

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 4, 2020



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 person on the left is a man in a white shirt and jeans. The person in the middle is a woman in a denim jacket and light-colored pants. The person on the right is a woman in 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. Market Update
 - V. Renewal Planning for July 1, 2020-2021
 - VI. Captive Information
 - VII. Renewal Timeline for July 1, 2020-2021
 - VIII. What Is Needed From Members
 - IX. 2021 Annual Meeting & Workshop
 - X. Thank You & Questions



ALL INSURED MEMBERS MEETING

Welcome & Introductions

Time Allotted: 10 Minutes

Welcome & Introductions

As of November 1, 2019, the MPP welcomed 1 new member to the MHEC program:

- Marion Technical College (OACC Member)
 - › Jim Nargang, Interim Chief Financial Officer
 - › Jim Lavery, Controller
 - › Frank Cella/Marsh (OACC Broker)
 - › Michael Jackisch/Marsh (OACC Client Manager)

And, our 1st time attendees



SUBCOMMITTEE REPORTS

Executive
Underwriting
Engineering & Loss Control

Finance & Audit

Joseph Rayzor
Tina Harlan
Michael Rosenberg
Jared Stolin
Craig Kispert

Time Allotted: 25 Minutes

Subcommittee Reports

Executive – Program Governance



Midwestern Higher Education Compact

Sponsors Program

Western Interstate Commission for Higher Education (WICHE)

Sister Compact to MHEC in the Western States

New England Board of Higher Education (NEBHE)

Sister Compact to MHEC in the New England States

Master Property Program Committee (All Insured Institutions)

Directs program

Members appointed by insured institutions
Meets annually and via conference call as needed

Leadership Committee

Provides oversight on behalf of Insured Institutions Committee
Members appointed by MHEC from among insured institutions
Meets as needed in person or by phone conference

Executive Subcommittee

Leads strategic planning related to achieving the mission of providing a premier property insurance program for its Members while nurturing relationships between all interested parties

Represents Interests of All Participating Members

- 4 Year Public
 - Small
 - Large
- 4 Year Private
 - Small
 - Large
- 2 Year Community Colleges

Underwriting Subcommittee

Provides review and oversight of all underwriting matters related to the program including applications to the program

Finance & Audit Subcommittee

Oversees program finances, including the operations of an investment advisory group

Engineering & Loss Control Subcommittee

Provides recommendations to leadership on engineering services, including annual vendor review, and ensuring members' commitment to loss control goals

Loss Control Workshop Subcommittee

Plans annual loss control workshop
Members appointed by MHEC from among insured institutions
Meets by phone conference as needed

Subcommittee Reports

Executive – Leadership Changes

- Joseph Rayzor, Director of Risk Management and Environmental Health & Safety, University of Northern Iowa, appointed to Chair
- Craig Kispert, Vice President for Finance and Business Affairs, Seattle Pacific University, appointed to Vice Chair
- Mary Nippe, Deputy Director, Southern Illinois University, added as member of Leadership Committee
- Ruth Kemper, Northwest Missouri State University, 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

- Changes to 4.1.7 termination of a Member and 4.1.8 Termination of Rights and Obligations, the changes in 4.1.7 were agreed to at the October 2018 Underwriting Subcommittee meeting
- Regarding 4.1.8, Joseph made additional recommended changes by e-mail. The subcommittee reviewed the additional changes and discussed. Lisa Schaller motioned to approve the changes, Laura Betzold seconded. Motion passes
- Discussed Drake University and Des Moines Area CC. The subcommittee discussed and concluded that since we had stopped accepting new prospects in late in 2018 we should not offer quotes until after 7/1/2019 renewal. Lisa motioned, Sheri Phillips seconded and the motion passed with one Nay vote
- June 24 Laura Betzold announced she was leaving University of Wyoming and therefore the Underwriting subcommittee



Subcommittee Reports

Underwriting

Continued

- August 2019 the decision was made that we still weren't actively marketing but if an institution approached MHEC they would be reviewed and if they met the qualifications they would be brought before the Underwriting Subcommittee for review.
- Mount Marty College presented a submission and were provided a quote but too late to switch at the time. They are interested in reviewing the MPP again for 1-1-21.
- Marsh was tasked with putting a Deductible Buy-Down program together for Hail and Tornado to be available 7-1-20.



Subcommittee Reports

Engineering & Loss Control

- 2019-2020 Servicing By The Numbers
 - › 117 Campus Surveys
 - › 140 days of Infrared Thermography
 - › 4,460 Jurisdictional inspections Objects Total
 - 993 inspected this policy year
 - › 100+ Impairments logged & plan reviews
 - › Quarterly Risk eNewsletters
- Loss Control Subcommittee Initiatives
 - › Contractor Management Webinar
 - › Contractor Management Guidelines
 - › MHEC Property Risk Standards Update
 - › Members Complete Critical Recommendations



Subcommittee Reports

Finance & Audit

- Review of Dividend Distribution Schedule
 - › \$827,889 in dividends distributed in March 2020
 - › Per policy, this represents:
 - › 50% of remaining adjusted equity for the 2017-18 policy year
 - › 80% of remaining adjusted equity for the 2016-17 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
2019	\$827,889*
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 and Prior	\$12,588,070
Total Distributed Dividends	\$20,955,339

* Will be distributed soon



MASTER PROPERTY PROGRAM

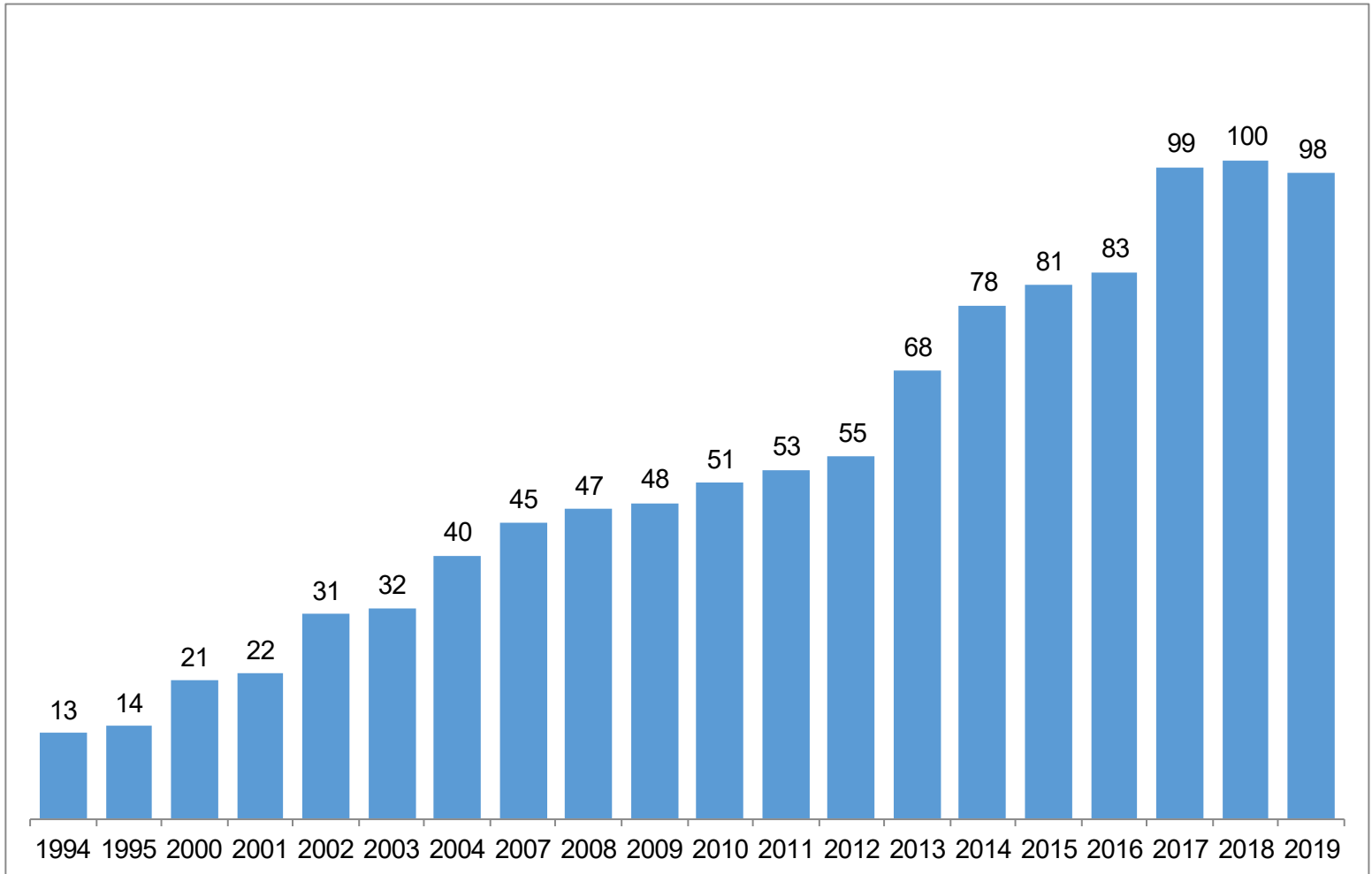
Program Information and Recap

Time Allotted: 15 Minutes



Program Information and Recap

Number of Members by Policy Year

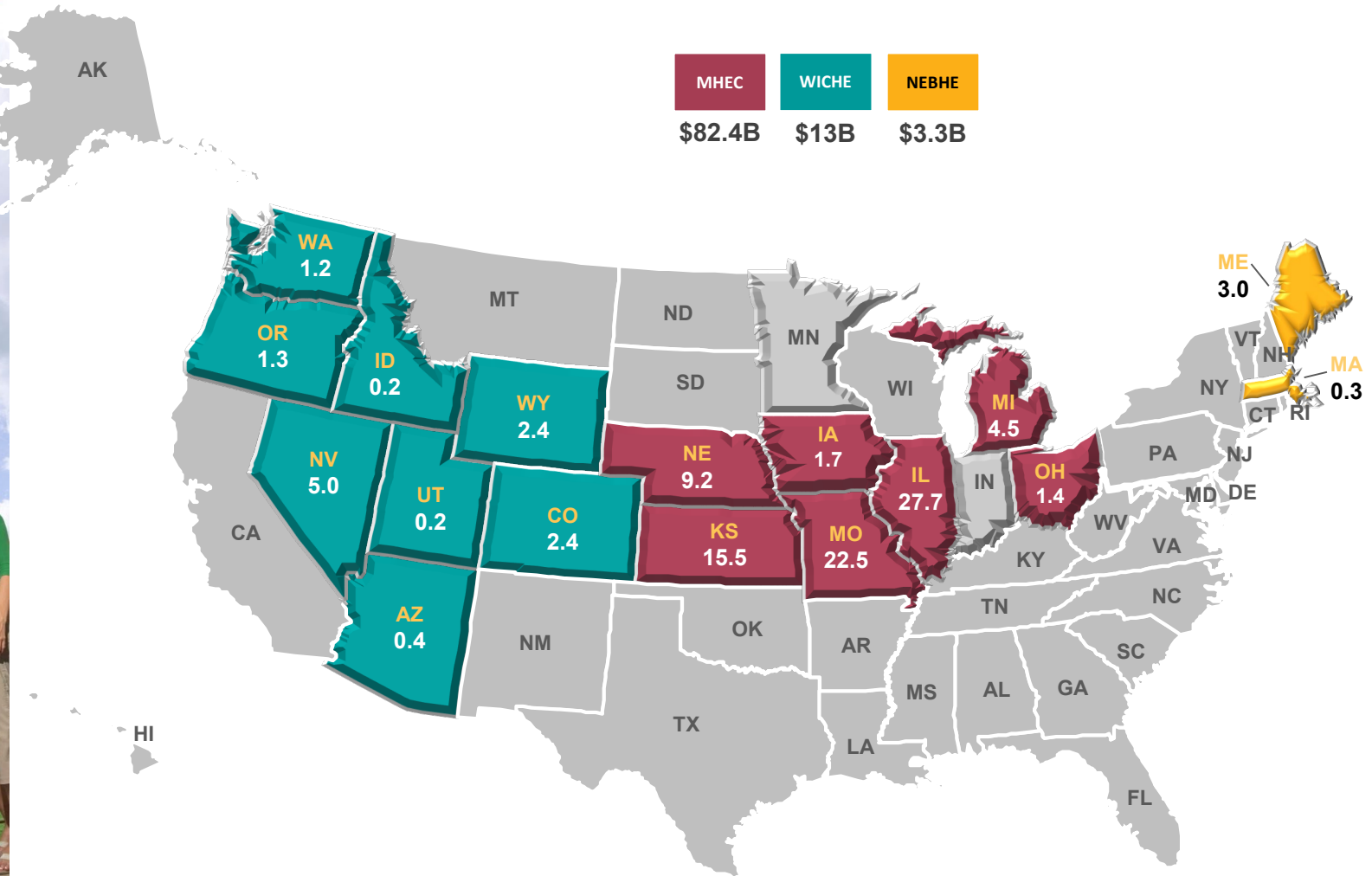


The Master Property Program is proud to boast a 92.9% member retention rate



Program Information and Recap

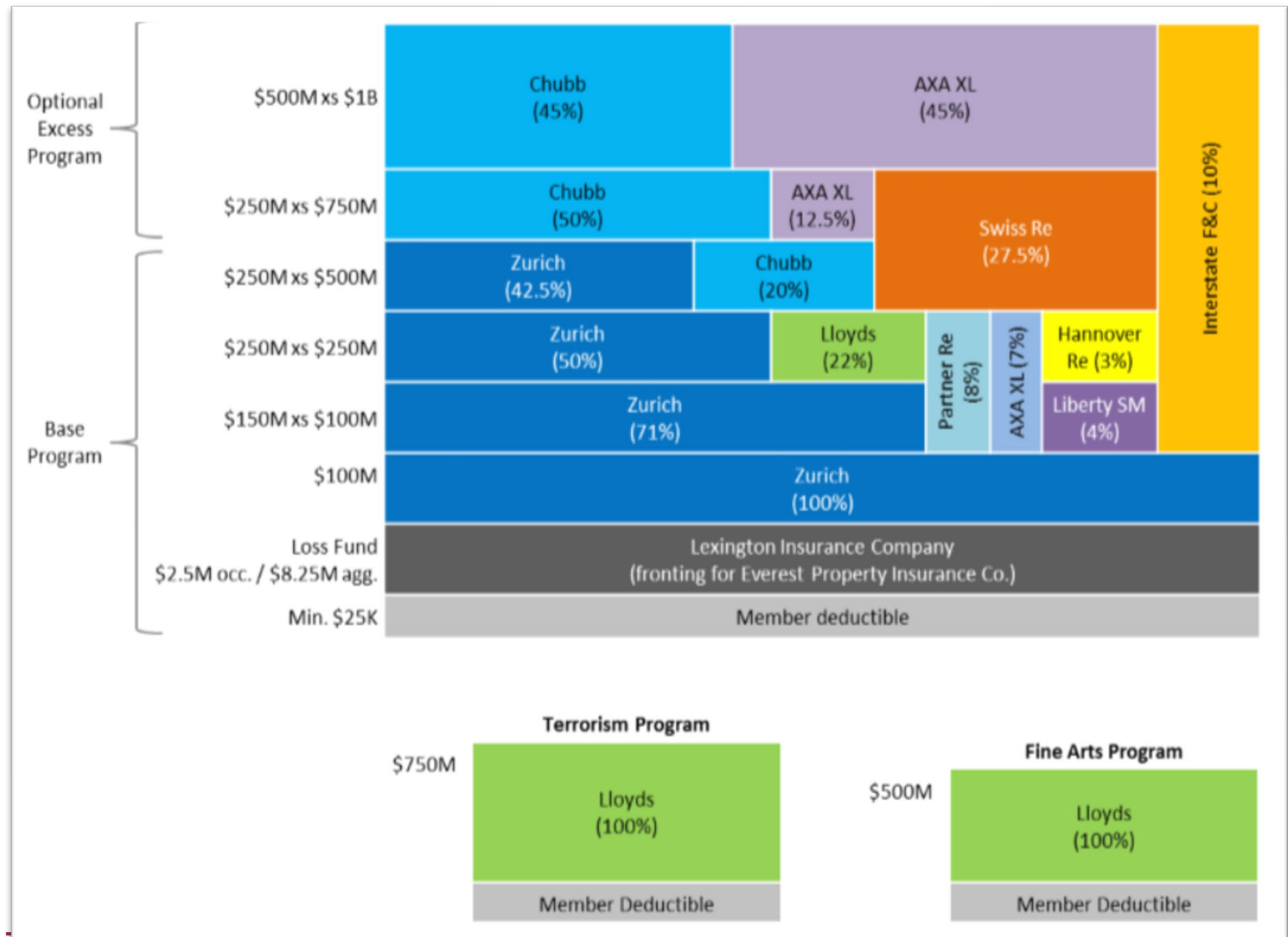
TIV by State (\$ billions USD)





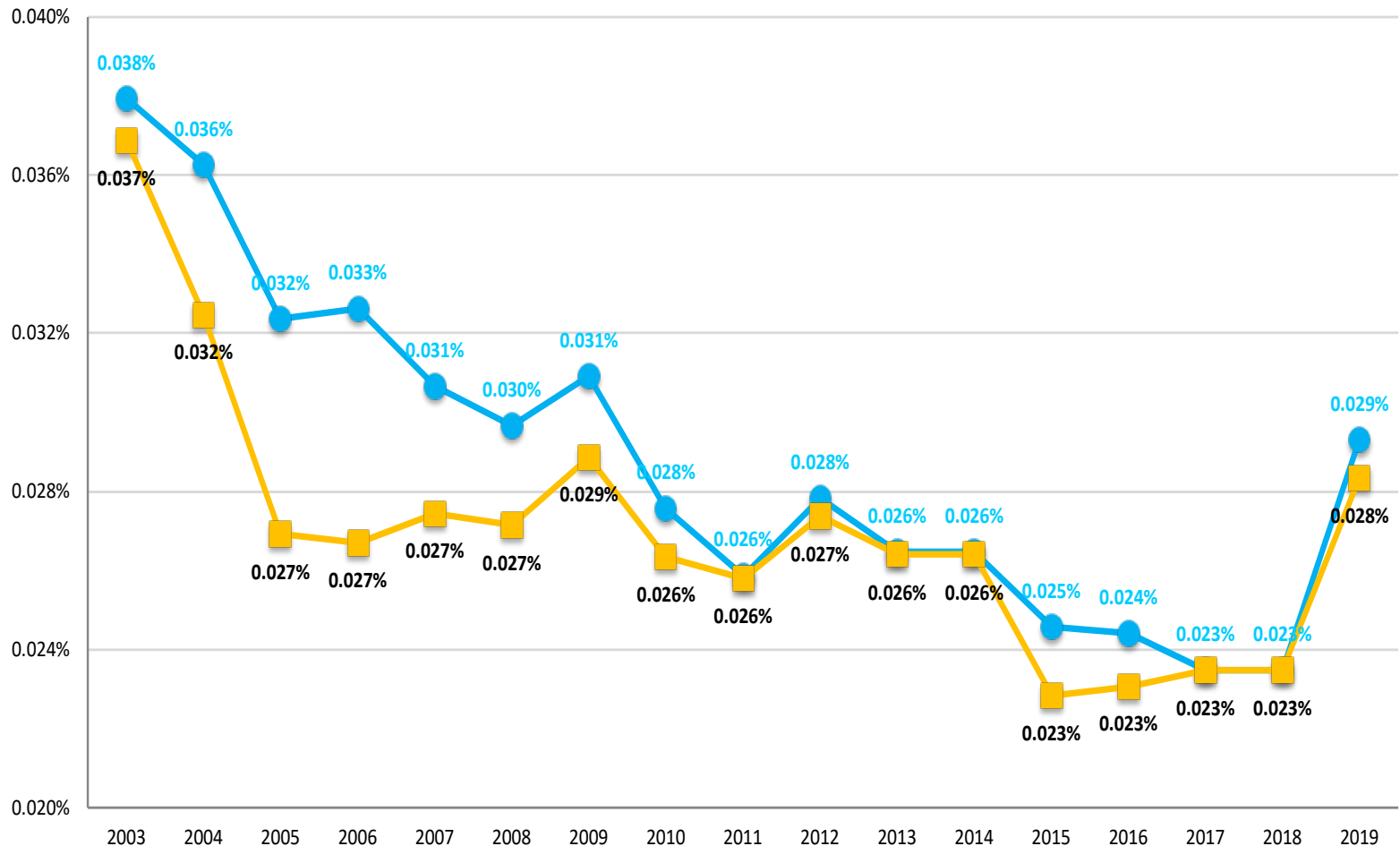
Program Information and Recap

Current Program Structure: July 1, 2019 – July 1, 2020



Property Information and Recap

Program Rate



- 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.



Needs updated

Program Information and Recap

Cost Savings Estimate

Compact	State	2019 Insured Values	Dividends Distributed in 2018	Total Net Losses 7/1/2014 to 5/31/2019	Estimated Premium Savings	Total Premium Savings + Dividends	2019 Net Rate
MHEC	Iowa	\$1,768,647,369	\$0	\$1,597,283	\$225,855	\$225,855	0.034%
	Illinois	\$28,360,665,308	\$242,555	\$11,606,872	\$1,544,001	\$1,786,556	0.024%
	Kansas	\$15,658,683,367	\$105,851	\$90,527,120	\$10,608,538	\$10,714,389	0.030%
	Michigan	\$3,113,855,370	\$44,911	\$1,816,621	\$188,772	\$233,683	0.037%
	Missouri	\$7,687,796,504	\$96,250	\$24,634,588	\$3,202,438	\$3,298,688	0.039%
	Nebraska	\$9,691,412,805	\$136,025	\$4,001,900	\$1,157,326	\$1,293,351	0.024%
	Ohio	\$1,522,654,052	\$0	\$382,503	\$125,723	\$125,723	0.038%
	MHEC Total	\$67,803,714,774	\$625,592	\$134,566,888	\$17,052,652	\$17,678,244	0.028%
NEBHE	Massachusetts	\$337,566,111	\$12,082	\$454,709	\$42,525	\$54,607	0.038%
	NEBHE Total	\$337,566,111	\$12,082	\$454,709	\$42,525	\$54,607	0.038%
WICHE	Arizona	\$350,925,759	\$9,043	\$0	\$50,314	\$59,357	0.037%
	Colorado	\$2,500,150,339	\$25,844	\$359,926	\$227,868	\$253,712	0.041%
	Idaho	\$208,784,164	\$6,596	\$0	\$44,194	\$50,790	0.039%
	Nevada	\$5,359,348,542	\$55,592	\$0	\$1,389,911	\$1,445,503	0.028%
	Oregon	\$1,331,419,341	\$21,773	\$2,042,400	\$653,481	\$675,254	0.040%
	Utah	\$217,268,314	\$1,046	\$56,985	\$126,257	\$127,303	0.041%
	Washington	\$1,225,346,064	\$14,850	\$3,374,794	\$1,084,590	\$1,099,440	0.038%
	Wyoming	\$2,415,799,066	\$26,009	\$375,548	\$20,745	\$46,754	0.033%
	WICHE Total	\$13,609,041,589	\$160,753	\$6,209,653	\$3,597,360	\$3,758,113	0.034%
TOTAL		\$81,750,322,475	\$798,427	\$141,231,249	\$20,692,537	\$21,490,964	0.029%



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) and
Zurich

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 2019 Policy Year

- Reports/Invoices to Members: 104 invoices
- # of Policies Issued: 77 policies
- Statement of Value Tracking Statistics at 7/1/19 renewal:
 - › # of physical locations/rows: 9,765 locations
 - › # of data categories including COPE: 70 columns/categories
 - › # of total data points: 724,929 data points
- Campuses Insured: 192 Campuses
- Total Insured Values: \$81.82 Billion
- Estimated Program Savings for FY2019: \$21.5 Million



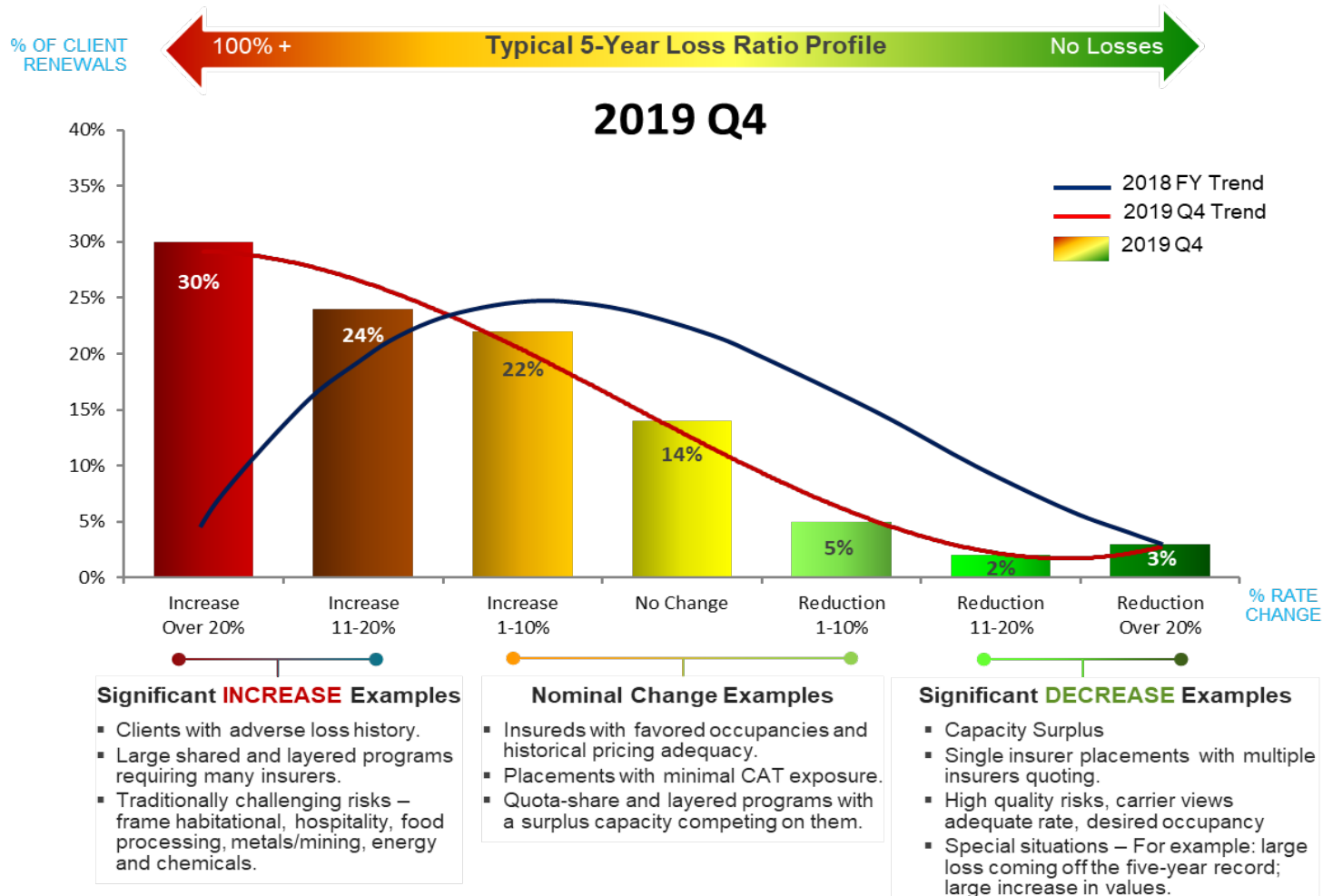
IV

MASTER PROPERTY PROGRAM Market Update

Time Allotted: 10 Minutes

Market Update

U.S. Property Rate Information

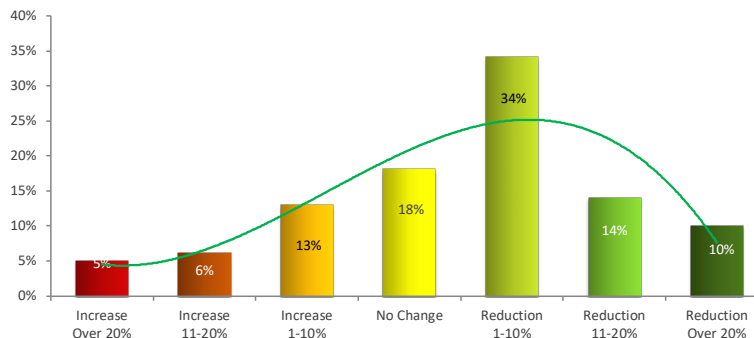


Market Update

U.S. Property Rate Information

Q2 | 2017
Pre-H.I.M.

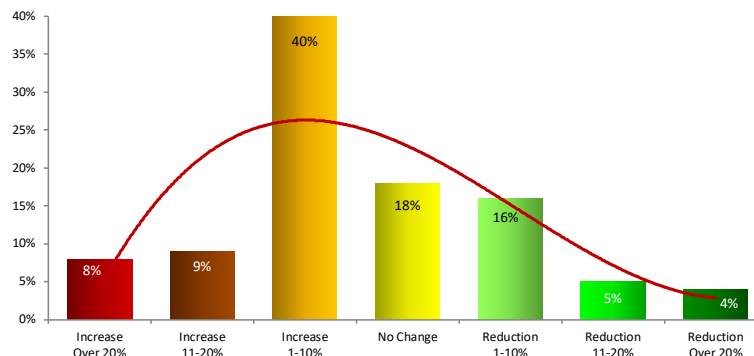
58% of renewals seeing rate decreases renewal



Q4 | 2018

One-year after H.I.M.

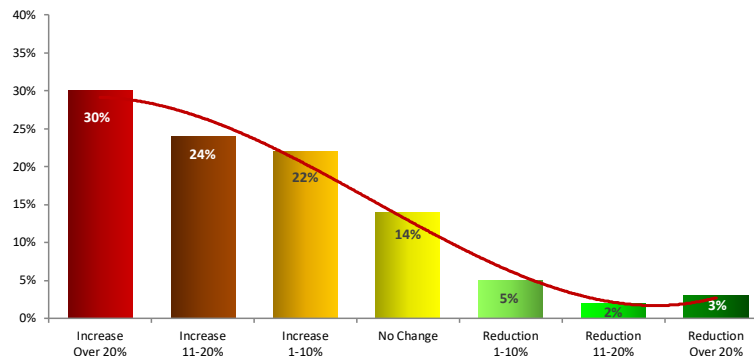
74% of renewals seeing small rate increases to small rate decreases



Q4 | 2019

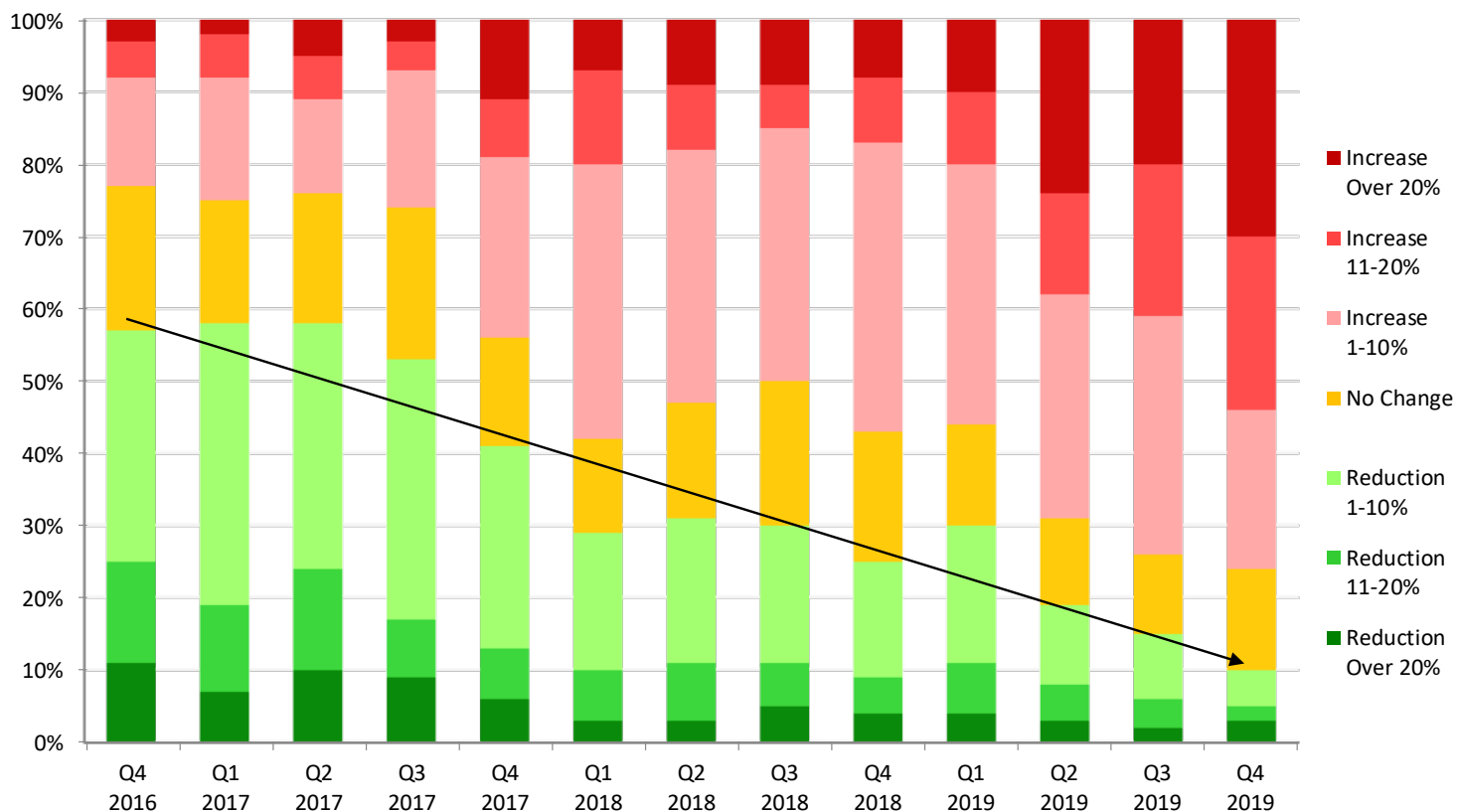
Most recent results

76% of renewals seeing rate increases with the majority being double-digit



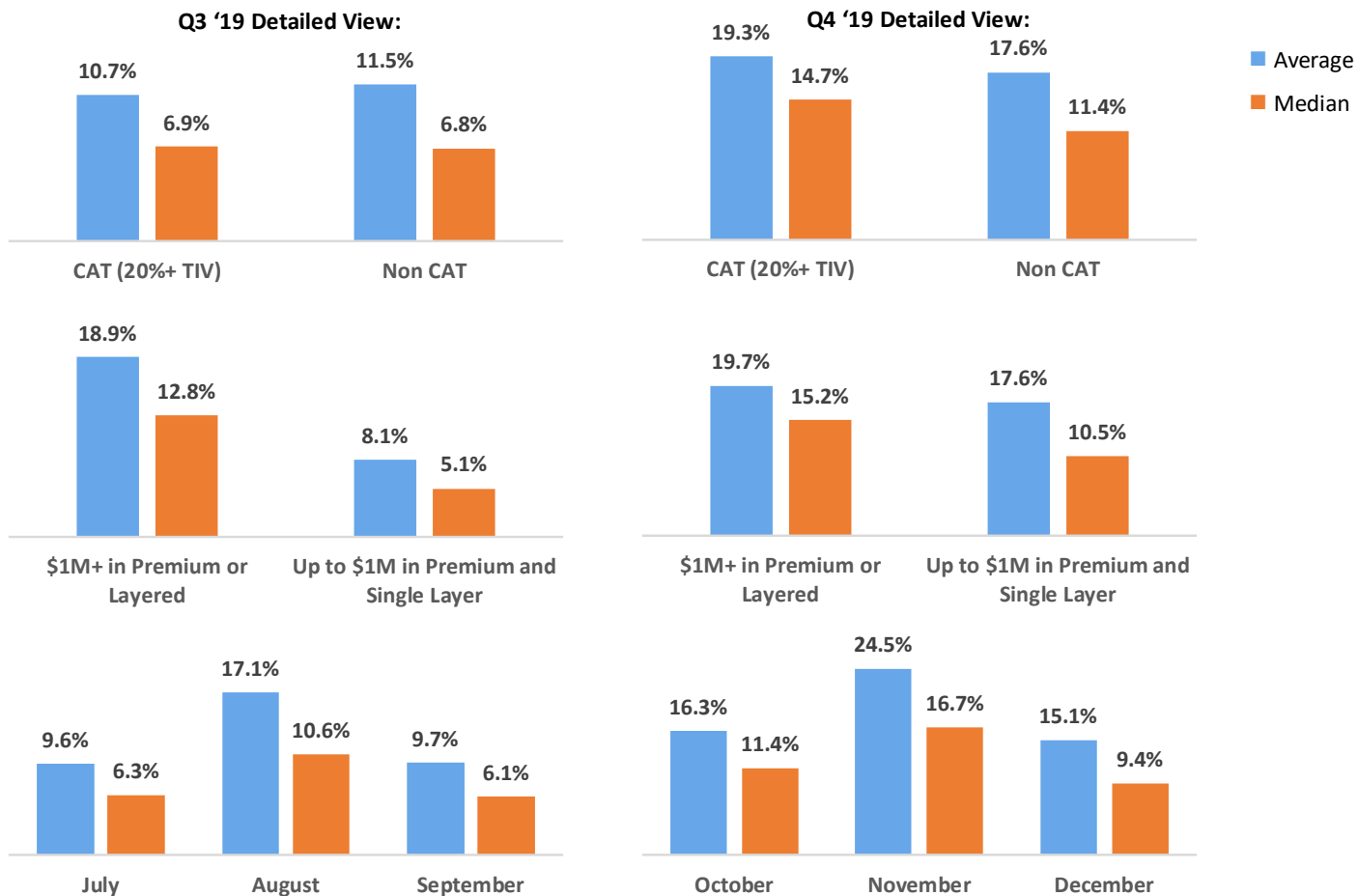
Market Update

U.S. Property Rate Information



Market Update

U.S. Property Rate Information





V

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

Time Allotted: 10 Minutes

Renewal Planning for July 1, 2019 - 2020

Renewal Challenges

- Multiple large losses
- Attritional losses
- Natural catastrophe exposure
- Unique program structure
- Scale
- Increased underwriting scrutiny of higher education
- Market conditions



Renewal Planning for July 1, 2020 - 2021

Hot Buttons

- Aging infrastructure / underinvestment
- Value reporting
- Builders risk
- Flood
 - NFIP extended to 9/30/2020
- Cyber



Renewal Planning for July 1, 2020 - 2021

HOT Buttons (continued)

- Deductibles not keeping up with inflation
- Growth in attritional loss cost
- Risk improvement activity
- Influence of catastrophe modeling
- TRIPRA
 - Recently extended long-term



Renewal Planning for July 1, 2020 - 2021

Potential Renewal Changes

- Rates increasing
- Program design/structure
- Additional risk-sharing
- Seeking hail deductible buy-down option
- Impact on individual members will vary depending on past five years loss experience and other factors
- Not likely to change:
 - Basic (AOP) deductibles for most members
 - July 1 inception date





VI

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
- Helps to stabilize excess layer pricing



Captive Information

Captive Service Providers

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



Captive Information

Captive Resources

- Over 35 years of experience
- Independent consultant
- Administer over 40 group captive programs
- Represent over 4,000 shareholders
- Combined premiums exceeding \$2B
- Partner with MHEC since 1998
 - › CRI reviews and analyzes exposure and loss data when working with the actuarial firm to create a loss pick which serves to formulate the captive layer aggregate.
 - › CRI works in conjunction with the claims TPA and compiles the loss data for the financial reporting, monitors large losses and provides quarterly updates to MHEC
 - › CRI works with the fronting company and KMG in negotiating the Commutation Agreement, Reinsurance Agreement and collateral requirement.



Captive Information

Kensington Management Group

- On-shore manager for EPIC, located on Grand Cayman.
- Two main functions for EPIC and MHEC MPP:
 1. **Regulatory** - Liaison with the Insurance Supervision Department of the Cayman Islands Monetary Authority (“CIMA”) on all aspects of the captive’s operation.
 2. **Financial** – Provide monthly cash flow projections, expense monitoring, investment coordination, payment of dividends, invoices and claims reimbursements to Lexington, prepares financial statements for EPIC and MHEC MPP and coordinates with the Company’s auditors.

Captive Information

Loss Fund Aggregate

- Provides a mechanism to fund losses
- \$2.5 Million retention, 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

Bond Investment

- EPIC gives the MHEC MPP the opportunity to invest in a fixed income portfolio
- Thru Scotiabank, the MPP has laddered over \$6.4M in various governmental and corporate investment grade bonds
- The investment portfolio generates income on the loss funds and allocated back to each underwriting year
- Even when loss funds are exhausted by claims in the captive layer, member schools will receive returns of investment income on those loss funds as it takes time for the loss funds to be paid out for claims
- This return ultimately reduces the cost of insurance to the member schools of the MPP
- For the years 12/13-Current, over \$727K of investment income has come back to the schools in the MPP

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)



Captive Information

Dividend Calculation

- Dividends are calculated as follows:
 - › + Member Loss Funds
 - › - Loss Payments and Loss Reserves
 - › - Incurred But Not Reported Reserves (IBNR)
 - › - Any Risk Sharing Absorbed from Other Members
 - › + Investment Income Earned and Allocated to the year

= Net Equity Available for Distribution

Captive Information

Dividend Distribution Timing

- Available equity is distributed as follows:
 - 50% of available equity may be distributed one year after the close of a policy period
 - 80% of available equity may be distributed two years after the close of a policy period
 - 100% of available equity may be distributed three years and later after the close of a policy period
 - Dividend checks are sent to current participating members in the fall (October/November) after the EPIC Board meets in September.



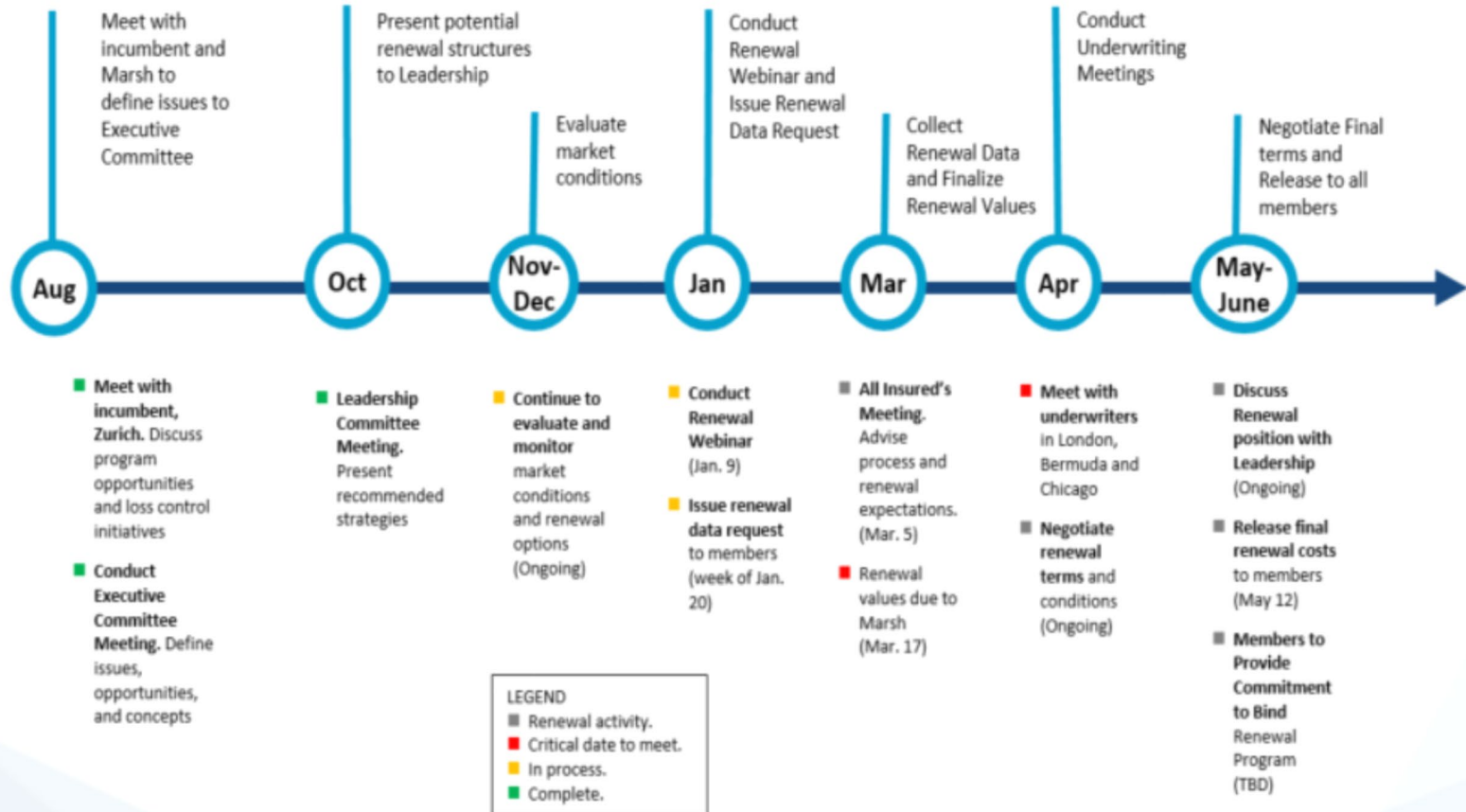


MASTER PROPERTY PROGRAM Renewal Timeline

Time Allotted: 3 Minutes

Renewal Timeline

2020 Renewal Timeline



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.



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

Initial report of loss:

- Contact Dan Veldman with Crawford and Company
 - › [Daniel Veldman@us.crawco.com](mailto:Daniel.Veldman@us.crawco.com)
 - › Office: 847-517-3172 or Cell: 847-602-6937
 - › Dan will assign a Crawford claims adjuster
- With a Copy to:
 - › Brian McGrath and Maureen Biehl
 - › Brian.j.mcgrath@marsh.com
 - › Maureen.w.Biehl@marsh.com





MASTER PROPERTY PROGRAM 2020 Annual Meeting & Workshop

Time Allotted: 3 Minutes

Master Property Program

2020 Annual Meeting & Workshop

- March 3, 2021 All-Insured Members Meeting
- March 4-5, 2021 Loss Control Workshop
- Hilton at the Ballpark, Downtown St. Louis
- NEED ... Participating Member's 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





X

MASTER PROPERTY PROGRAM

Thank You & Questions



Important Disclosure

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