

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(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.

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, 2024, through April 30, 2025. In order to ensure 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.

**E-66**

## **PRIOR RENEWAL HISTORY**

<b>PREVIOUS PROPERTY INSURANCE RENEWALS</b>						
	<b>YEAR</b>	<b>YEAR</b>	<b>YEAR</b>	<b>YEAR</b>	<b>YEAR</b>	<b>YEAR</b>
	<b><u>2019-2020</u></b>	<b><u>2020-2021</u></b>	<b><u>2021-2022</u></b>	<b><u>2022-2023</u></b>	<b><u>2023-2024</u></b>	<b><u>2024-2025</u></b>
<b>Coverage Limit</b>	\$250,000,000**	\$200,000,000	\$200,000,000	\$200,000,000	\$200,000,000***	\$200,000,000***
<b>Premium</b>	\$17,696,080	\$17,811,972	\$18,462,239	\$18,867,558	\$20,704,643	\$21,316,416

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

\*\*\*The District Participates 50% as co-insurer in the \$50M excess of \$150M.

## **PROPERTY VALUATION**

The Office of Risk and Benefits Management collaborates with Facilities Management staff to reach an 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 \$13.11 Billion is reached using a blended rate for non-instructional facilities, elementary, middle, and senior high schools, in conjunction with actual appraisals. This valuation represents an increase of 4% of total insured values.

## **RECOMMENDATIONS FOR RENEWAL**

During the last renewal period, it was expected the District would see significant premium increases due to the expiration of multiple Long-Term Agreements, which would require the insurance carriers to level set to current market rates. However, the catastrophic property insurance market saw a period of stabilization due to lower loss trends and an increase in overall market capacity. As a result, the District avoided double-digit property insurance increases other public entities had experienced over the past two years.

Early market indicators signal that the pricing for property insurance will begin to soften due to an increase in the available capacity within the insurance marketplace and less than anticipated catastrophic claim activity. Despite the 2024 hurricanes and the more recent wildfires in Los Angeles, it is expected that domestic carriers will be seeking a flat renewal or slight rate increases. The district's current program consists of \$200 million in all risk, replacement cost property insurance with \$175 million being fully insured, which was bound May 1, 2024. The District co-insures 50% or \$25 million in the \$50 million excess of \$150 million layer of coverage. All premiums, excluding applicable state fees, totals \$21,276,223.

In order to insulate the District from significant market changes, \$32M of the primary \$100M layer of coverage is on a multi-year structured insurance program (MYSIP) provided by Berkshire Hathaway, 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. Additionally, another \$55.145M of the program has been bound utilizing Long-Term Agreements, which locked the rates in at 2024 terms and adjusted for increases to the Total Insured Values (TIV) each year.

The remainder of the program (\$119.855M) is traditionally renewed on an annual basis. Combined, they provide all risk, replacement cost coverage, which covers named windstorm/flood and all other perils coverage.

Berkshire Hathaway's MYSIP capacity 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 \$100M.

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 \$25M, excluding 2024-2025 MYSIP No Claim Bonus (NCB) reimbursements/premium credits and state required surcharges and assessments. Staff intends 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 2025-2026 renewal. The cost of this coverage has seen some hardening due to the continued high threat of global terroristic events; but it is anticipated that while the coverage availability remains relatively stable the cost is subject to some minor premium increases due to these events.

The current annual premium is \$97,000 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, 2025 with annual premiums not to exceed \$115,000.

## **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 has changed 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. The district has over \$600 Million in NFIP flood coverage.

Staff is recommending renewing the District's flood insurance at the same terms, limits and conditions as the current NFIP, while keeping the Flood Insurance budget for 2025-2026 at the current \$2.5M budget. The current NFIP covers buildings and contents in excess of 2,500 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 \$25M, excluding 2024-2025 MYSIP NCB reimbursements/premium credits and state required surcharges and assessments, effective May 1, 2025 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, 2025;
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, 2025, with an annual premium not to exceed \$115,000, 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, 2025, to April 30, 2025.

RYS:mgf