

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 AND 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(11)(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.

BACKGROUND AND UPDATES

At the Board meeting of February 15, 2023, the Board authorized staff, through Arthur J. Gallagher Risk Management Services, Inc. (AJG) to secure and bind maximum available limits of all-risk, replacement cost property insurance coverage with limits up to the existing \$200 million per occurrence with annual premiums for such coverage not to exceed \$22 million. Authorization was also received to secure and bind terrorism coverage in the amount of \$50 million property damage/\$10 million bodily injury, with annual premiums not to exceed \$115,000, 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 \$2.5 million. All three coverages were authorized to be secured and bound for the 12-month period of May 1, 2023, through April 30, 2024.

E-67

PROGRAM RENEWAL

Staff through AJG has secured and bound \$200 million in all risk, replacement cost property insurance which has been bound effective May 1, 2023, with all premiums, excluding applicable state fees totaling \$20,664,458. AJG has negotiated a 4.69% rate increase when combined with the 4.85% increase in total insured values resulting in an overall premium increase of 9.54%. In order to avoid a drastic increase in premium, the District is co-insuring 50% or \$25 million in the \$50 million excess of \$150 million layer of coverage.

The current catastrophic property insurance market has been the most difficult market in over twenty years. Catastrophic property insurance prices increased significantly, and carriers have reduced their overall capacity, with some withdrawing from the market entirely. Many insureds in the public entity space have reduced their limits and have taken on larger deductibles. In order to insulate the District from significant market changes, a portion of the primary layer of coverage is on both a multi-year structured insurance program (MYSIP) 32%, which includes a 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, along with Long-Term Agreements (LTA) 37% which locked the rates in at 2021 terms and adjusted for increases to the Total Insured Values (TIV) each year.

One of the goals of this renewal was to continue participation with LTA's that lock a carrier's rate in with certain conditions. Those conditions include set loss ratio requirements and capping any annual Total Insured Value (TIV) not to exceed 15%. Staff is continuing negotiations on extending current LTA's for future renewals which are set to expire this year.

Berkshire Hathaway has continued their 32% participation in the MYSIP program in the Primary \$100 million layer through 2025. The remainder of that layer (31% part of 100%) or \$31 million of that layer is traditional annually renewed participation. Combined, they provide 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 \$292,089 for policy year 2022. Additionally, authorized terrorism coverage with limits of \$50 million for property damage/\$10 million bodily injury has been bound with an annual premium of \$92,265.

PROGRAM COVERAGE IN EFFECT AS OF MAY 1, 2023

<u>Property Limits</u>	<u>Deductibles</u>	<u>Total Annual Premium</u>
\$200 million Named Windstorm	\$100 million/loss Named Windstorm Deductible	\$20,664,458
\$200 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
\$19,103,000 Antennae / Aerials	see above	included

	2022-2023	2023-2024
Property	\$18,865,271	\$20,664,458
Surcharges, Fees and Assessments	\$2,287	\$40,185
Subtotal	\$18,867,558	\$20,704,643
Terrorism	\$87,500	\$92,265
No Claim Bonus	(\$267,479)	(\$292,089)
Total	\$18,687,579	\$20,504,819

The District has over 700 policies written through the National Flood Insurance Program (NFIP) on individual buildings and their contents up to the capped amount of \$500,000 per building and \$500,000 for contents with an applicable deductible of \$50,000 each. Combined Flood coverage through NFIP for combined total of over \$672 million. This coverage is in coordination with the Property program's \$25 million flood sublimit.

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. The fees for these services would be reimbursable through FEMA if the loss resulted from a FEMA eligible named storm.

Staff is recommending renewal of this contract at the following rates:

	<u>2023-2024 Hourly Rates</u>
Adjuster	\$131
Branch General Adjuster	\$147
Regional General Adjuster	\$198
Protégé Adjuster	\$198
National General Adjuster	\$218
Executive General Adjuster	\$270
Senior Executive General Adjuster	\$302

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, 2023, to April 30, 2024, 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 \$20,704,643:
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, 2023, to April 30, 2024, with an annual premium of \$92,265;

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 \$ 2.5 million for coverages effective for the 12-month period of July 1, 2023, to June 30, 2024;

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:

	<u>2023-2024 Hourly Rates</u>
Adjuster	\$131
Branch General Adjuster	\$147
Regional General Adjuster	\$198
Protégé Adjuster	\$198
National General Adjuster	\$218
Executive General Adjuster	\$270
Senior Executive General Adjuster	\$302

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