

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 PLAN: EFFECTIVE & SUSTAINABLE OPERATIONAL 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. Additionally, pursuant to the provisions of the Robert T. Stafford Disaster Relief and Assistance Act (Stafford Act), FEMA funding becomes available after a disaster declaration from the President of the United States of America. FEMA has taken a very strict position based on recent Office of Inspector General audits of Florida grant recipients on the required purchase of coverage following the receipt of FEMA funds, which Miami-Dade County Public Schools has received, resulting in increased scrutiny of property owner's coverages by FEMA.

The structure of the District's property insurance program is also of vital interest to the financial markets which invest in Certificates of Participation (COPs) under the District's Master Lease Program. Section 5.3 of the Master Lease Agreement 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.

The current property insurance program's term is May 1, 2021 through April 30, 2022. In order to ensure a timely renewal of the District's all risk, replacement cost property insurance program this item is brought to the Board seeking authorization which includes coverage and premium goals with a target amount not to exceed at its February Board meeting, in order for staff to meet with worldwide markets to obtain the best renewal terms for purposes of capacity and pricing.

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PRIOR RENEWAL HISTORY

PREVIOUS PROPERTY INSURANCE RENEWALS						
	YEAR	YEAR	YEAR	YEAR	YEAR	YEAR
	<u>2016-2017</u>	<u>2017-2018</u>	<u>2018-2019</u>	<u>2019-2020</u>	<u>2020-2021</u>	<u>2021-2022</u>
Coverage Limit	\$300,000,000*	\$250,000,000**	\$250,000,000**	\$250,000,000***	\$200,000,000	\$200,000.00
Premium	\$19,142,886	\$17,063,174	\$17,063,214	\$17,696,080	\$17,811,972	\$18,462,239

*The District was a 50% participant as co-insurer in the \$50M excess of \$250M limit of coverage

**The District participated 39% on the \$50M excess of \$200M limit of coverage in order to achieve \$250M coverage limits.

***The District Participates 50% as co-insurer in the \$50M excess of \$200M.

PROPERTY VALUATION

The Office of Risk and Benefits Management collaborates with Facilities Management staff to reach appropriate valuation of all District property on a per-square foot basis, which is vital when renewing this coverage. District property valuation is based on replacement cost values, excluding land values, on a per-square foot basis. Total District square footage, as determined by the Florida Inventory of School Houses (FISH) report is used in conjunction with the per-square foot replacement cost figure to determine total insured values (TIV) for insurance purposes.

The current total insured value of over \$11 Billion is reached using a blended rate for non-instructional facilities, elementary, middle, and senior high schools; in conjunction with actual appraisals.

RECOMMENDATIONS FOR RENEWAL

The Current Catastrophic Property Insurance continues to see increases in this tough market due to carriers reducing their overall capacity with limited markets able to replace this capacity that are unable to offer the same broad terms and competitive pricing. In addition markets are taking a much closer look at insured valuations due to recent large losses in the public entity space where values were underreported. Last year, In order to mitigate market changes that would result after a major windstorm event, The Board expanded its multi-year commitments and was able to lock in 78% of capacity in the Primary \$100M of coverage with a guaranteed rate.

This was achieved through a Multi-Year Structured Insurance Program (MYSIP) which includes No Claims Bonus (NCB) provision, whereby the District is eligible to receive reimbursement of 10% of premiums paid, in years without any reported or paid losses above the named windstorm/flood Deductible of \$100,000,000 and Long-Term Agreements (LTA) that lock a carrier's rate in on 2021 rates with certain conditions. Those conditions include set loss ratio requirements and capping any annual Total Insured Value (TIV) not to exceed 15%.

Berkshire Hathaway increased their participation in the MYSIP program from 20% to 32% in the Primary \$100M layer. Additionally, LTA commitments were secured in the amount of approximately 46% of the Primary \$100M. The remainder of that layer (22% part of 100%) or \$22M of that layer is traditional annually renewed participation that will be affected by market conditions. Combined they provide all risk, replacement cost coverage which covers named windstorm/flood and all other perils coverage.

Therefore, staff is seeking authorization to negotiate, a property renewal which includes up to \$200M of procured coverage, with annual expenditures, including all required fees not to exceed \$20M excluding 2022-2023 MYSIP No Claim Bonus (NCB) reimbursements/premium credits and state required surcharges and assessments. It is staff's intent to attempt to secure the property renewal below the requested authority.

TERRORISM INSURANCE ACT AND COVERAGE

Staff is recommending that the District continue to purchase terrorism coverage for its 2022-2023 renewal. The cost of this coverage has continued to plateau with the current Federal backstop in place, and it is anticipated that the coverage availability and cost is relatively stable, subject to some minor premium increases due to the continued high threat of global terrorist events.

The current annual premium is \$79,995 for coverage which consists of \$50M in limits of property damage and \$10M of bodily injury coverage, subject to a per loss deductible, inclusive of State required fees. Staff is recommending that this coverage be renewed effective May 1, 2022 with annual premiums not to exceed \$100,000.

FLOOD INSURANCE PROGRAM

The District has always purchased Flood Insurance through the National Flood Insurance Program (NFIP). Purchase of this coverage was a requirement of the Federal Stafford Act, which along with property insurance coverage provides access to FEMA public assistance grants in the event of a federally declared disaster. NFIP is completely changing how they rate flood coverage and will now use specific features of each individual building such as the distance to a flooding source, ground elevation, construction type, occupancy and number of floors along with a new pricing methodology using catastrophe modeling and urban flooding. Increases are anticipated and will be limited to a 25% cap until they are at their full-based rates. Additionally, all prior Preferred Rated Policies (PRP) will be discontinued and cost increases will be using a gliding path method that limit annual premium increases for inforce policies.

Staff is recommending renewing the District's flood insurance at the same terms, limits and conditions as the current NFIP, while increasing the Flood Insurance budget for 2022-2023 from \$2.1M to \$2.5M. The current NFIP covers buildings and contents in excess of 1,500 square feet in a Special Flood Hazard Area (SFHA) or with prior payouts that FEMA requires the district to obtain and maintain. Coverage is provided

up to the maximum allowable of \$500,000 per building and \$500,000 for contents or at the scheduled value amount if lower than the maximum allowable. .

RECOMMENDED: That The School Board of Miami-Dade County, Florida:

1. authorize staff to enter into negotiations through its broker and secure and bind up to \$200M in coverage limits, with annual premiums for all property insurance premiums and associated fees not to exceed \$20M, excluding 2021-2022 MYSIP NCB reimbursements/premium credits and state required surcharges and assessments, effective May 1, 2022 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 its meeting of May, 2022;
2. authorize staff to secure and bind terrorism coverage, through its broker in the amount of \$50M property damage \$10M bodily injury, effective May 1, 2022 with an annual premium not to exceed \$100,000, including state fees, with payment of such coverage to be funded from the District's property insurance budget; and
3. authorize the renewal of flood insurance at the same terms, limits and conditions as the current NFIP, with a budget not to exceed \$2.5M effective for the 12-month period of May 1, 2022 to April 30, 2023.

RYS:mgf