

Financial Services
Mr. Ron Y Steiger, Chief Financial Officer

SUBJECT: PROPERTY INSURANCE

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 (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 21, 2018 the Board authorized staff to enter into negotiations through its broker to secure and bind \$250M in coverage limits, with annual premiums for all property insurance premiums and associated fees not to exceed \$20 million, excluding the third year renewal of the STORM Parametric Property Insurance Policy effective May 1, 2018, 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 16, 2018 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, 2018, 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 \$2.1 million for coverages effective for the 12-month period of July 1, 2018 through June 30, 2019.

Over the past five years the District has been able to achieve significant reductions in premium to the property program. However, the 2017 hurricane season was extremely active with 17 named storms of which 10 became hurricanes. According to the *Insurance Journal*, the 2017 Hurricane Season is projected to be the most expensive hurricane season in U.S. history with anticipated catastrophic losses exceeding \$200 billion.

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PROGRAM RENEWAL

The Board authorized \$250 million in all risk, replacement cost property insurance has been secured and bound effective May 1, 2018, with all premiums, including applicable state fees totaling \$16,531,736.27 inclusive of the annual no claims bonus. This represents a 0.28% increase from the expiring program. In order to maintain premium levels flat, the overall program was amended so that the District is a 39.1% participant or \$19.55 million in the \$50 million excess of \$200 million layer of coverage.

The Board's broker, Arthur J. Gallagher Risk Management Services, Inc. (AJG), recognizes the District's desire to renew the property without any increase in premium. While a small increase of \$46,395.39 was necessary to achieve full placement of the program, there will be no net cost increase to the District. This is due to AJG agreeing to pay the above amount towards a Business Continuity Plan the District is required to conduct which will provide a cost/benefit risk assessment to identify and include all the critical systems in the backup and disaster recovery arrangement as well as provide a Business Impact Analysis Report. This assessment will be conducted through the Board's cyber liability carrier and paid for by AJG.

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 change that would result due to a change in capacity or because of a global catastrophe such as Hurricane Irma. We have increased the primary \$100M of coverage on a rolling three-year capacity and rate guarantee to 67%. We have renegotiated the Berkshire Hathaway portion of the MYSIP to increase their participation from 3% to 10% on a rolling three-year rate guarantee with option to renew one additional year.

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 (33% part of 100%) or \$33M 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 \$531,478 for policy year 2017. Additionally, authorized terrorism coverage with limits of \$50 million for property damage/\$10 million bodily injury has been bound with an annual premium of \$85,500, resulting in an updated premium for property and terrorism coverage, including state required fees of \$5,402.95 resulting in an annual premium of \$16,617,236.27.

The previously authorized "STORM" Parametric Index Wind Speed Property Insurance Policy, enters into the third 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.

PROGRAM COVERAGE IN EFFECT AS OF MAY 1, 2018

<u>Property Limits</u>	<u>Deductibles</u>	<u>Total Annual Premium</u>
\$250 million Named Windstorm	\$100 million/loss Named Windstorm Deductible	\$17,057,811.32 as outlined below
\$10 million Named Windstorm/ \$20 million aggregate (Parametric STORM)	\$0 per event/wind-speed	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

2018-2019 Master Property Program		Premium	AM Best Rating
Primary \$100M Layer	participation		
Traditional Insurance Coverage	33.00%	\$3,230,039.32	
Landmark American Ins. Co. - RSUI	7.00%		A+ XIV
Ironshore Specialty Insurance Co	6.20%		A XV
Lloyds of London - Hiscox	2.0925%		A XV
Westchester Surplus Lines Insurance Co.	3.97%		A++ XV
Lloyds of London (Various Syndicates)	13.74%		A XV
3YR Multi-year Agreement (GUARANTEED)	67.00%	\$6,519,545.00	
SwissRe (Westport Ins. Corp)	33.50%		A+ XV
Lexington Ins. Co. - London (Renewed 2017)	10.00%		A XV
Lloyds of London (Endurance WBC Syndicate)	3.50%		A XV
National Fire & Marine (Berkshire)	10.00%		A++ XV
Lloyds of London – (Various Syndicates)	10.00%		A XV
Supporting AOP Layers - various carriers		\$759,339.00	
subtotal		\$10,508,923.32	
First Excess Layer - \$50M excess Primary \$100M			
subtotal		\$3,181,000.00	
Second Excess Layer - \$50M excess \$150M			
subtotal		\$2,374,000.00	
Third Excess Layer - \$50M excess \$200M			
subtotal		\$993,888.00	

Total Annual Premium		\$17,057,811.32
Surcharges & Fees		\$5,402.95
Total Annual Premium including Surcharges & Fees		\$17,063,214.27
Estimated No Claim Bonus - from 3YR Multi-Agreement (2017)		\$ (531,478.00)
Subtotal		\$16,531,736.27
Terrorism		
Limits of Coverage	Deductibles	Total Annual Premium
\$50 million Property Damage / \$10 million Third Party	\$100,000 / Loss	\$85,500.00
Total Property /Terrorism Premium Less NCB		\$16,617,236.27
"STORM" Parametric Index Wind Speed Property Insurance Policy		\$800,000.00
Subtotal		\$17,417,236.27
Total National Flood Insurance (NFIP) Estimated Premium		\$2,100,000.00
GRAND TOTAL PROGRAM OF PROPERTY, TERRORISM and FLOOD (NFIP)		\$19,517,236.27
2017 TOTAL PROGRAM (Board item: \$19,470,510.16 included estimated NCB at \$580,084.00), Actual NCB for 2017: \$580,414.72, a difference of \$330.72 Revised 2017 TOTAL PROGRAM:		\$19,470,840.88
Differential / Increase from PREVIOUS PROGRAM PERIOD		\$46,395.39

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 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 \$50,000 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:

	2018-2019 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

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:

- confirm placement of its excess, all risk, replacement cost property insurance program, through Arthur J. Gallagher Risk Management Services, Inc., effective May 1, 2018 to April 30, 2019 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:

Axis Specialty (Lloyds) (AJGUK)	\$ 482,208.00
BRIT Synd 2987 (Lloyds) (RPS)	80,630.00
Colony Insurance Company (Amwins)	574,525.00
Endurance (Lloyds) (AJGUK)	552,366.00
Evanston Ins. Co. (RPS)	238,579.00
Everest Indemnity Ins. Co. (RPS)	275,004.00
Great Lakes Reinsurance (UK) SE / AJGUK (AJGUK)	416,629.00
Hiscox Syndicate (Lloyds) (Amwins)	355,919.90
Ironshore Specialty Insurance Co (RPS)	1,044,252.00
Landmark American Ins. Co. (RPS)	1,088,748.00
Lexington Insurance Company (AJGUK)	1,510,348.00
Liberty Surplus Ins. Corporation (RPS)	47,484.00
Lloyds of London (Various Syndicates) (AJGUK)	4,329,808.12
National Fire & Marine Ins. Co. (Berkshire)	1,215,622.00
Scottsdale Surplus Lines Ins. Co (RPS)	414,488.00
Starr Surplus Lines Ins Co. (CV Starr)	479,138.00
Westchester Surplus Lines Ins. Co. (RPS)	462,276.30
Westport Insurance Corp (Swiss Re)	3,495,188.95
	\$17,063,214.27

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, 2018 to May 1, 2019 with an annual premium of \$85,500;
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, 2018 to June 30, 2019;
4. confirm the payment of the annual installment (3 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 \$50,000 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.

RYS:mgf