

Attachment 1

Item II-1 First Amendment to Agreement Between The School Board of Broward County, Florida and Arthur J. Gallagher Risk Management Services, Inc.

Features and Benefits of a Master Builder's Risk Policy

Securing a Master Builder's Risk Policy allows SBBC to take advantage of project volume/economies of scale to purchase limits and achieve competitive pricing options such as broader coverage terms. This policy will eliminate additional contractor overhead and profit cost and will save the District surplus lines taxes of 5.2% when a policy is procured directly by SBBC due to our tax exempt status. It will also allow SBBC to reduce potential property market fluctuations, guarantee property capacity, utilize a pre-determined program loss adjusting agent, and correspond with a single adjuster versus multiple adjusters for multiple contractors on a large loss. Additionally, quantifying project costs will assist the School Board's budgeting process. Only construction values are used to determine premium, not estimated total project values provided by a contractor to procure an individual Builder's Risk policy. The District would have the ability to recover Builder's Risk deductible payments in a federally declared disaster such as a Hurricane loss. The *Federal Emergency Management Agency Public Assistance Guide (FEMA) 3229 (June 2007), Chapter 2 - Eligibility, Facilities Under Construction or Scheduled for Replacement* provides eligibility requirements for public assistance. Typically, a facility under construction is the responsibility of the contractor until the owner has accepted the work as complete and a contractor is not eligible for public assistance from FEMA. However, by securing a master Builder's Risk policy, the District is responsible for any damage to a facility while it is under construction and repairs would be eligible for public assistance from FEMA.

Master Builder's Risk Program Overview

AJG has successfully negotiated a five year Master Builder's Risk program that will encompass all construction including construction approved as part of the Bond referendum.

Coverage Highlights

- Insurance Carrier- Starr Indemnity & Liability Company
- Projected Coverage Dates/Terms – 3/1/2015 – 3/1/2020
- Occurrence Limits – \$50,000,000
- Composite annual rate of \$0.45 per \$100 of construction applied to annual expenditures
- Deductible
 - Named Windstorm – 5% of values at time and location of loss subject to a \$2,000,000 minimum
 - \$20,000 deductible for all other perils
- Earthquake included
- Flood included
 - Wind driven water/storm surge is included in Named Windstorm definition
- Premium
 - Deposit Premium based on 60% of projected annual construction values - \$362,513.40 (not including fees, taxes and surcharges)
 - Estimated year one audited premium based on 100% of construction - \$604,189 (not including fees, taxes and surcharges)