

THE SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA

FINANCIAL SERVICES DEPARTMENT

M_E_M_O_R_A_N_D_U_M

TO: Bruce Monson, Executive Director of Financial Services
FROM: Bert Palmer, Risk Manager
DATE: March 19, 2007
SUBJECT: PROPERTY INSURANCE RENEWAL, Effective 05/01/2007

Policy Year Change

It has been determined that moving the district property insurance renewal date from July 1 to May 1 is in the best financial interest of the district. Our current program runs from July 1 through June 30. The new policy year will run from May 1 through April 30. The change will take the district program out of the peak renewal cycle [hurricane season] and place us in a period with more insurance carrier capacity. The closer we come to hurricane season, the fewer carriers there are willing to write policies at a competitive price. The district will receive a refund of a portion of the expiring premium for the period 5/01/07 through 6/30/07.

Background:

The Florida property insurance market continues to be volatile with premiums higher than the historical average. The proposed renewal property rates are lower than the expiring program rates, but still much higher than those offered prior to 2006-2007.

Renewal:

The following illustration [Option 1] summarizes the expiring program and the renewal proposal presented by Hilb, Rogal & Hobbs of Florida, Inc., [our broker] that most closely resembled the expiring program. The comparison is based upon a full twelve (12) month policy period.

| | 2006-2007 Expiring Program | May 1, 2007 Renewal | Difference + / - | Percentage Change |
|------------------------------------|-------------------------------|------------------------|---------------------|----------------------|
| Rate per \$100 of Insurable Values | \$0.3439 | \$0.2059 | (\$0.1379) | -40.12% |
| Rate per \$100 of Loss Limit | \$6.5421 | \$5.8397 | (\$0.7024) | -10.74% |
| Insurable Values | \$903,723,223 | \$1,347,147,537 | \$443,424,314 | 49.07% |
| Policy Loss Limits | \$47,500,000 | \$47,500,000 | \$0 | 0.00% |
| Total Premium | \$3,107,500 | \$2,773,859 | (\$333,641) | -10.74% |

There is no Citizens assessment on the program this year. The state has imposed a 1% Florida Hurricane Assessment on all policies. The renewal premium is \$2,773,859 [with assessment and fees the total cost is \$2,801,617.59]. All of the terms and conditions of the renewal program remain the same as the expiring program. The estimated refund premium for the expiring policy year is \$446,433.14.

Alternatives:

The district can accept the renewal illustrated above or one of the alternatives. The alternatives are as follows:

Option 2: \$2,072,750 Premium + \$20,747.50 assessment & fees = \$2,093,497.50

This is the premium after substituting a \$25 million primary "All Risk" layer that **excludes** wind, hail, earthquake and flood. The total recoverable insurance [loss limit] excess of deductibles and self-insured retention is \$60 million. The estimated refund premium for the expiring policy year is \$403,697.14.

Option 3: \$4,907,996 Premium + \$49,103.96 assessment & fees = \$4,957,099.96

The total recoverable insurance [loss limit] excess of deductibles and self-insured retention is \$65 million. There would be no participation by the district on the first and second layer of the program. The estimated refund premium for the expiring policy year is \$446,433.14.

Option 4: \$2,447,750 Premium + \$24,471.50 assessment & fees = \$2,472,251.50

This is the premium after substituting a \$25 million primary "All Risk" layer that **excludes** wind, hail, earthquake and flood. The total recoverable insurance [loss limit] excess of deductibles and self-insured retention is \$65 million. The estimated refund premium for the expiring policy year is \$403,697.14.

Summary:

The selection of Option 1 will provide the same level of coverage at a reduced premium. It is the best budget option.

If you have any further questions, please let me know.

Attachments (10)