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Information Brief

December 2003 **Report No. 03-65**

State's Property Insurance Program Balances Risk and Cost of Insurance

at a glance

The state's property insurance program in the Division of Risk Management protects the state against property losses that would require the unexpected use of state operating capital. The program provides state agencies with coverage for property damage due to perils such as windstorm, sinkhole, flood, and fire.

The division pools state agency resources to pay for an expected level of property loss claims (self-insured retention) and purchases excess insurance coverage to cover unexpectedly large claims, such as claims for hurricane damage. The division recently has increased the amount of state self-insured retention so that the state could pay less for purchasing excess insurance policies.

When property loss occurs, state agencies pay for the cost of repair or replacement and apply for reimbursement from the division. In the past two fiscal years, the most frequent types of claims paid were for lightning and windstorm damage.

Scope

This information brief responds to a legislative request for information on how the state handles property insurance. The report describes how the state's property insurance program operates. The program is administered by the Division of Risk Management within the Department of Financial Services. Specifically, this report addresses

- the purpose and organizational structure of the state's property insurance program;
- how the division decides how much risk to retain and property insurance to purchase;
- how the state finances property insurance program costs;
- how the division goes about purchasing property insurance; and
- the process the division and agencies follow when the program pays an agency that incurs a property loss.

This is one of two reports resulting from the program evaluation and justification review OPPAGA is currently conducting on the Risk Management Program. [1]

We provided the agency with a copy of the draft report and they supplied some clarifying information which we have incorporated into the report.

[1] Section 11.513, *F.S.*, directs OPPAGA to complete a program evaluation and justification review on each state agency that is operating under a performance-based program budget. We expect to issue a final report on the justification review by summer 2004.

Background

The state of Florida owns property with a value of $14.26 billion. [2] The counties with the highest property values are Leon with $2.8 billion, Alachua with $2.7 billion, Miami-Dade with $1.2 billion, and Hillsborough with $1 billion. Appendix A shows the distribution of state-owned property throughout the state.

As shown in Exhibit 1, the state's property insurance program is a component of the Division of Risk Management within the Department of Financial Services. The purpose of the program is to ensure that participating state agencies are provided quality property insurance coverage at reasonable rates by providing self insurance, purchase of excess insurance, claims handling, and technical assistance in managing risk. The program benefits the state by protecting it against property losses that would require the unexpected use of operating capital.

Exhibit 1
The State's Property Insurance Program Is a Component of the Division of Risk Management

Division of Risk Management Bureaus	Function
Bureau of State Liability Claims	Handles claims related to negligent acts of state employees
Bureau of Workers Compensation	Handles claims for job-related injuries of state employees
Bureau of Property, Financial and Risk Services	Handles claims for damage to state-owned buildings and contents, arranges for purchase of property insurance coverage, provides loss prevention services and processes claim payments for all division insurance programs.

Source: Division of Risk Management.

Florida law requires all state agencies to participate in the program. When property losses occur, the program provides reimbursement to state agencies for expenses incurred to repair or replace state-owned buildings and contents that are damaged by named perils such as windstorm, sinkhole, flood, and fire. [3]

Florida uses a three-pronged approach to covering potential losses to state-owned property. First, the Division of Risk Management assesses state agencies for a pro-rated share of program expenses and deposits these assessments in the State Risk Management Trust Fund. This pooling of state agency resources provides the division with the funds needed to pay for expected property claims.

Second, the division arranges for the purchase of insurance from commercial insurers in the excess insurance market to cover unexpectedly large claims, such as claims for hurricane damage. [4] The property loss risk retained by the state (often referred to as the deductible or self insured retention) is any amount below the amount covered by insurance policies. [5] If claims for property damage exceed the amount allocated for the fiscal year but do not meet the deductible, the division would have to pay the additional amount from other resources. [6]

Third, the Department of Management Services (DMS) provides optional additional state property insurance coverage for perils not covered by the Division of Risk Management's property insurance program. [7] One staff person within the DMS Division of Purchasing works with agencies to provide for their additional

[2] Valuations are as of February 2003, and include approximately $10 billion in buildings and $4 billion in contents.

[3] Section 284.01, *F.S.*, identifies the property perils that are to be covered by the State Risk Management Trust Fund, which are referred to as "named" perils. These are fire, lightning, sinkholes, and other customary property coverage. The Division of Risk Management's Certificate of Property Coverage includes the additional perils of explosion, windstorm or hail, smoke, physical contact from an aircraft or vehicle, riot, and flood.

[4] Excess coverage, or excess insurance, is coverage in excess of a primary layer of coverage. An excess insurer does not need to pay for a loss until the amount exceeds a specified sum. In this case, the state's risk retention level is viewed as the primary layer of coverage.

[5] Theoretically, the state also retains the risk for any amount above the coverage provided by the insurance policies. For example, the maximum amount for windstorm damage covered by insurance policies the division purchased for Fiscal Year 2003-04 is $70 million per occurrence. The state has never had to pay for a loss that exceeds the amount covered by its insurance policies.

[6] These resources could include the use of additional monies from the amount reserved for this purpose in the trust fund's investment account.

[7] As discussed earlier, the Division of Risk Management's property insurance program provides coverage for named perils such as windstorm, sinkholes, fire, and flood.

property insurance needs. For example, DMS provides coverage for boilers and machinery, and for contents of state-owned buildings that are damaged due to perils such as vandalism or theft.

Five full-time equivalent (FTE) positions in the Property Section of the Division of Risk Management's Bureau of Property, Financial, and Risk Services arrange for the purchase of insurance to cover state properties, assist state agencies in identifying proper building valuations and needed coverage, and provide property claims administration. As shown in Exhibit 2, the state's property insurance program was allocated $10.6 million for Fiscal Year 2003-04, which included $8.4 million to purchase commercial property insurance for coverage year 2004-05. [8]

Exhibit 2
Most of the State's Property Insurance Program Budget Allocation for Fiscal Year 2003-04 Is Intended for the Purchase of Insurance Policies

Expense	Amount
Purchase Insurance Policies[1]	$ 8,400,000
Property Loss Claims	1,600,000
Contracted Brokerage Services	295,000
Salaries and Benefits and Other Program Operating Expenses	339,520
Total	$10,634,520

[1] The division's allocation to purchase insurance policies is for coverage year 2004-05.
Source: OPPAGA analysis of information provided by the Division of Risk Management.

Revenues to pay program expenses are derived from an assessment to state agencies. These expenses include an amount for the state's anticipated claim payments during the fiscal year, an amount to manage the state's property insurance program (including claims processing), and an amount to pay for the purchase of excess insurance coverage. [9]

Risk retention

One of the primary functions of a state property insurance program is to determine the optimal balance between the amount of property damage the state will cover with its own financial resources (retained risk) and the amount of risk that will be passed on to a commercial excess insurer by purchasing insurance coverage (transferred risk). This decision is based on the state's unique characteristics and is affected by several factors, including the state's market for purchasing excess insurance, its potential for property losses, and the amount of financial resources it has available.

The geographic location of property to be covered affects the cost and availability of insurance in the market. California and Florida are considered high-risk states for insurance purposes based on insurance industry projections used to set rates. California is considered high risk because of the potential for earthquakes and fire, while Florida is considered high risk because of the potential for windstorm damage from hurricanes. This high wind exposure limits the state's ability to participate in joint cost-saving strategies, such as forming captive insurance companies with other states or participating in risk retention groups. [10]

States use varying approaches to property insurance, ranging from not purchasing any insurance and instead covering all losses with state funds (termed "going bare"), to using a combined strategy of purchasing insurance and retaining some of the risk. For example,

[8] The division purchases property insurance coverage in May rather than on a fiscal year basis to avoid purchasing coverage during Florida's hurricane season. Insurance companies tend to charge higher premiums for coverage purchased during hurricane season. The state's coverage year is May through April.

[9] The division bills agencies for their portion of state property insurance costs. Property insurance assessments are paid from the agency expense budget category. (Agency assessments for casualty coverage, such as for federal civil rights violations and workers' compensation, are paid from a budget category specifically earmarked for risk management.)

[10] A captive insurance company is created to serve the risk management needs of entities with similar insurance needs. It is owned and operated by those entities. In this case, a captive would be created by more than one state to service the risk management needs of those states. Risk retention groups are similar to group captives, but are governed by the Risk Retention Act of 1986, and are not subject to the individual state laws governing captives.

Tennessee did not purchase insurance coverage for earthquakes in 2002, due to the difficulty of obtaining coverage. California retains the risk for most exposures to avoid incurring transactional costs such as fees to brokers and profits to insurance companies, and due to a decision that the state economy is large enough to pay for losses. [11]

Not purchasing any insurance coverage may improve cash flow in the short term, but this practice can leave a state like Florida vulnerable in the event of a major catastrophe such as a hurricane of the magnitude of Hurricane Andrew in 1992. [12] In the absence of sufficient coverage for this type of event, the state would have to take emergency measures such as using working capital ("rainy day" funds), issuing bonds to cover the cost of re-building, or deciding not to re-build.

Like most states, Florida uses a combined strategy of retaining a portion of the risk for property loss and purchasing commercial insurance to cover the excess. The larger the retained risk, the lower the amount of insurance a state needs to purchase, with subsequent reductions in the cost of purchasing insurance policies. The retained amount should, at a minimum, cover anticipated losses. Ideally, insurance policies are used to handle unexpected and catastrophic losses. Only two losses in Florida over the past 28 years have caused the state to access its excess insurance coverage. [13]

How the Division of Risk Management determines the level of self insured retention

Each year, the Division of Risk Management determines the upper and lower limits of the excess property insurance coverage it will purchase. The state pays for property losses not covered by the excess insurance (the state's self insured retention) out of current year appropriations for expected claims and other state resources. [14]

Insurance rates are volatile and, as shown in Appendices B and C, Florida's excess insurance costs have grown dramatically over the last 10 years (from $797,800 for $300 million in coverage in 1992-93, to $10.5 million for $200 million in coverage purchased in May 2002 for Fiscal Year 2002-03). To manage this cost, the division must carefully determine the proper balance between excess insurance purchase and self-insured retention.

The excess insurance purchased by the division covers only losses for property and contents within a range defined by an upper and lower limit of coverage. The division caps the amount of coverage at an upper limit because it is not in the state's best interest to pay premiums to cover losses that have almost no likelihood of occurring. The amount of risk the state chooses to retain is the lower limit of coverage. The division pays for losses below the lower limit of coverage with state funds.

When establishing the limits of insurance coverage, the division's policy is to set the **upper limit** of purchased coverage at an amount equaling the highest state property value in any one location. [15] The property and contents at the Shands medical complex in Alachua County, with a value of approximately $200 million,

[11] Due to contractual obligations in bond documents, California insures bond-funded buildings.

[12] The experience of the insurance industry in Florida illustrates the danger of depending entirely on past claims history and choosing not to purchase some level of insurance. Hurricane Andrew had a major impact on a relatively unprepared insurance industry. Insurers did not have sufficient financial reserves to cover losses, and some corporations became insolvent as a result.

[13] These losses were due to Hurricane Andrew in 1992, with a loss of $17 million, and a University of Florida cafeteria fire in 1987, with a loss of $4.5 million. Over the past 10 years, the year in which the state had the highest combined total losses was 1999, with aggregate losses of $2.15 million.

[14] As discussed earlier, the property loss risk retained by the state (often referred to as the deductible or self-insured retention) is any amount below the amount covered by insurance policies. If a claim for property damage exceeds the amount allocated for claims but is still below the deductible on the insurance, the division would have to pay the claim using other resources. These resources could include the use of amounts reserved for this purpose in the trust fund's investment account.

[15] The highest state property value in one location is intended to represent the worst loss that could happen in one event.

poses the highest one-time risk of loss in the state. Such coverage is estimated to adequately cover other large potential losses. To further evaluate the adequacy of the upper limit, the division contracts with an insurance broker for an analysis of the state's wind exposure.[16] However, since market conditions and capacity may limit the coverage available for purchase, the state may not achieve its objectives for the upper limit of coverage.

The division establishes the **lower limit** of insurance coverage based on factors such as five years' of claims history and information on the availability and cost of commercial insurance. For coverage in Fiscal Year 2002-03, the division set the lower limit of excess insurance coverage at $4 million per occurrence with an aggregate of $8 million for wind damage, and $2 million per occurrence with an aggregate of $5 million for other named perils. [17]

For Fiscal Year 2003-04, the division modified its typical process for setting the upper and lower limits of coverage due to difficulty obtaining desired levels of coverage, and an unexpected year-end cash balance in the State Risk Management Trust Fund. [18] Due to limited capacity in the market, the division capped the upper limit of windstorm coverage at $70 million per occurrence. The division selected an upper limit of flood coverage at $50 million in the aggregate because it determined that amount to be adequate given the probability of property loss due to flood.

At the same time, the division increased the lower limit of insurance coverage for wind and flood damage from $8 million to $20 million in the aggregate because cash flow projections showed that the state could cover losses of up to $20 million from the State Risk Management Trust Fund. [19] Because increases in self insured retention reduce the amount of excess insurance that must be purchased from insurance companies, the state's premium for wind and flood damage coverage was reduced by an estimated $7.1 million.

The division proposed to establish a reserve of $20 million, which if invested could grow and fund a higher retention level, again reducing the level of excess insurance coverage needed. However, the 2003 legislature decided to transfer the excess funds in the State Risk Management Trust Fund to General Revenue. At the same time, the Legislature used proviso language to allow the division access to an additional $20 million in state working capital. The division would need to request budget amendments to transfer funds from the working capital fund to the State Risk Management Trust Fund.

Financing risk retention and other program expenses

States use various financial tools for covering the retained risk portion of property losses. These range from completely covering losses out of current appropriations, to creating a reserve to cover some portion of potential losses. For example, Tennessee agencies pay high deductibles ($25,000 to $100,000 per occurrence) out of current year appropriations, and the state's risk management program sets aside an additional $5 million in a reserve to cover insurance policy deductibles. Mississippi pays all losses out of current year appropriations, as does California.

[16] The broker uses specialized software to model a series of different scenarios that depict the probable state property losses resulting from windstorms of varying intensity and paths through the state. The most recent analysis (from 2001, updated for 2003-2004 values) indicated that if Hurricane Andrew were to occur today, it would cause estimated damages of $119 million, and that if the worst recorded storm were to occur today (an unnamed storm that occurred in 1926) it would cause estimated damages of $250 million.

[17] The term aggregate loss refers to the sum of all losses for a particular line of coverage, such as windstorm damage, paid by the state during a coverage year.

[18] This balance was in part due to paying lower insurance premiums than estimated during the year (approximately $7 million less than expected). In addition, expected settlements in the Federal Civil Rights Program (approximately $13 million) were not finalized by the end of the fiscal year.

[19] The division projected that it would have over $20 million in an unanticipated cash balance in its trust fund at the end of Fiscal Year 2002-03.

Establishing a reserve to cover potential losses has both advantages and disadvantages. A reserve helps ensure the availability of funds when needed. However, it may not be desirable from a state perspective to reserve large amounts of funds that could be used for other purposes.

Florida has historically used the approach of appropriating the costs of property claims the Division of Risk Management expects to pay during the immediate fiscal year. In Fiscal Year 2003-04, as mandated in the 2003-2004 General Appropriations Act, the state also reserved $5 million in the State Risk Management Trust Fund to cover the aggregate self-insured retention for perils other than wind and flood. [20] The amount of expected claims cost is assessed to state agencies at the beginning of each fiscal year and placed in the State Risk Management Trust Fund to be used for current year claims. The division allocates each agency's cost for property insurance using a formula that considers the agency's property values, exposure to risk, and loss experience. This retrospective rating system recovers losses over time from the agencies incurring those losses. [21]

Purchasing excess insurance

Because of the complexity of the market and the number of companies involved in providing excess property insurance coverage for the state, the Division of Risk Management uses private insurance brokering services to assist in the purchase of property insurance. [22] Once the division and the broker have agreed upon a strategy for insurance coverage limits, the broker coordinates the purchase of the excess property insurance. This includes drafting insurance specifications and negotiating pricing to meet the state's objectives, identifying market conditions, and evaluating the financial condition of the underwriters.

The broker identifies the companies that will write the excess coverage and negotiates the limits of coverage and premiums. The broker is then responsible for administering the insurance purchase. The broker reviews the policies for consistency with specifications and makes sure the appropriate policies and binders are issued by the effective policy date. As shown in Appendix D, the division purchased excess property insurance coverage for coverage year 2003-04 from a combination of 13 companies. This process, known as layering, is typical for an entity the size of the state of Florida, as no single company is willing to assume the complete risk.

As illustrated in Appendix D, the state pays a higher premium per unit of insurance coverage for the first layer of coverage (the primary layer) than for insurance in the upper layers. This is because the greatest risk of loss exists in the primary layer. For example, the cost of coverage in the 2003-04 coverage year for the state's primary layer of insurance (losses up to $25 million) was $168,000 per million. The cost of coverage dropped to $1,360 per million for the fourth layer of insurance coverage.

Paying claims for state property losses

As shown in Exhibit 3, Florida's state-owned property is subject to many types of loss. In the past two fiscal years, the program paid out $1,849,369 for 297 property loss claims. The most frequent types of claims paid were for lightning and windstorm damage. On average, the higher value claims were for fire damage. The largest claim payment made in these two years was

[20] As discussed earlier, the state also gave the division proviso authority to access to state working capital to cover unexpected losses up to $20 million. These provisions may be found in Section 60 of the 2003-2004 General Appropriations Act.

[21] As discussed earlier, the agency assessments include the cost of funding property insurance services within the Division of Risk Management, the expected cost of paying for losses not covered by insurance, and the cost of purchasing insurance from insurers in the excess insurance market.

[22] The division chooses a broker through a request for proposal (RFP) process, which involves evaluating proposals based on both technical content and the broker's knowledge and responsiveness in an oral presentation. To be considered qualified, the broker must have experience in property insurance procurement for organizations with property values of greater than $1 billion, have five years experience in insurance services, employ appropriately licensed and registered individuals, have experience in multi-line insurance coverage, and have experience with public entity insurance procurement. The brokering contract may be renewed for three years. The brokering contract for the four-year period 2003-2007 has a value of $295,000 annually.

$219, 225 in Fiscal Year 2001-02 for fire damage at Florida International University. [23]

State agencies take several steps when they incur a property loss covered by the state's property insurance program. [24] The agency must notify the Division of Risk Management immediately so that the division can inspect the damage if deemed necessary. [25] The agency also must take reasonable measures to prevent further damage. The agency has 90 days to provide written notice of the loss to the division and provide documentation of the property damage.

Exhibit 3
Lightning and Windstorms Are the Most Frequent Cause of State Property Damage

Cause of State Property Damage	Claims Paid			
	Fiscal Year 2001-02		Fiscal Year 2002-03	
	Amount	Number	Amount	Number
Lightning	$152,184	82	$ 317,617	60
Windstorm	165,684	67	273,010	30
Fire	462,897	23	289,528	11
Flood	2,250	1	164,529	17
Hail	2,957	3		
Vehicle	1,913	2		
Explosion			16,800	1
Totals	$787,885	178	$1,061,484	119

Source: OPPAGA analysis of information provided by the Division of Risk Management.

Next, the agency must repair or replace the property using its currently available funds. [26] Once the agency has completed repairs or replacement, it must provide appropriate supporting documentation to the division, such as paid invoices identifying the specific repairs made or paid invoices for replacement of contents. The agency also must provide other information, such as when the property was purchased and property records supporting the original value and current age of the property.

Before paying a claim, the Division of Risk Management reviews the information provided by the agency and determines the "actual cash value" of the claim, which is the replacement cost adjusted for depreciation. [27] The program is required to make payment to the agency, less the agency deductible of $2,500, within 60 days of receiving the required information.

The program uses a reimbursement method of paying claims for two reasons. First, statutes require the agencies' annual assessment to be based on the actual losses paid from the State Risk Management Trust Fund. Therefore, the program must have documentation from agencies of the amounts actually paid for repairs or replacement, and the reimbursement documents submitted to the Comptroller must include the actual payments the State Risk Management Trust Fund is reimbursing. Second, the reimbursement method encourages agencies to seek the best financial value when repairing or replacing property, and allows the division to assess whether the repairs constitute a replacement of the damaged property without betterment. This assessment is necessary because statutes require the program to pay only what it would cost to repair or replace the loss with material of like kind and quality.

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[23] The damage occurred in 1998 but the university did not provide final claims information to the division until November 2001.

[24] These steps are outlined in the state's Certificate of Property Coverage.

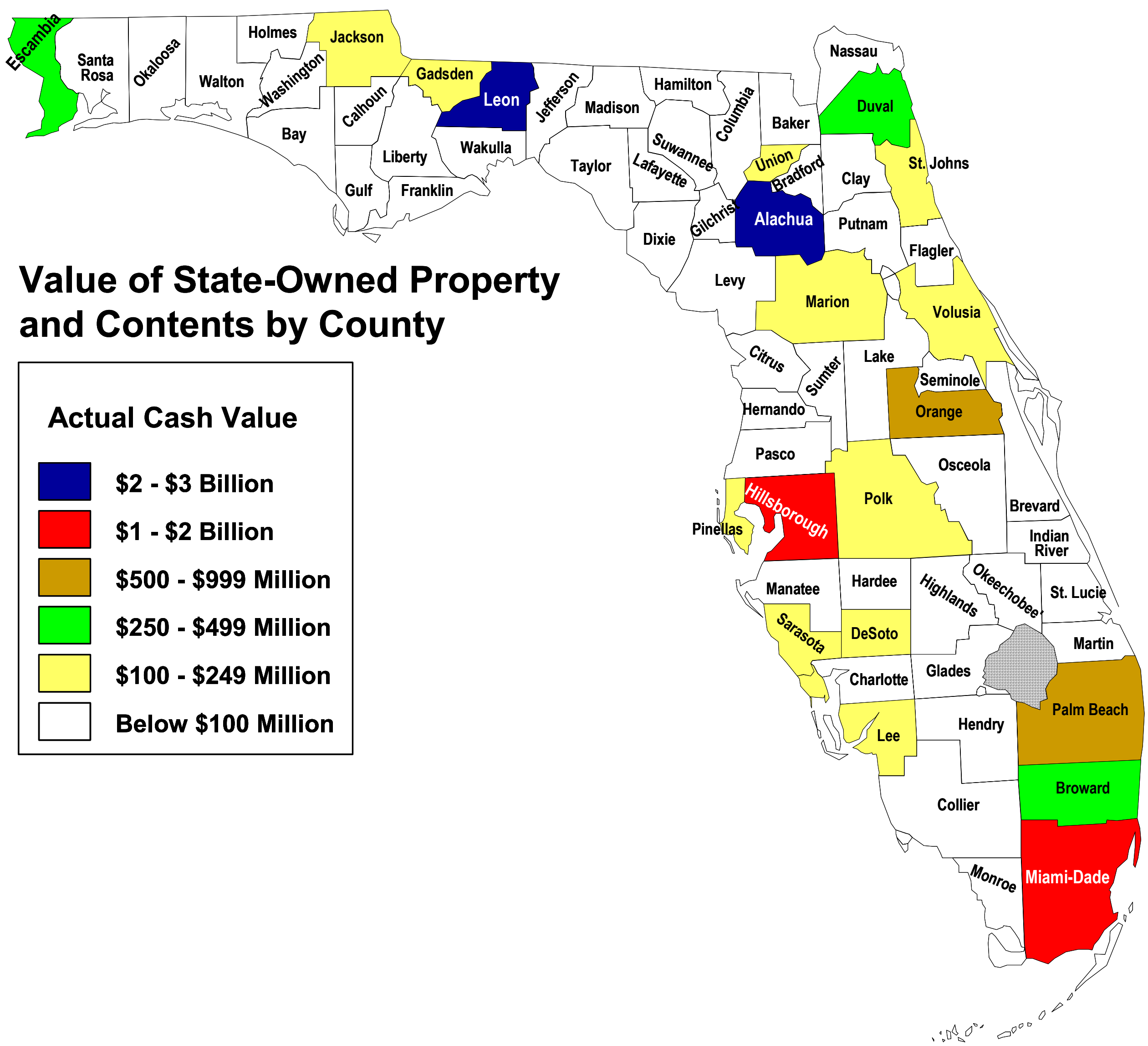
[25] The agency must also notify the State Fire Marshal if the damage was the result of a fire or due to a failure of the fire alarm system.

[26] We contacted the agencies that received claim reimbursement for the five highest claims paid in Fiscal Years 2001-02 and 2002-03. The dollar value of these claims ranged from $51,000 to $219,000. According to agency administrators, they initially paid for property repairs from current budget dollars.

[27] When reporting property value for insurance purposes, the agency must strive for accuracy. If properties are overvalued, the agency will pay a higher property assessment than it would pay if the valuation is accurate. If properties are undervalued, the agency will not be fully reimbursed for losses that exceed the coverage specified on their property certificate.

Appendix A

The Value of State-Owned Property Is Highest in Leon, Alachua, Miami-Dade, and Hillsborough Counties



Source: Marsh USA, Inc. State of Florida Risk Management Trust Fund Renewal Submission, May 1, 2003-2004, supplied by the Division of Risk Management.

Appendix B

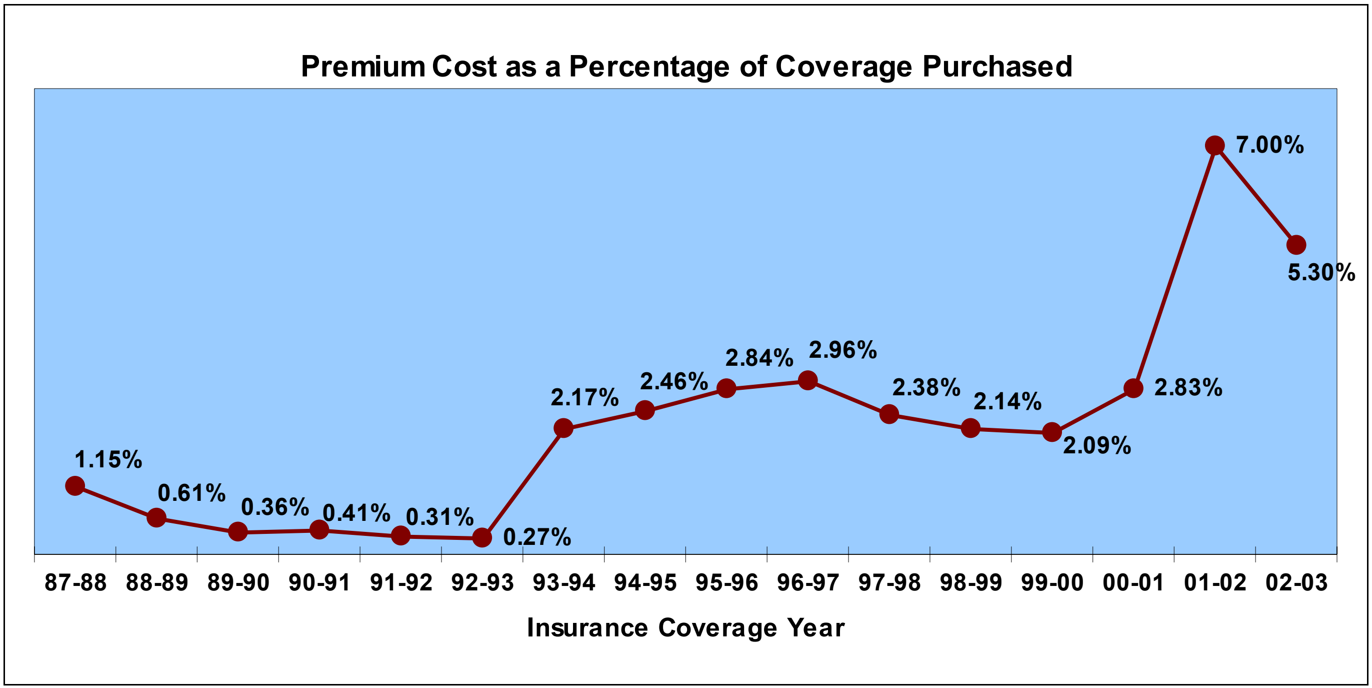
Insurance Coverage and Premiums for State-Owned Property in Florida Have Varied Considerably in the Past 15 Years

Policy Period	Total Values	Deductible		Coverage	Premium
1987-88	$4,223,120,395	$ 4,000,000		$ 150,000,000	$ 1,728,277
1988-89	4,695,373,751	4,000,000		150,000,000	912,682
1989-90	5,347,673,033	4,000,000		300,000,000	1,067,393
1990-91	6,121,899,169	4,000,000		300,000,000	1,221,931
1991-92	6,545,607,082	4,000,000		300,000,000	938,626
1992-93	7,117,570,895	2,000,000	Occasion	300,000,000	797,775
		5,000,000	Aggregate		
		100,000	Trailing		
1993-94	8,590,897,063	2,000,000	Occasion	150,000,000	4,275,000
		5,000,000	Aggregate	50,000,000	65,500
		100,000	Trailing		
1994-95	9,135,201,680	2,000,000	Occasion	200,000,000	4,916,662
		5,000,000	Aggregate		
		100,000	Trailing		
1995-96	9,645,810,379	2,000,000	Occasion	200,000,000	5,677,500
		5,000,000	Aggregate		
		100,000	Trailing		
1996-97	10,673,658,792	2,000,000	Occasion	200,000,000	5,925,000
		5,000,000	Aggregate		
		100,000	Trailing		
1997-98	11,244,889,619	2,000,000	Occasion	225,000,000	5,360,000
		5,000,000	Aggregate		
		100,000	Trailing		
1998-99	11,936,672,615	2,000,000	Occasion	225,000,000	4,807,010
		5,000,000	Aggregate		
		100,000	Trailing		
1999-00	12,989,827,394	2,000,000	Occasion	225,000,000	4,698,060
		5,000,000	Aggregate		
		100,000	Trailing		
2000-01	13,577,038,960	2,000,000	Occasion	200,000,000	5,659,310
		5,000,000	Aggregate		
		100,000	Trailing		
2001-02	13,134,292,330	2,000,000	Occasion	100,000,000	7,000,000
		5,000,000	Aggregate		
		100,000	Trailing		
2002-03	13,908,961,086	2,000,000	Occasion	200,000,000	10,595,000
		5,000,000	Aggregate Wind		
		4,000,000	Occasion		
		8,000,000	Aggregate		
		100,000	Trailing		

Source: Marsh USA, Inc. State of Florida Risk Management Trust Fund Renewal Submission, May 1, 2003-2004, supplied by the Division of Risk Management.

Appendix C

The State's Premium Costs Relative to the Amount of Coverage Purchased Are Volatile



Source: Division of Risk Management.

Appendix D

Risk Management Purchased 19 Excess Property Insurance Policies for the 2003-2004 Coverage Year

The excess property insurance purchased by the Division of Risk Management only covers losses for property and contents within certain ranges. The property loss risk retained by the state (often referred to as the deductible or self insured retention) is any amount below the amount covered by insurance policies. [28] For coverage year 2003-04, the division purchased 19 property insurance policies from a combination of 13 companies. The total state premium cost was $6,876,800. Table D-1 lists the companies and the coverage they provide.

Table D-1
State Property Insurance Coverage for May 1, 2003, through April 30, 2004

Explanation of Current Coverage Range	Source of Current Coverage and Coverage Amounts		Total Premium Costs and Cost per $1 Million of Coverage	Exceptions
Losses of up to $2 million per occurrence and $5 million in the aggregate	The state will cover all losses in this range using current resources		Not applicable	For wind and flood damage, the state will cover losses of up to $2 million per occurrence and $20 million in the aggregate
Losses exceeding the state risk retention level and up to $25 million	Six companies provide coverage totaling $25 million [1]		Total premium cost of $4,200,000 ($168,000 per million)	
	Commonwealth	$ 1.0 million		
	Crum & Forster	2.5 million		
	ACE	3.0 million		
	Axis	3.5 million		
	AWAC	5.0 million		
	Lexington	10.0 million		
Losses above $25 million and up to $50 million	Five companies provide coverage totaling $25 million[1]		Total premium cost of $1,500,000 ($600,000 per million)	
	St. Paul	$ 1.5 million		
	Essex	3.5 million		
	Steadfast	5.0 million		
	Crum & Forster	5.0 million		
	Lexington	10.0 million		
Losses above $50 million and up to $70 million	Seven companies provide coverage totaling $20 million[1]		Total premium cost of $1,000,000 ($50,000 per million)	The state did not purchase flood damage coverage for losses exceeding $50 million in the aggregate [2]
	St. Paul	$ 1.0 million		
	Montpelier	2.5 million		
	Crum & Forster	2.5 million		
	Royal	2.5 million		
	LMG	2.5 million		
	Commonwealth	2.5 million		
	Axis/ Bermuda	6.5 million		
Losses above $70 million and up to $200 million	One company (St. Paul) provides coverage totaling $130 million		Total premium cost of $176,800 ($1,360 per million)	The state did not purchase wind damage coverage for losses exceeding $70 million per occurrence [2]

[1] Losses are prorated among the companies based on the company's portion of coverage for the range.
[2] The state did not purchase coverage above these amounts because it was cost prohibitive to purchase a higher level of insurance.
Source: Division of Risk Management.

[28] Theoretically, the state also retains the risk for any amount above the coverage provided by the insurance policies. For example, the maximum amount for windstorm damage covered by insurance policies the division purchased for coverage year 2003-04 is $70 million per occurrence. The state has never had to pay for a loss that exceeds the amount covered by its insurance policies.

The Florida Legislature

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- Best Financial Management Practices Reviews of Florida school districts. In accordance with the *Sharpening the Pencil Act*, OPPAGA and the Auditor General jointly conduct reviews to determine if a school district is using best financial management practices to help school districts meet the challenge of educating their students in a cost-efficient manner.

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