

A MIDWESTERN HIGHER EDUCATION COMPACT PROGRAM

Master Property Program



For all 2-year, 4-year, public or not-for-profit private institutions of higher education


All-Insured Members Meeting
St. Louis, MO

March 6, 2019



All Insured's Annual Meeting

Agenda

- 
- A photograph of three people (two men and one woman) standing in front of large, white, classical columns. The man on the left is wearing a white shirt and jeans. The woman in the middle is wearing a denim jacket and light-colored pants. The woman on the right is wearing a green top and tan pants. They are all looking upwards and smiling. The background shows a blue sky with some clouds.
- I. Welcome & Introductions
 - II. Subcommittee Reports
 - a. Executive
 - b. Underwriting
 - c. Engineering & Loss Control
 - d. Finance & Audit
 - III. Master Property Program Information and Recap
 - IV. Program Losses
 - V. Market Update
 - VI. Renewal Planning for July 1, 2019-2020
 - VII. Captive Information
 - VIII. Renewal Timeline for July 1, 2019-2020
 - IX. What Is Needed From Members
 - X. 2020 Annual Meeting & Workshop
 - XI. Thank You & Questions



ALL INSURED MEMBERS MEETING

Welcome & Introductions

Time Allotted: 10 Minutes

Welcome & Introductions

At the July 1, 2018 program renewal, the MPP welcomed 1 new member to the MHEC program:

- Lindenwood University

- › Frank Sanfilippo, VP Fiscal Affairs and CFO
- › Matt Ankenbrandt, Director, Campus Financial & Operational Affairs
- › John Plunkett, Internal Auditor
- › Kip Starnes, Lutheran Trust/Church Asset Management (Broker)
- › June Waddock, Lutheran Trust/Church Asset Management (Broker)



And, our 1st time attendees



SUBCOMMITTEE REPORTS

Executive
Underwriting
Engineering & Loss Control

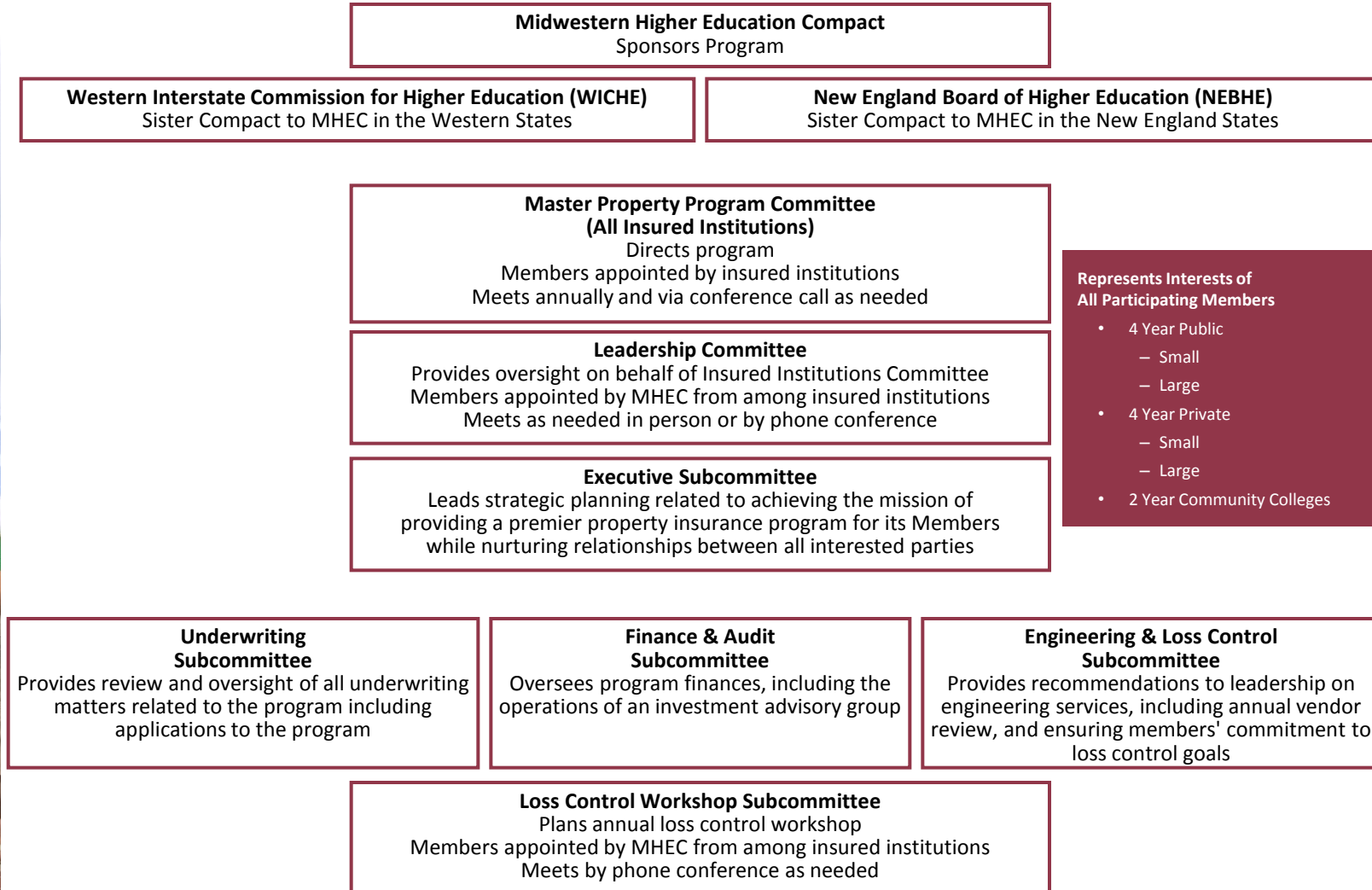
Finance & Audit

Ed Knollmeyer
Tina Harlan
Michael Rosenberg
Jared Stolin
Craig Kispert

Time Allotted: 25 Minutes

Subcommittee Reports

Executive – Program Governance



Subcommittee Reports

Executive – Leadership Changes

- Joseph Rayzor, Director of Risk Management and Environmental Health & Safety, University of Northern Iowa, appointed to Vice Chair
- Sherri Phillips, Insurance Risk Manager, Southern Illinois University, added as member of Leadership Committee
- Lisa Schaller, Director of Insurance and Loss Management, Nevada Systems of Higher Education, added as member of Leadership Committee



Subcommittee Reports

Executive – Strategic Pillars



Strategic Pillars

Program Stability

Minimize the impact of fluctuations in the excess market by:

- Distancing the MPP from the commercial market;
- Building strong partnerships with its insurers; and
- Mitigating the potential of large rate increases or cancellation due to a large claim or changing market conditions.

Member Value

To be the premier property program for institutions of higher education by:

- Continually assessing the value brought to the participating members;
- Keeping the membership informed of the benefits of the program; and
- The MHEC Master Property Program Leadership Committee listening to its participating members.

Strategic Growth

Strategic growth is a strategy to assist MHEC in achieving its mission and serving its constituency.

Subcommittee Reports

Underwriting

- Provided revised language for Policies and Procedures 4.1.7 Termination of a Member and 4.1.8 Termination of Rights and Obligations. Language approved by Leadership 5/2/18
- Reviewed Policies and Procedures 4.2 Allocation of Loss in Excess Layers and provided language outlining how a member recovers on a loss and David Letzelter provided an Appendix with examples. Before Leadership for review and approval on 3/6/19
- Review of Policies and Procedures 4.5 Underwriting Guidelines for Quoting New Members was postponed until after 7/1/19 renewal
- Lisa Schaller, Director of Insurance & Risk for the Nevada System of Higher Education, joined the Underwriting Subcommittee
- Chris Glidewell, Southern IL University, Chair of Underwriting Subcommittee retired
- Tina Harlan, University of IL appointed new chair of the Underwriting Subcommittee



Subcommittee Reports

Engineering & Loss Control

- 2018-2019 By The Numbers
 - › 139 Campus Surveys
 - › 80 IR Surveys/Arc Flash Training
 - › 6,220 Jurisdictional inspections Objects Total
 - › 33 Plan Reviews
 - › 91 Impairments logged

- MHEC 10 Year Loss Control Metrics (2008 – 2018)
 - › 95% Recommendation Response Rate
 - › 65% Recommendation Completion Rate

- Top Open Recommendation Types
 - › Install Automatic Sprinkler Protection (38%)
 - › Testing/Inspection/Management Programs (17%)
 - › Housekeeping (6%)



Subcommittee Reports

Engineering & Loss Control

■ 2018-2019 Highlights

- › *Know Your Risk* eNewsletter
- › Recommendation response initiative (improved from 76% to over 95%)
- › Roof inspection recommendations
- › Roof age requests
- › Flood evaluation surveys

■ 2019-2020 Initiatives

- › Water damage mitigation
- › Emphasis on completing “Critical” recommendations (hot work management, impairment management, roof inspection)
- › Learning from losses/loss mitigation within the MHEC program



Subcommittee Reports

Finance & Audit

■ Review of Dividend Distribution Schedule

- › \$860,520 in dividends distributed in December 2018
- › Per policy, this represents:
 - › 50% of remaining adjusted equity for the 2016-17 policy year
 - › 80% of remaining adjusted equity for the 2015-16 policy year
 - › 100% of remaining adjusted equity for all policy years prior to 2015-16

■ Agreed-upon Procedures Review

- › No significant or notable findings

■ Program Cost Distribution Confirmation

- › No significant discrepancies reported by members

■ Review Service Provider Fee Proposals





Subcommittee Reports

Finance & Audit - Historical Dividend Payments

Distribution Year	Amount
2017	\$860,520
2016	\$1,238,582
2015	\$1,779,902
2014	\$2,265,008
2013	\$55,951
2012	\$384,048
2011	\$50,900
2010	\$904,469
2009	\$1,360,208
2008 and Prior	\$11,227,862
Total Distributed Dividends	\$20,127,450



MASTER PROPERTY PROGRAM

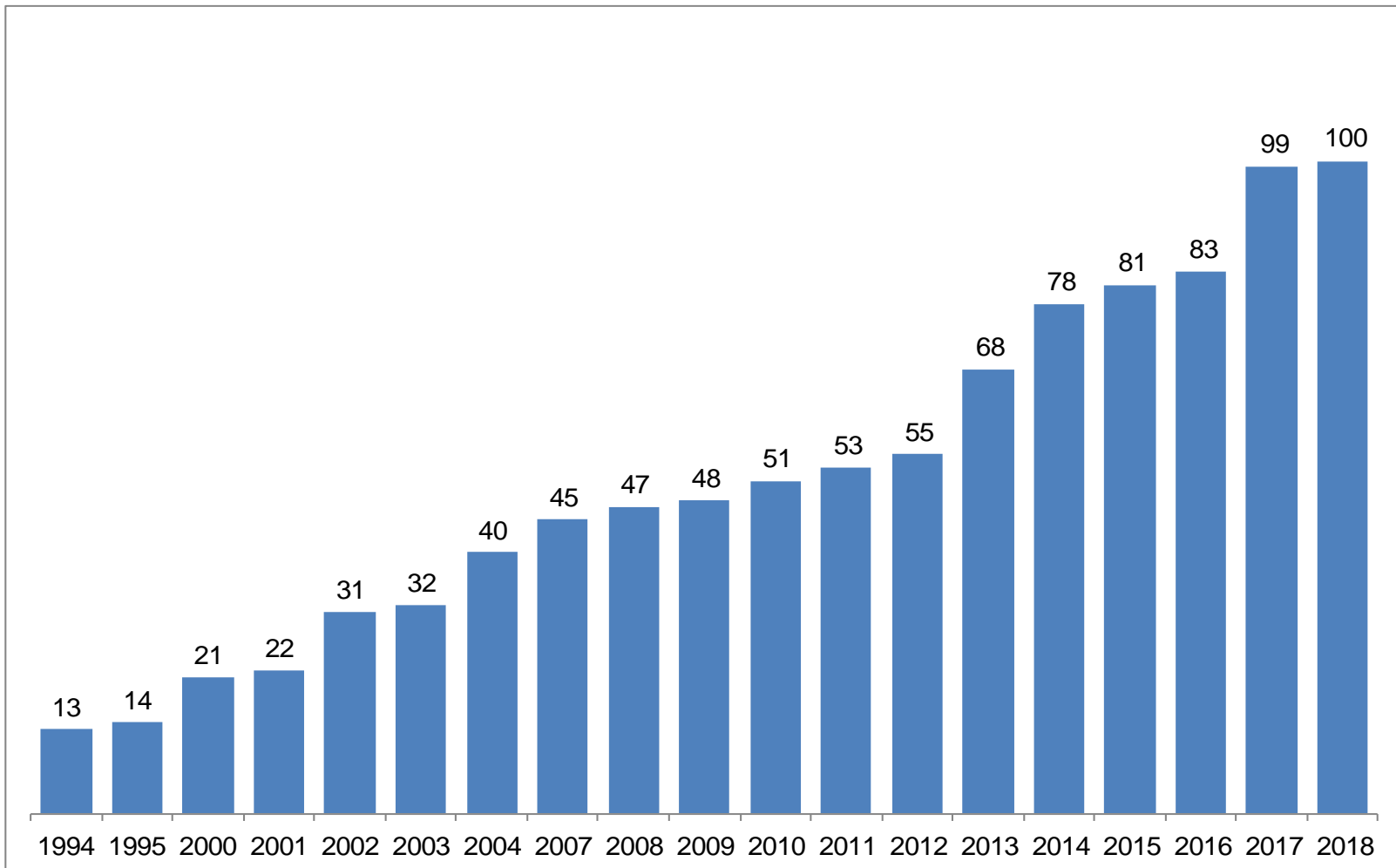
Program Information and Recap

Time Allotted: 15 Minutes



Program Information and Recap

Number of Members by Policy Year

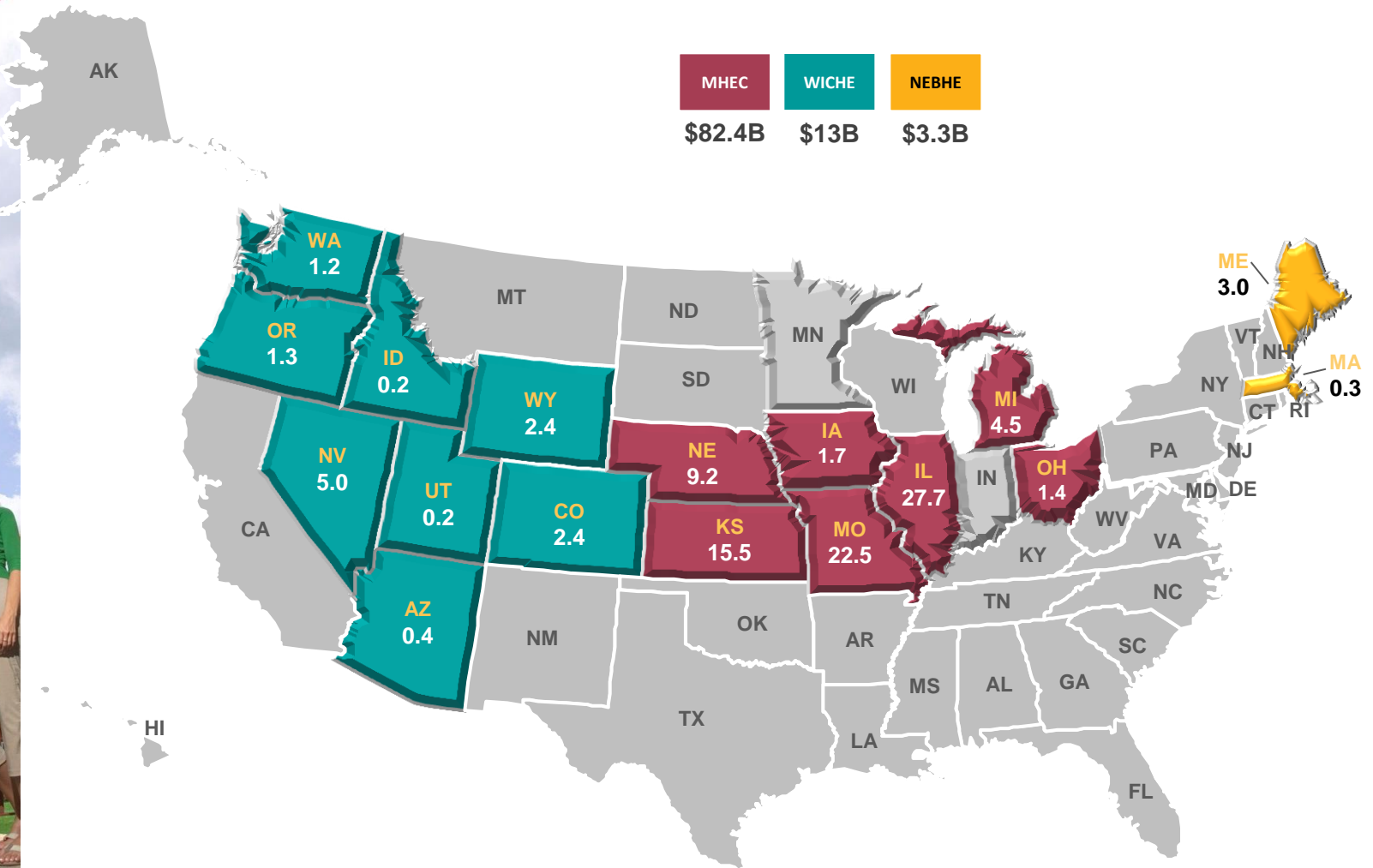


The Master Property Program is proud to boast a 96% member retention rate



Program Information and Recap

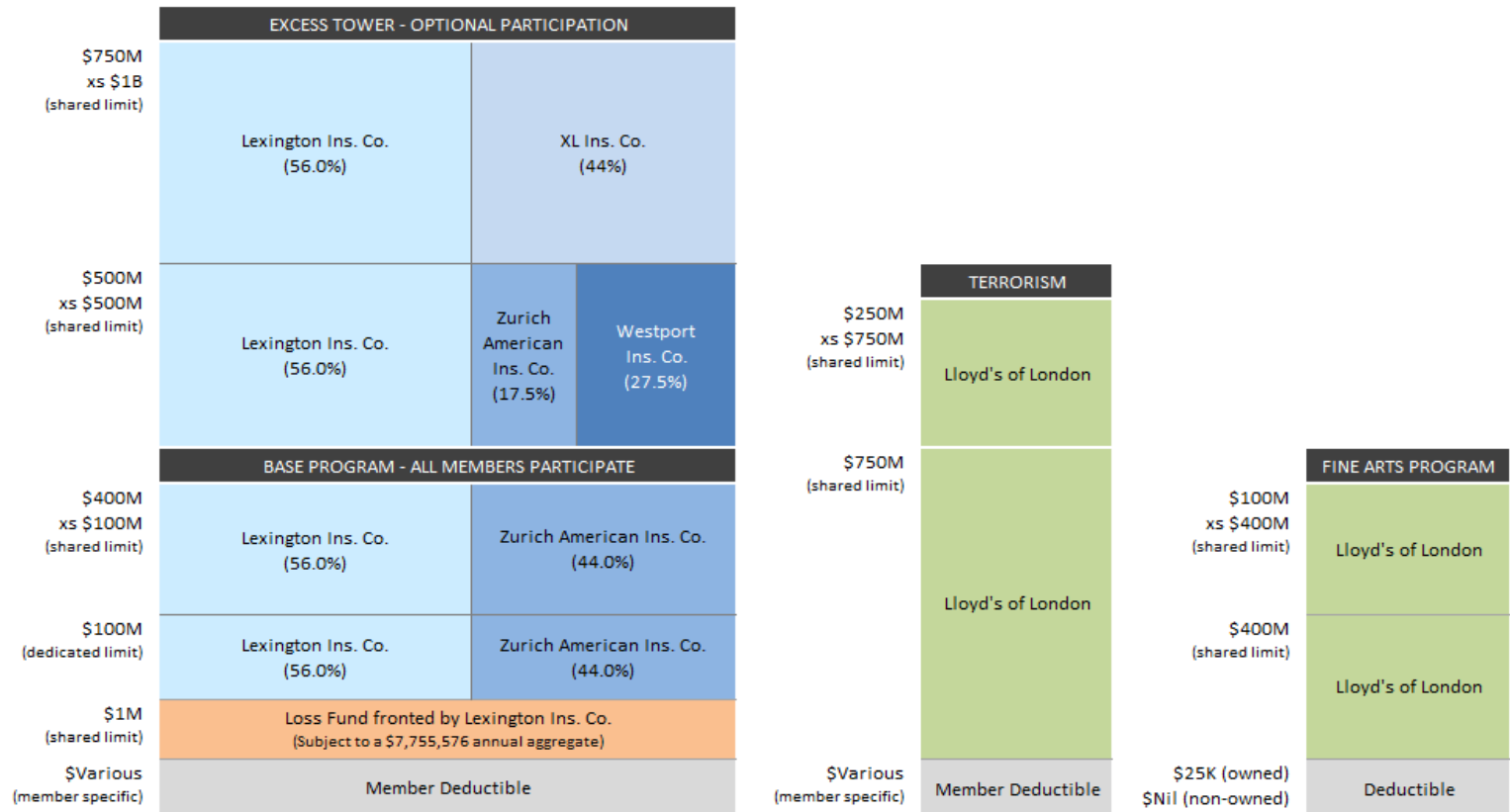
TIV by State (\$ billions USD)





Program Information and Recap

Current Program Structure: July 1, 2018 – July 1, 2019



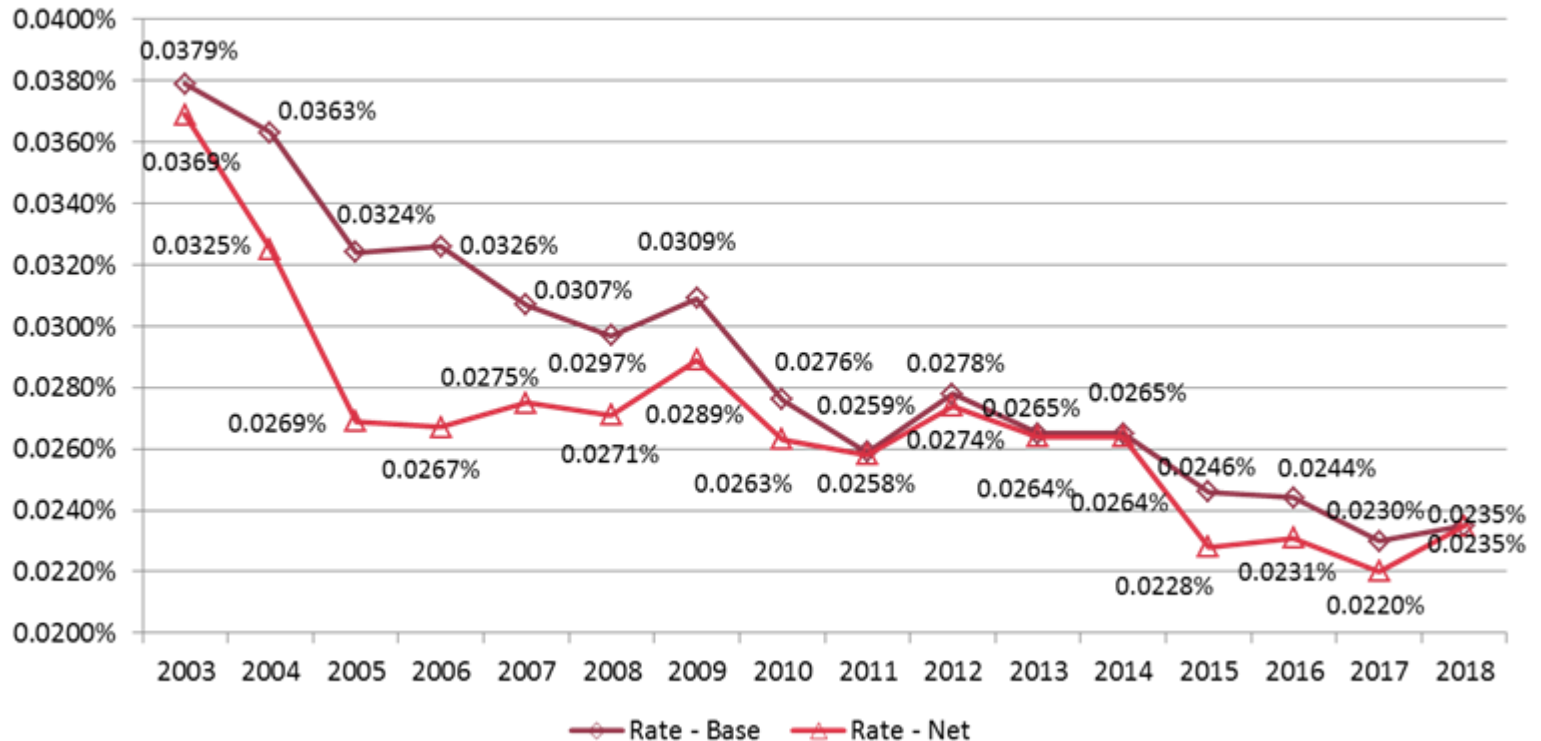


Property Information and Recap

Base Program Rate



Base Program Rate per Insured Values



- Base rate includes Loss Fund contribution, premiums for first \$500M of risk transfer coverage, costs for loss control services and administration expenses.
- Net rate equals Base Program Cost less Dividends Received.

The base program rate has steadily declined since 2003.



Program Information and Recap

Cost Savings Estimate

MHEC

MASTER PROPERTY PROGRAM (MPP)

Estimated Property Insurance Cost Savings - July 1, 2018

Sept. 12, 2018

Compact	State	2018 Insured Values	2018 MHEC Base Program Cost	Dividends Distributed in 2017	Total Net Losses 7/1/2013 to 7/1/2018	Adjusted Benchmark Premium	Estimated Premium Savings	Total Premium Savings + Dividends	2018 Net Rate
MHEC	Iowa	\$1,709,516,659	\$466,698	\$0	\$247,283	\$516,373	\$49,675	\$49,675	0.027%
	Illinois	\$27,675,281,325	\$6,174,246	\$0	\$12,310,709	\$7,838,681	\$1,664,435	\$1,664,435	0.022%
	Kansas	\$15,538,301,288	\$3,722,674	\$0	\$67,811,905	\$8,884,465	\$5,161,791	\$5,161,791	0.024%
	Michigan	\$4,458,939,313	\$1,406,224	\$0	\$1,315,289	\$1,730,669	\$324,445	\$324,445	0.032%
	Missouri	\$22,479,617,318	\$4,362,735	\$0	\$35,685,664	\$11,034,878	\$6,672,143	\$6,672,143	0.019%
	Nebraska	\$9,195,706,693	\$1,920,557	\$0	\$2,051,900	\$2,626,310	\$705,753	\$705,753	0.021%
	Ohio	\$1,393,657,830	\$399,663	\$0	\$210,000	\$578,647	\$178,984	\$178,984	0.029%
	MHEC Total	\$82,451,020,426	\$18,452,797	\$0	\$119,632,750	\$33,210,023	\$14,757,225	\$14,757,225	0.022%
NEBHE	Massachusetts	\$329,855,376	\$106,953	\$0	\$409,225	\$162,635	\$55,682	\$55,682	0.032%
	Maine	\$3,016,156,080	\$757,055	\$0	\$2,080,634	\$961,146	\$204,091	\$204,091	0.025%
	NEBHE Total	\$3,346,011,456	\$864,008	\$0	\$2,489,859	\$1,123,781	\$259,773	\$259,773	0.026%
WICHE	Arizona	\$361,886,688	\$116,256	\$0	\$0	\$178,428	\$62,172	\$62,172	0.032%
	Colorado	\$2,400,480,679	\$786,967	\$0	\$3,645,838	\$1,421,790	\$634,823	\$634,823	0.033%
	Idaho	\$203,894,411	\$80,961	\$0	\$0	\$118,308	\$37,347	\$37,347	0.040%
	Nevada	\$5,032,724,322	\$1,255,247	\$0	\$0	\$2,718,965	\$1,463,718	\$1,463,718	0.025%
	Oregon	\$1,266,933,038	\$416,586	\$0	\$2,157,148	\$788,120	\$371,534	\$371,534	0.033%
	Utah	\$213,099,837	\$70,159	\$0	\$106,985	\$123,649	\$53,490	\$53,490	0.033%
	Washington	\$1,189,288,747	\$382,235	\$0	\$374,794	\$646,803	\$264,568	\$264,568	0.032%
	Wyoming	\$2,373,143,156	\$651,092	\$0	\$270,569	\$756,240	\$105,148	\$105,148	0.027%
	WICHE Total	\$13,041,450,879	\$3,759,503	\$0	\$6,555,334	\$6,752,303	\$2,992,800	\$2,992,800	0.029%
TOTAL		\$98,838,482,761	\$23,076,308	\$0	\$128,677,942	\$41,086,106	\$18,009,798	\$18,009,798	0.023%



Program Information and Recap

Service Providers

Program Administrator

Insurers
3rd Party Claims Adjusting

Marsh

Various
Crawford & Company GTS

Engineering & Loss Control

On-Site Engineering
Infra-Red Thermography
Boiler & Machinery
Appraisal Services

Marsh Risk Consulting (MRC)

Global Risk Consultants (GRC)
Global Risk Consultants (GRC)
Hartford Steam Boiler (HSB)
Duff & Phelps

Captive Consultant

Actuarial Services
Captive Manager
Captive

Captive Resources (CRI)

Pinnacle
Kensington
EPIC





Program Metrics

Marsh Administration Metrics for 2018 Policy Year

- Reports/Invoices to Members: 56 invoices
- % of Premium Received on Time (within 30 days)
 - › 59% of them members paid on time (33 members)
 - › 41% of the members paid after 30 days (23 members)
- # of Policies Issued: 136 policies
- # of Endorsements Issued: 120 endorsements
- Statement of Value Tracking Statistics at 7/1/18 renewal:
 - › # of physical locations/rows: 11,556 locations
 - › # of data categories including COPE: 70 columns/categories
 - › # of total data points: 808,920 data points
- Campuses Insured: 170 Campuses
- Total Insured Values: \$100 Billion
- Estimated Program Savings for FY2018: \$14.7 Million



IV

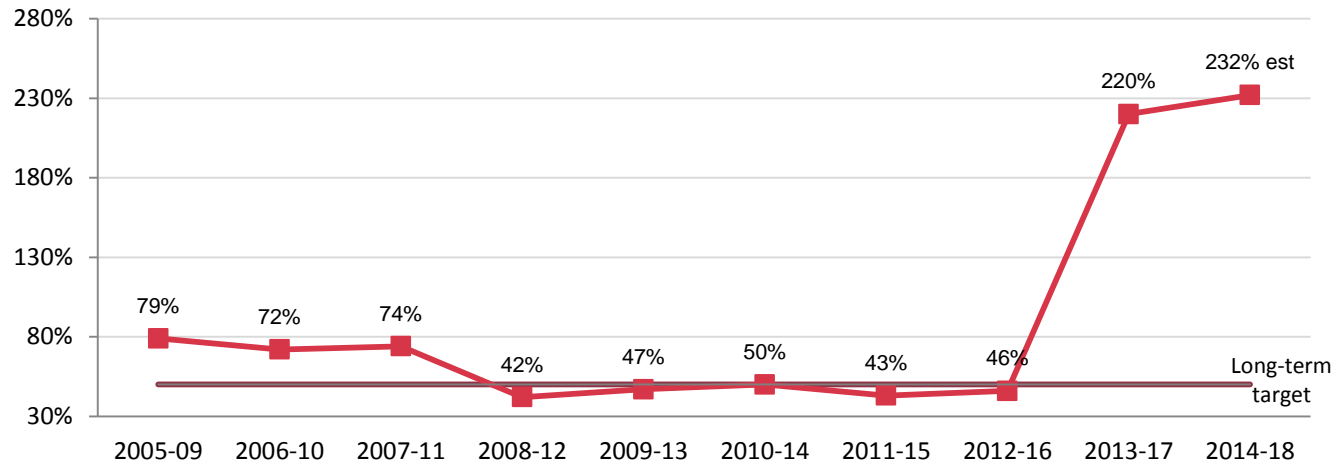
ALL INSURED MEMBERS MEETING Program Losses

Time Allotted: 7 Minutes

Program Losses

Loss History

Rolling 5-Year Insurer Loss Ratio



Notes

- 2018 amount is projected to full-year.
- Losses valued as of 12/31/2018.

Metric	Gross Losses in \$Millions	Number of Losses	No. of Losses Greater than \$1 Mil.	No. of Unique Members with a Loss Greater than \$1 Mil.
Total	\$218M	380	24	18
Period	7/1/2013 – 1/31/2019	7/1/2013 – 1/31/2019	7/1/2013 – 1/31/2019	7/1/2013 – 1/31/2019
Annual Avg.	\$39.6M	69	4.4	3.3



V

MASTER PROPERTY PROGRAM

Market Update

Time Allotted: 10 Minutes

Market Update

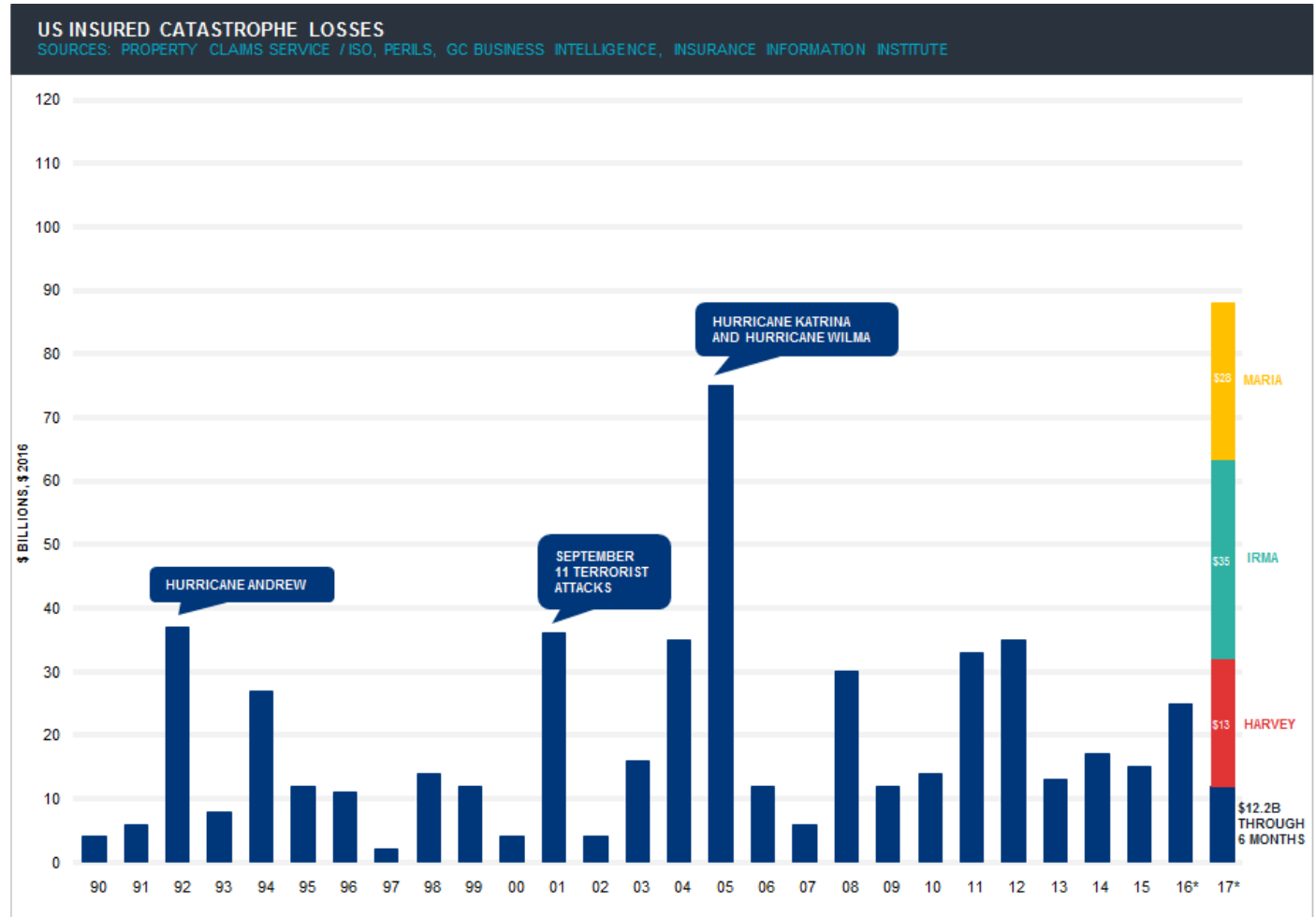
U.S. Property Market Update

- Soft-market conditions prevailed prior to Sept. 2017
- Hurricanes Harvey, Irma and Maria (“H.I.M.”) contributed to one of the worst natural catastrophe insured loss years ever
- Insured losses in excess of \$14 billion attributable to wildfires in 2017 smashed past record amounts for a given year
- 2018 was a year of large single-risk (i.e., one insured) losses – “death by a thousand cuts”
- Market direction changed in 2018 and continues in 2019
- 800 pound gorillas & the ultimate feedback loop
- ALL property insurers focused on “underwriting profitability” in lieu of top line growth



Market Update

Costliest U.S. Catastrophes



2013, 2014 and 2015 were welcome respites from 2011 and 2012, which were among the costliest years for insured disaster losses in the US. 2017 is now shaping up to be one of the worst on record.

*2016 and 2017 subject to change

VI

MASTER PROPERTY PROGRAM Renewal Planning for July 1, 2019 - 2020

Time Allotted: 10 Minutes

Renewal Planning for July 1, 2019 - 2020

Renewal Challenges

- Two shock losses (loss > \$25M)
- Multiple significant losses (loss > \$5M) over past five years
- Considerable natural catastrophe exposures generating large AAL's
- Unique program structure
- Scale
- Breadth of coverage
- Market conditions



Renewal Planning for July 1, 2019 - 2020

Feedback from Insurers

- AIG
- Zurich
- Others



Renewal Planning for July 1, 2019 - 2020

Program Changes being Discussed

- Loss Fund
- Primary Layer
 - › Limit
 - › Aggregate limits
 - › Deductibles for certain perils
- Excess Layers
- Reviewing moving to 18-Month policy from 7/1/2019 – 1/1/2021
- Zurich Conditional Renewal Notice



Renewal Planning for July 1, 2019 - 2020

Current Status

- Rates increasing
- Loss Fund
- Primary
- Excess
- Overall
- Impact on individual members will vary depending on loss experience during the past five years



VII

MASTER PROPERTY PROGRAM Captive Information

Time Allotted: 15 Minutes

Captive Information

What is Everest Property Insurance Company (EPIC)?

- Cayman Islands based reinsurance company
- Established in 1996
- Reinsures Property risks for unrelated parties
- Provides the outgoing Letter of Credit to Lexington
- EPIC Board of Directors Approve Distributions in September



Captive Information

Benefits of the Captive Layer

- Provides a layer of “self insurance” to distance the risk transfer layer from frequency claims
- Provides increased stability and significant buying power
- Reduces risk transfer premium
- Provides potential for dividends – no longer a sunk cost



Captive Information

Captive Service Providers

- Captive Resources, LLC
- Kensington Management Group, Ltd.
- Marsh (Administrative Broker)
- Producing Brokers (various)
- Crawford & Co.
- Lexington Insurance
- Pinnacle Actuarial Resources, Inc.
- Scotiabank (Cayman)
- PricewaterhouseCoopers (PWC)



Captive Information

Loss Fund Aggregate

- Provides a mechanism to fund losses
- Currently set at \$1 Million; increasing at 7/1/19 renewal to \$2.5 Million, excess of underlying deductibles
- Actuaries develop overall Loss Cost Rate for the program, based on 5 years loss history and TIV
- $\text{Loss Cost Rate} \times \text{Renewal TIV} = \text{Aggregate amount}$, subject to approval by MHEC MPP Leadership
- Fully funded by MHEC MPP members through their Loss Fund Contribution
- Each policy year aggregate stands on its own; profit or loss from one year does not roll over into other policy years

Captive Information

Dividend Policy

- MHEC's MPP pays out dividends to members with equity balances on an annual basis
- Dividends are declared for individual policy periods based upon members' equity
- Equity consists of investment income and member contributions in excess of losses (both paid and reserved)
- Dividends are not paid to members whose individual equity is zero
- EPIC Board and MPP Leadership Committee approve dividend distribution schedule as prepared by the captive manager (KMG)



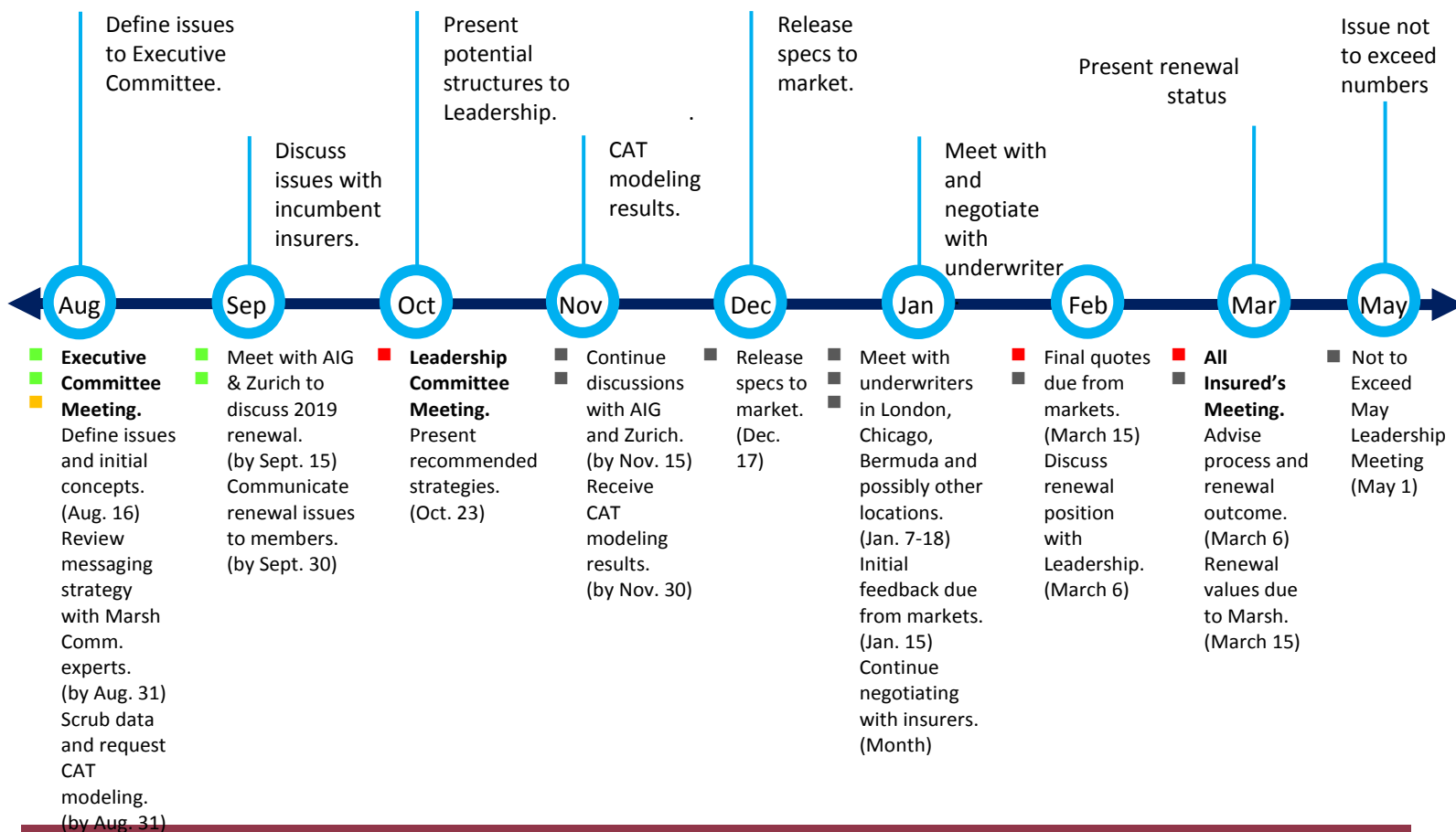


MASTER PROPERTY PROGRAM Renewal Timeline

Time Allotted: 3 Minutes

Renewal Timeline

2019 Renewal Timeline Milestones



Note: Due to the interconnected nature of the program the above timeline depends on all parties fulfilling their responsibilities. In any event, the Program Administration team will do its best to meet target deadlines.

IX

MASTER PROPERTY PROGRAM What Is Needed From Members

Time Allotted: 7 Minutes

What is Needed From Members

Members To Advise If:

- Deductible Options
- Have Additional Needs for Coverage or Limits
- Participation in any of the Optional Excess Layers
 - › \$500 million excess \$500 million
 - › \$250 million excess \$1.00 billion
 - › \$250 million excess \$1.25 billion
 - › \$250 million excess \$1.50 billion
- Earthquake - Excess/DIC Coverage
- Flood
 - › Flood Zone Determinations
 - › National Flood Insurance Program (NFIP)
 - › Excess/DIC Coverage



What is Needed From Members

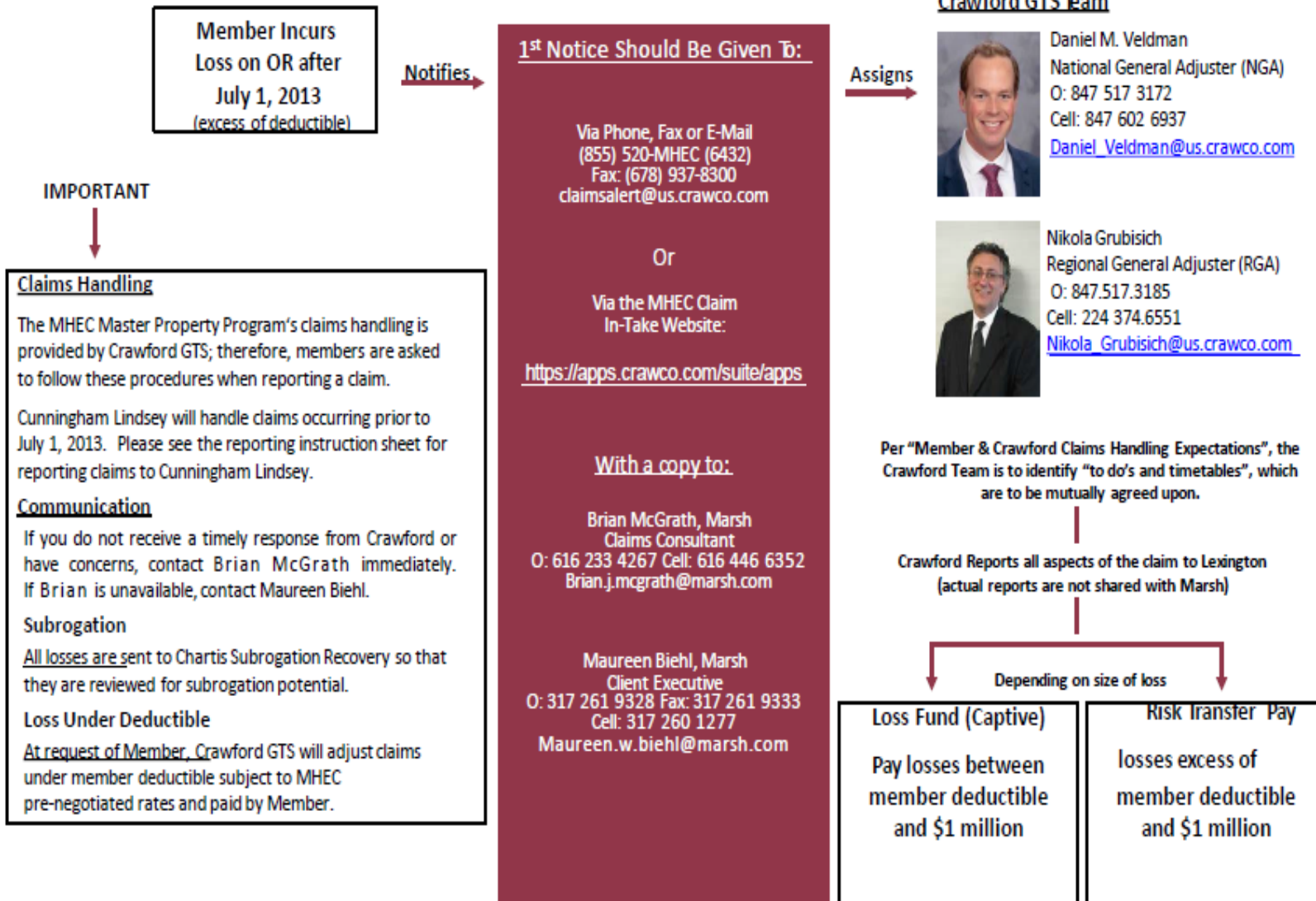
Certificate Requests

Certificate of Insurance Request

- All requests should be sent directly to Indianapolis.certrequest@marsh.com with the following information:
 - › Cert holder name
 - › Cert holder address
 - › Location/description of property
 - › Dates of loan
 - › Value of property
 - › Additional interest (if applicable)
- If more than one certificate is needed you should either send multiple requests or provide multiple sets of information (all of the items above are needed for each certificate)
- The cert service center has instructions and will contact Tami Hayden if there are questions in order to finalize certificates

What is Needed From Members

Claims Handling – Process, Advocacy & Contacts





MASTER PROPERTY PROGRAM 2020 Annual Meeting & Workshop

Time Allotted: 3 Minutes

Master Property Program

2020 Annual Meeting & Workshop

- March 4, 2020 All-Insured Members Meeting
- March 5 – 6, 2020 Loss Control Workshop
- Hilton at the Ballpark, Downtown St. Louis
- NEED ... Participating Members' support in keeping the database of invitees current
- PLEASE ... complete the workshop evaluations on the Workshop App as they are critical to supporting next year's workshop planning



XI

MASTER PROPERTY PROGRAM

Thank You & Questions



Important Disclosure

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