Title 6. Education

Chapter III. Division of Public School Academic Facilities and Transportation, Department of Education

Subchapter A. Generally

Part 324. Rules Governing Property Insurance Requirements

Codification Notes. This part as promulgated prior to codification into the Code of Arkansas Rules provided as follows:

"July 13, 2007"

"REGULATORY AUTHORITY
1.01The 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."

Subpart 1. Generally

6 CAR § 324-101. Purpose.

The purpose of this part 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.

Authority. Arkansas Code § 6-21-114.

6 CAR § 324-102. Definitions.

For the purpose of this part, the following terms mean:

(1) “Actual cash value” means the cost of replacing damaged or destroyed property with comparable new property minus depreciation;

(2) “Agreed value” means the specified maximum amount of insurance that will be paid for a building or structure;

(3) “Boiler and machinery (equipment breakdown)” means the type of coverage that covers loss and damage as a result thereof, resulting from the malfunction of boilers and machinery;

(4)(A) “Business personal property (contents)” means coverage for the school district’s personal property items that are movable and are not attached to the building’s structure.

(B) 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.

(C) Not included under this coverage are:

(i) Automobiles;

(ii) Boats;

(iii) Animals; or

(iv) Crops;

(5) “Code upgrade”. See “ordinance and law”, subdivision (16) of this section;

(6)(A) “Coinsurance” means the amount of insurance a district must carry in order to be indemnified for the total dollar amount of the actual loss.

(B) Not all policies have a coinsurance clause.

(C) No public school property eligible to receive facilities assistance listed in 6 CAR § 324-103(b) will be insured for less than ninety percent (90%) of replacement cost;

(7) “Deductible” means the amount of loss paid by the insured per claim;

(8)(A) “Earth movement (earthquake)” means the type of insurance that provides protection to insured property damaged as a result of:

(i) Earthquake;

(ii) Landslide;

(iii) Rockslide;

(iv) Mudslide;

(v) Mudflow;

(vi) Earth rising;

(vii) Earth sinking;

(viii) Earth collapsing; or

(ix) Collapse of sinkholes.

(B) This type of insurance coverage may be purchased as an optional coverage;

(9)(A) "Extra expense" means following a covered loss, this type of insurance coverage provides payment for cost above normal operating expenses for the facility prior to loss.

(B) Example: 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;

(10)(A) "Flood" means the rising, overflowing, or breaking boundaries of rivers, lakes, streams, or similar waterways or man-made bodies of water.

(B) Insurance coverage for flood damage may be purchased as an optional coverage;

(11) "Instructional materials" means the:

(A) Traditional books and trade books in printed and bound form;

(B) Activity-oriented programs;

(C) Manipulatives;

(D) Hand-held calculators;

(E) Hands-on materials; and

(F) Technology-based materials that require the use of electronic equipment in order to be used in the learning process;

(12)(A) "In-transit" means the type of insurance that provides coverage while property is in due course of transit within the boundaries of the policy territory.

(B) Examples of items typically covered by this type of insurance coverage are coverage for band instruments, uniforms, and other school-owned equipment if damaged or destroyed on an authorized field trip or school sponsored extra-curricular

activity, or in transit under the authorization of the school district;

(13)(A) “Money and securities” means the type of insurance that provides coverage for losses incurred due to burglary and robbery only, but does not cover losses incurred due to theft by such means as embezzlement or deception.

(B) This type of coverage does not include valuable papers;

(14)(A) "New construction" 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 condition of completeness or efficiency.

(B) "New construction" includes additions to existing academic facilities and new academic facilities;

(15)(A) “Newly acquired property or business personal property” means the type of insurance coverage that is limited to a specified time frame.

(B) School districts covered by this type of insurance should inform their insurer fifteen to thirty (15-30) days prior to accepting new construction from the contractor;

(16) “Ordinance and law (code upgrade)” means a type of insurance designed to provide sufficient coverage to bring a damaged or destroyed building into compliance with current building code provisions that were not in effect when the building was originally constructed, as mandated by the International Building Code;

(17) "Real property" means land and anything attached to or erected on it, excluding anything that may be severed without injury to the land;

(18) "School district or districts” 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 under the supervisory authority vested in it by the General Assembly and Title 6 of the Arkansas Code;

(19) “Stated value”. See “agreed value”, subdivision (2) of this section;

(20) “Structures” includes, but is not limited to:

(A) Signs;

(B) Light poles;

(C) Bleachers;

(D) Covered walks; or

(E) Fences;

(21)(A) "Terrorism" means activities against persons, organizations, or property that involve the threat or commission of violence or a dangerous act.

(B) Insurance coverage for damages caused by acts of terrorism may be purchased as an optional coverage; and

(22) "Transit". See "in transit", subdivision (12) of this section.

Authority. Arkansas Code § 6-21-114.

6 CAR § 324-103. Insurance requirements.

(a) 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).

(b)(1) 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.

(2) Any school district building, structure, or business personal property not insured for at least ninety percent (90%) of replacement cost shall not be eligible, for purposes of facility assistance, for any state facility funding assistance administered by the Commission for Arkansas Public School Academic Facilities and Transportation.

(c) Coverage extensions for school district buildings, structures, and business personal property shall include the following recommended minimums:

(1) Extra expense – Two million dollars ($2,000,000) per occurrence;

(2) Law and ordinance (code upgrade) – One million dollars ($1,000,000) per occurrence;

(3) Property in transit – One hundred thousand dollars ($100,000) per

occurrence;

(4) Money and securities – Five thousand dollars ($5,000) per occurrence;

(5) Newly acquired buildings and structures for ninety (90) days – One million dollars ($1,000,000) per occurrence;

(6) Newly acquired business personal property for ninety (90) days – Five hundred thousand dollars ($500,000) per occurrence; and

(7) Boiler and machinery – broad form.

(d) Optional coverage shall be considered for:

(1) Earth movement;

(2) Flood; and

(3) Terrorism.

(e) Property, boiler, and machinery extended coverage insurers shall have an A.M. Best rating of A-, Class FSC VIII or better.

(f)(1) The bid requests from school districts to obtain insurance coverage meeting or exceeding the amounts set forth in this part shall be mailed to potential bidders at least forty-five (45) days prior to the inception date of the policy or policies in compliance with Arkansas state procurement law.

(2) See Arkansas Code § 19-11-101 et seq.

(g) The following shall be included with the request for bid:

(1) Detailed statement of values:

(A) Building name;

(B) Street address, city, zip code;

(C) Total square footage of each building;

(D) Building insured value;

(E) Business property insured value; and

(F) Effective date of policy;

(2) Current deductible;

(3) Loss history for the past three (3) years; and

(4) Address schedule of all district buildings and structures.

(h) Total insured content values for all of the school district's properties shall equal

or exceed twenty percent (20%) of the total building values.

(i)(1) 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 furnishings that fall below the threshold for listing, as well as expendable items such as instructional materials and food products.

(2) This does not include any vehicles licensed for public road use.

(j) School districts shall comply with insurance statement of values reporting requirements to the Division of Public School Academic Facilities and Transportation.

(k) School districts shall provide written assurance from their insurance agent that school district buildings are insured to current replacement costs.

(l) As well as extension minimums contained in subsection (c) of this section.

(m) Coverage for extra expense, law, and ordinance, etc., as outlined in subsection (c) of this section shall be reviewed, by the school district, to determine what limits, if any, should be increased due to the size of the school district.

Authority. Arkansas Code § 6-21-114.