

SUMMARY OF AMENDMENTS

COMMISSION FOR ARKANSAS PUBLIC SCHOOL ACADEMIC FACILITIES AND TRANSPORTATION RULES GOVERNING PROPERTY INSURANCE REQUIREMENTS

These rules were amended to provide that school district facilities must be insured for full replacement value in order to be eligible to receive state facility funding assistance administered by the CAPSAFT. Because nearly every facility that has applied for state facility funding assistance has carried full replacement value insurance, this amendment merely incorporates current practice. This requirement also advances the prudent and resourceful use of taxpayer dollars.

Other amendments are technical and stylistic, or bring definitions in line with existing rules or law.

**ARKANSAS COMMISSION FOR PUBLIC SCHOOL ACADEMIC
FACILITIES AND TRANSPORTATION
RULES GOVERNING PROPERTY INSURANCE REQUIREMENTS
July 13, 2007**

1.00 REGULATORY AUTHORITY

~~1.01~~—The Arkansas Commission of Public School Academic Facilities and Transportation's authority for promulgating these Rules is ~~pursuant to Ark. Code Ann. §§ 6-21-114, as amended by 2007 Ark. Acts No. 625 and 25-15-201 et seq.~~

2.00 PURPOSE

~~2.01~~—The purpose of these Rules is to establish the process, guidelines, and minimum recommended property, boiler, machinery, and extended coverage insurance requirements for all buildings, structures, facilities, and business personal property owned by a school district.

3.00 DEFINITIONS - For the purpose of these Rules, the following terms mean:

3.01 “Actual Cash Value” —~~The~~ means the cost of replacing damaged or destroyed property with comparable new property minus depreciation.

3.02 “Agreed Value” —~~The~~ means the specified maximum amount of insurance that will be paid for a building or structure.

3.03 “Boiler and Machinery (Equipment Breakdown)” —~~This~~ means the type of coverage that covers loss and damage as a result ~~thereof, resulting from~~ of the malfunction of boilers, ~~and~~ machinery, or both.

3.04 “Code Upgrade” —~~See “Ordinance and Law”.~~ means the same as “Ordinance and Law (Code Upgrade)” in Section 3.15 of these Rules.

3.05 “Co-Insurance” —~~The~~ means the amount of insurance a district must carry in order to be indemnified for the total dollar amount of the actual loss; ~~not all policies have a Co-Insurance clause.~~ No public school property eligible to receive facilities assistance listed in Section 4.02 of these Rules will be insured for less than ~~90% of replacement cost~~ full replacement value.

3.06 “Deductible” —~~The~~ means the amount of loss paid by the insured per claim.

- 3.07 “Earth Movement (Earthquake)” —~~This means the type of insurance that~~ provides protection to insured property damaged as a result of earthquake, landslide, rockslide, mudslide, mud flow, earth rising, earth sinking, earth collapsing, or the collapse of sinkholes. This type of insurance coverage may be purchased as an optional coverage.
- 3.08 “Extra Expense” —~~Following means the a covered loss, this type of insurance coverage that, following a covered loss, coverage~~ provides payment for ~~cost~~ costs above normal operating expenses for the facility prior to loss. ~~Example~~ Examples include temporary facilities (portable classrooms), additional transportation costs, and setup and utility costs after a building was damaged or destroyed and rendered unusable by a tornado or fire.
- 3.09 “Flood” —~~The~~ means the rising, overflowing, or breaking boundaries of rivers, lakes, streams, or similar waterways or man made bodies of water. Insurance coverage for flood damage may be purchased as an optional coverage.
- 3.10 “Instructional Materials” —~~Traditional~~ means traditional books, textbooks, and trade books in printed and bound form; activity-oriented programs that may include manipulatives,; hand held calculators; hands on materials; hand-held calculators, or other hands-on materials; and technology-based materials that require the use of electronic equipment in order to be used in the learning process.
- 3.11 “In-Transit” —~~This means the type of insurance that provides coverage while property is in due course of transit within the boundaries of the policy territory. Examples of items typically covered by this type of insurance coverage are: coverage for band instruments, uniforms, and other school owned property and equipment if damaged or destroyed on an while in transit to an authorized field trip, or school sponsored extra-curricular activity, or other in-transit under the authorization of the school district authorized trip~~
- 3.12 “Money and Securities” —~~This means the type of insurance that provides coverage for losses incurred due to burglary and robbery only, but that does not cover losses incurred due to theft by such means as embezzlement or deception. This type of coverage does not include valuable papers.~~
- 3.13 "New Construction" —~~Means~~ means any improvement to an academic facility and, if necessary, related areas such as the physical plant and grounds, that brings the state, of condition, or efficiency of the academic facility to a state of condition or efficiency better than the academic facility's ~~original~~ current condition of completeness or efficiency. "New

- construction" includes ~~additions~~ a new addition to an existing academic facilities facility and construction of a new academic facilities facility.
- 3.14 “Newly Acquired Property or Business Personal Property” – This type of insurance coverage is limited to a specified time frame. School districts covered by this type of insurance should inform their insurer fifteen (15) to thirty (30) days prior to accepting new construction from the contractor.
- 3.15 “Ordinance and Law (Code Upgrade)” —~~A means~~ a type of insurance designed to provide sufficient coverage to bring a damaged or destroyed building into compliance with current building code provisions as mandated by the International Building Code that were not in effect when the building was originally constructed, as mandated by the International Building Code.
- 3.16 "Real property" —~~Means~~ means land and anything attached to or erected on it, excluding anything that may be severed without injury to the land.
- 3.17 "School district(s)" —~~A district~~ "A district" means a geographic area with an elected board of directors that qualifies as a taxing unit for purposes of ad valorem property taxes under Title 26 of the Arkansas Code, and which board conducts the daily affairs of public schools within the school district under the supervisory authority vested in it by the General Assembly and Title 6 of the Arkansas Code.
- 3.18 “Stated Value” —~~See~~ means the same as “Agreed Value” in Section 3.02 of these Rules.
- 3.19 “Structures” —~~This term includes~~ include, but ~~is~~ are not limited to, signs, light poles, bleachers, covered walks, and fences.
- 3.20 “Terrorism” —~~Means~~ means activities against persons, organizations, or property that involve the threat or commission of violence or a dangerous act. Insurance coverage for damages caused by acts of terrorism may be purchased as an optional coverage.
- 3.21 “Transit” —~~See~~ means the same as “In Transit” in Section 3.11 of these Rules.
- 3.22 Business Personal Property (Contents) —~~Means~~ means coverage for the school district’s personal property items that are movable and are not attached to the building’s structure. This would include items such as inventory, computers, copiers, furniture, fixtures, library books, musical instruments, athletic equipment, and uniforms, whether or not they are included on the inventory schedule. Not included under this coverage are automobiles, boats, animals, or crops.

4.00 INSURANCE REQUIREMENTS

- 4.01 Each school district shall provide or acquire all Risk property coverage for direct physical loss of or damage to school district buildings, structures, and business personal property (contents).
- 4.02 Each school district shall ensure that coverage shall be provided for all school district buildings, structures, and business personal property at each described location and identified on a statement of values unless otherwise scheduled. Any school district building, structure, or business personal property not insured for at least ~~90% of replacement cost~~ full replacement value shall not be eligible, for purposes of facility assistance, for any state facility funding assistance administered by the Arkansas Commission for Public School Academic Facilities and Transportation.
- 4.03 Coverage extensions for school district buildings, structures, and business personal property shall include the following recommended minimums:
- 4.03.1 Extra Expense - \$2,000,000 per occurrence;
 - 4.03.2 Law and Ordinance (Code Upgrade) - \$1,000,000 per occurrence;
 - 4.03.3 Property in Transit - \$100,000 per occurrence;
 - 4.03.4 Money and Securities - \$5,000 per occurrence;
 - 4.03.5 Newly Acquired Buildings and Structures for 90 days - \$1,000,000 per occurrence;
 - 4.03.6 Newly Acquired Business Personal Property for 90 days - \$500,000 per occurrence; and
 - 4.03.7 Boiler and Machinery – Broad Form.
- 4.04 Optional coverage shall be considered for:
- 4.04.1 Earth Movement;
 - 4.04.2 Flood; and
 - 4.04.3 Terrorism
- 4.05 Property, Boiler and Machinery, and Extended Coverage insurers shall have an A.M. Best Rating of A-, Class FSC VIII, or better.

- 4.06 The Bid Requests from school districts to obtain insurance coverage meeting or exceeding the amounts set forth in these Rules shall be mailed to potential bidders at least 45 days prior to the inception date of the policy(s) in compliance with Arkansas state procurement law. *See Ark. Code. Ann. §§ 19-11-101, et seq.*
- 4.07 The following shall be included with the Request for Bid:
- 4.07.1 Detailed Statement of Values, including:
- 4.07.1.1 Building ~~Name~~ name;
- 4.07.1.2 Street ~~Address, City~~ address, city, and zip code ZIP Code;
- 4.07.1.3 Total ~~Square Footage~~ square footage of Each Building each building;
- 4.07.1.4 Building ~~Insured Value~~ insured value;
- 4.07.1.5 Business ~~Property Insured Value~~ property insured value; and
- 4.07.1.6 Effective ~~Date of Policy~~ date of policy;
- 4.07.2 Current ~~Deductible~~ deductible;
- 4.07.3 Loss ~~History~~ history for the past ~~3~~ three (3) years; and
- 4.07.4 Address schedule of all district buildings and structures.
- 4.08 Total insured content values for all of the school district's properties shall equal or exceed twenty percent (20%) of the total building values.
- 4.09 Business Personal Property (Content) values shall be based on the school district's latest inventory of assets, including those items not reported on Arkansas Public School Computer Network, ~~as well as~~ and ~~as well as~~ and expendable items such as instructional materials and food products. This does not include any vehicles licensed for public road use.
- 4.10 School Districts shall comply with insurance "statement of values" reporting requirements to the Division of Public School Academic Facilities and Transportation.

- 4.11 School ~~Districts~~ districts shall provide written assurance from their insurance agent that school district buildings are insured to current replacement costs ~~As~~ , as well as to cover the extension minimums contained in section 4.03 of these Rules. Coverage for extra expense, law and ordinance, etc., as outlined in Section 4.03 of these Rules shall be reviewed ~~;~~ by the school district ~~;~~ to determine what limits, if any, should be increased due to the size of the school district.

Mark-Up DRAFT