

THE SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA

FINANCIAL SERVICES DEPARTMENT

M_E_M_O_R_A_N_D_U_M

TO: Mitsi Corcoran, Chief Financial Officer
FROM: Bert Palmer, Risk Manager
DATE: March 4, 2009
SUBJECT: PROPERTY INSURANCE RENEWAL, Effective 05/01/2009

Background:

The Florida property insurance market continues to be volatile with premiums higher than the historical average. The fragile insurance environment in Florida has been further eroded by the loss of insurance carrier investment income and limited sources of new capital. These forces have resulted in higher pricing for the renewal.

Renewal:

Option #1 summarizes the expiring program and a renewal comparable to the expiring program. There will be a Citizens Surcharge equal to 2.4% of premium and an EMPA policy charge of \$52. The regulatory charges will add \$81,905 to the premium.

OPTION #1	2008-2009 Expiring Program	May 1, 2009 Renewal	Difference + / -	Percentage Change
Rate per \$100 of Insurable Values	\$0.1875	\$0.2215	\$0.0340	18.13%
Rate per \$100 of Loss Limit	\$3.7857	\$4.7270	\$0.9413	24.86%
Insurable Values	\$1,413,174,862	\$1,493,706,975	\$80,532,113	5.70%
Policy Loss Limits	\$70,000,000	\$70,000,000	\$0	0.00%
Total Premium	\$2,650,000	\$3,308,900	\$658,900	24.86%

The Option #1 premium plus regulatory charges total \$3,390,805.

Option #2 summarizes the expiring program and the renewal with the loss limit decreased to \$55,000,000 in order to keep the renewal premium at or near the expiring cost. There will be a Citizens Surcharge equal to 2.4% of premium and an EMPA policy charge of \$36. The regulatory charges will add \$60,888 to the premium.

OPTION #2	2008-2009 Expiring Program	May 1, 2009 Renewal	Difference + / -	Percentage Change
Rate per \$100 of Insurable Values	\$0.1875	\$0.1697	-\$0.0178	-9.48%
Rate per \$100 of Loss Limit	\$3.7857	\$4.6100	\$0.8243	21.77%
Insurable Values	\$1,413,174,862	\$1,493,706,975	\$80,532,113	5.70%
Policy Loss Limits	\$70,000,000	\$55,000,000	-\$15,000,000	-21.43%
Total Premium	\$2,650,000	\$2,535,500	-\$114,500	-4.32%

The Option #2 premium plus regulatory charges total \$2,596,388.

Recommendation:

Option #1 with a total cost of \$3,390,805 [premium + regulatory charges] is the recommended renewal. The selection of Option #1 will allow the district to maintain the existing loss limits, but with a 24.86% increase in premium. The other option would require the district to participate [self-fund] 20% in the primary layer over and above deductibles. The result is a higher claim cost in the event of a major property loss.

The district incumbent property insurance broker, WillisHRH of Sarasota, provided all of the renewal options.

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

Attachments