved the use of contracted surveying/engineering firms to provide sealed elevation certificates 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, 2020 to April 30, 2021 consisting of total insurance limits of \$200,000,000 per occurrence with annual premiums, inclusive of all state-required fees and assessments in the amount of \$17,811,972;
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, 2020 to April 30, 2021 with an annual premium of \$76,253;
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, 2020 to June 30, 2021;

4. authorize renewal of the adjusting services performed by Sedgwick Claim Management Services, Inc. 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                          | \$110       |
| Branch General Adjuster           | \$137       |
| Regional General Adjuster         | \$160       |
| Protégé Adjuster                  | \$199       |
| National General Adjuster         | \$219       |
| Executive General Adjuster        | \$265       |
| Senior Executive General Adjuster | \$296       |

- 5 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.

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