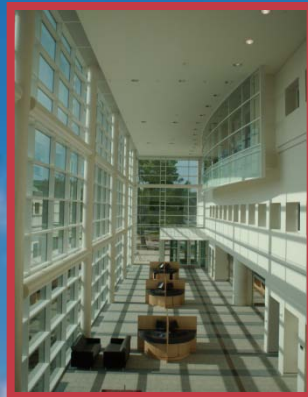


# Master Property Program

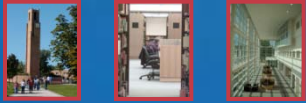
A Program of the Midwestern Higher Education Compact



Cost Savings • Student Access • Policy Research

## Western Interstate Commission for Higher Education Annual Commission Meeting

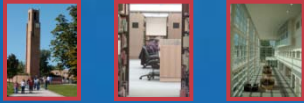
November 8, 2010



## Program Mission

To be the premier property insurance program for MHEC, WICHE, and NEBHE institutions and to maintain a leadership position in underwriting, loss control, coverage, and costs.

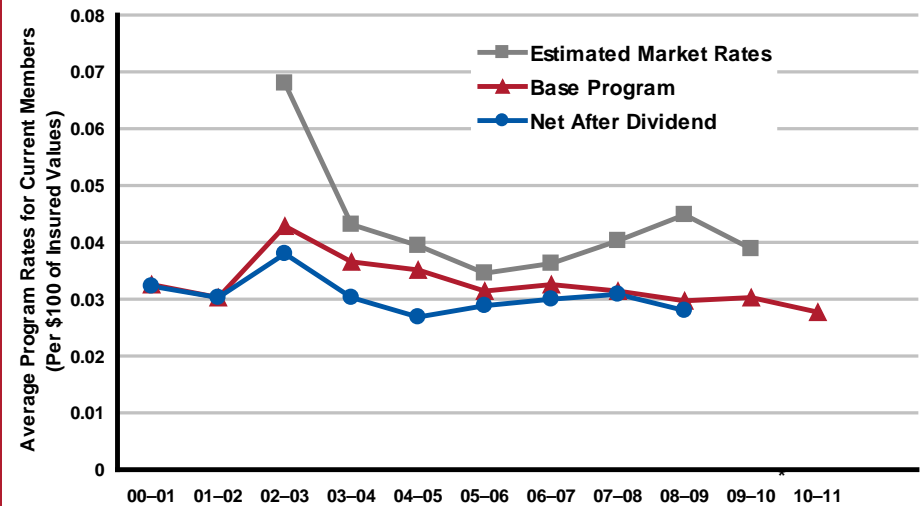
**Program Stability ▪ Strategic Growth ▪ Member Value**



## Program Overview

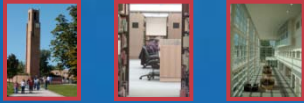
- This program was established in July 1, 1994 by members of the Midwestern Higher Education Compact (MHEC). The Western Interstate Commission for Higher Education (WICHE) joined the program in 2004, and the New England Board of Higher Education (NEBHE) in 2009
- It is available to any 2-year and 4-year public and not-for-profit private higher education institutions
- The program provides comprehensive coverage and services at rates well below industry averages →
- It is owned and managed by its members.
- The program has 48 member institutions and insures \$73.1 billion in property at over 100 campuses
- Minimum deductible is \$25,000 →

### Historical Program Rates




Cumulative member retention rate since 2000 is 98%

Typically, the program has saved costs for those with smaller deductibles which has allowed these Members to establish a fund internally to support deductible payments, if necessary.

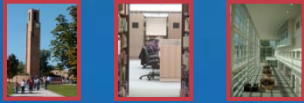


# Master Property Program—Benefits of Participation


- Claims advocacy
- Extensive engineering and loss control services with a realistic approach
- Member collaboration 
- Long-term stability
- Significant market leverage
- Annual loss control workshop

## Examples of Working Together for the Benefit of Members

- In 2004, MHEC's insurance carrier wanted to impose a 15% rate increase against two members who had experienced large losses. Members felt that losses could occur to anyone and recommended sharing the program increase with all members. Because of the position taken, a member saved \$342,845 in risk transfer costs while the increase to all individual members was minimal.
- A member was experiencing loss frequency and the Leadership Committee worked with the member to evaluate and implement a more appropriate deductible structure over the course of three years.
- The Engineering Subcommittee reviewed engineering costs and felt a more equitable allocation was needed to more accurately reflect the services provided to members; however, the change was implemented over 3-years to avoid any significant cost fluctuations for the members.

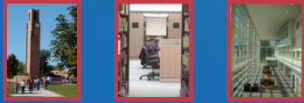


# Master Property Program—Benefits of Participation

- Broad manuscript policy form tailored to higher education including flood, earthquake, and windstorm
- Significant policy limits 
- Members own the program and their data
- Superior risk management and advisory services
- The program has paid dividends for the past 8 years
- Estimated savings totaling \$68.9 million through FY10 for purchasing as a group
- Website gives 24/7 access to program information

## A Sample of “Key” Program Sublimits (per occurrence unless otherwise noted)

\$250,000,000	Terrorism (being \$100 million on the primary policy and \$150 million in the shared excess policy)
\$100,000,000	Flood, annual aggregate
\$ 50,000,000	Flood, annual aggregate, at locations wholly or partially situated in areas designated as a special flood hazard area by FEMA
\$100,000,000	Earthquake, annual aggregate, excluding locations in California
\$100,000,000	Automatic coverage for 90-days
\$ 25,000,000	Miscellaneous unscheduled property in the United States or Canada
\$ 25,000,000	Transit
\$ 25,000,000	Mold occurring as a direct result of a covered loss
\$ 2,500,000	Personal property of students and patients, per occurrence subject to a maximum of \$25,000 per student or patient
\$ 2,000,000	Personal property situated outside the United States and Canada
\$ 1,000,000	Upgrade to green



# Master Property Program—2010 Estimated Savings

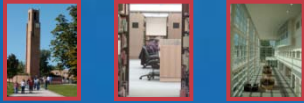
## Considerations affecting savings:

- Market conditions
- Purchasing:
  - Individually
  - As a smaller group
- Deductibles
- Loss history
- Specialized coverage(s)
- Catastrophic coverage(s)

2010 "Estimated" Savings Premium + Dividend	
MHEC	\$8,848,833
NEBHE	\$248,533
WICHE	
Arizona	\$6,295
Colorado	\$66,550
Nevada	\$292,297
Oregon	\$103,432
Utah	\$20,625
Washington	\$68,017
Wyoming	\$209,914
<b>Subtotal</b>	<b>\$767,130</b>
<b>Total:</b>	<b>\$9,864,516</b>

**Examples of  
Actual Benefits Realized**

1. Nevada System of Higher Education carved themselves from the State of Nevada and saved approximately \$1,300,000 initially plus broadened coverage significantly.
2. Westminster College, a small liberal arts college in Salt Lake City, saved \$200,000+ while increasing earthquake limits.



# Distribution of Dividends <sup>1</sup>

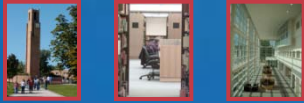
Year	Dividend <sup>(1)</sup>
2003	\$ 418,294
2004	\$1,707,865
2005	\$2,576,309
2006	\$3,086,806
2007	\$1,863,801
2008	\$1,574,787
2009	\$1,360,208
2010	<u>\$ 904,469</u>
Total	\$13,494,539

## Early Dividend Declared

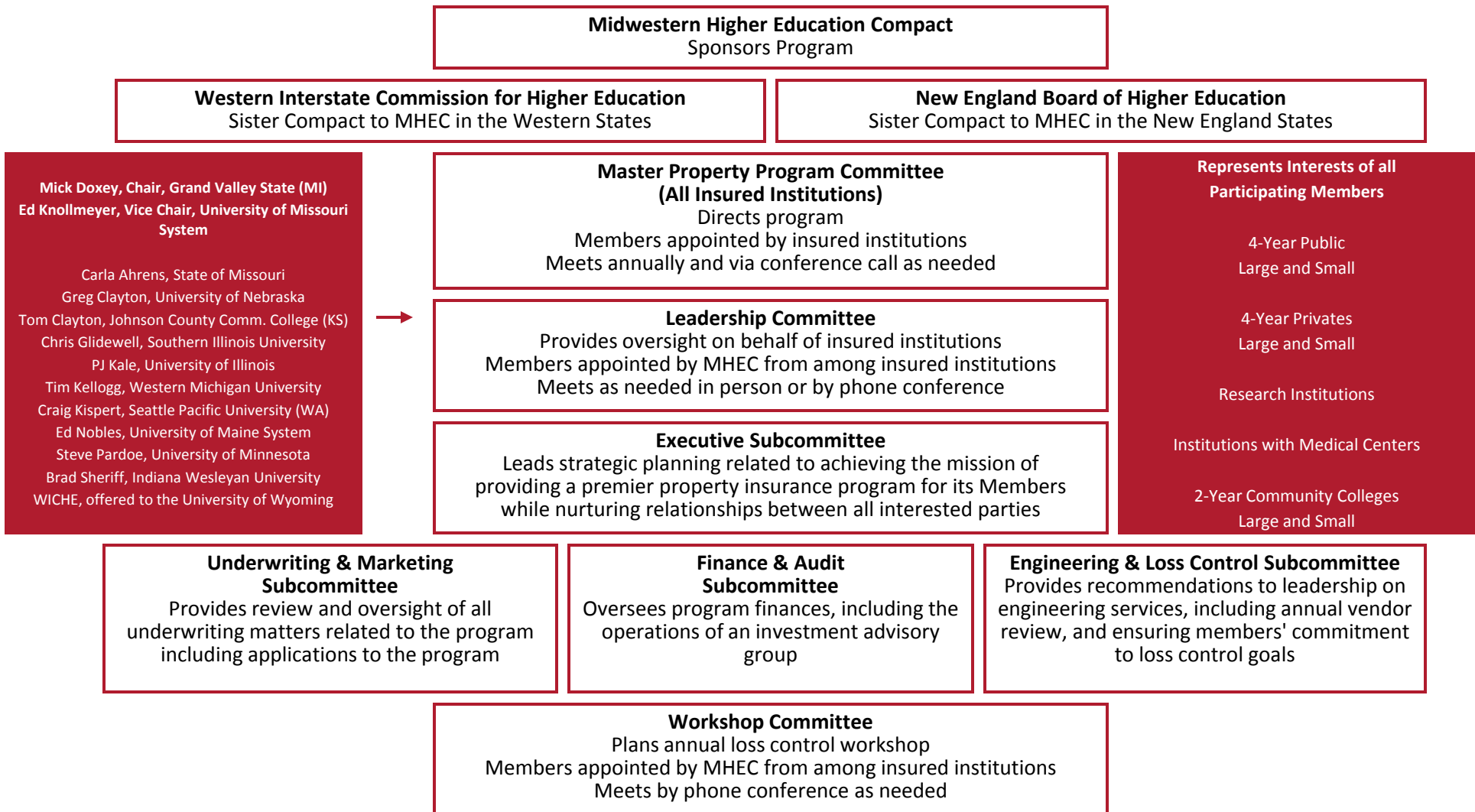
Due to challenges in the economic environment of Fall 2009, MHEC's Leadership evaluated the captive and made a recommendation to declare a partial dividend from the expiring program term (which would not have been declared until October 2010).

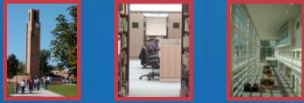
20% of the eligible dividend from the July 1, 2008-09 program term was declared which = \$525,442

**Note:** <sup>(1)</sup> Dividend distributed to eligible members



# Governance Structure





# Engineering & Loss Control

## Goals & Highlights

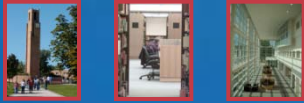
- Maximize servicing, minimize costs
- Focus on prevention to eliminate losses
- Obtain and manage insurance marketing data
- Assist members in reducing the total cost of risk
- Comprehensive engineering expertise to assists members in their loss control needs
- Code compliance and insurance acceptance
- Owner driven—flexibility

Based on the Input  
from Members

Extensive engineering services customized to  
the unique needs of higher education with a  
realistic approach

## Benefits Achieved

- Review for NIU of the suggested cathodic protection in their new sprinkler system which Marsh reviewed and found to be unnecessary which saved them \$20,000 in their protection system installation.
- The IR survey component of the program has identified on average a minimum of 8 issues each survey which either increases operational costs due to inefficiencies or if left unchecked could result in complete component failure and associated Business Interruption and potential fire loss.
- The program adds value for members by providing specialized training courses on important topics for members. Recently the M.U.S.I.C. members utilized this value through a specialized Boiler Training presentation designed for facilities, maintenance, and physical plant personnel on efficient boiler management to avoid unscheduled outages and to maximize "uptime" for these units, saving each Member valuable time and money for this critical utility.
- The loss control inspection program brings value to members by evaluating multiple aspects of their loss control program. A recent survey resulted in the identification of an archive with values which unknown to the Risk Management were underreported by over 100% and the area was exposed faulty water piping. This issue had not been previously prioritized do to the underreported values.

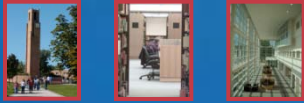


# Annual Loss Control Workshop

- 13th annual Loss Control Workshop to be held March 16–18, 2011 in St. Louis, Missouri
- Expect approximately 200 to be in attendance



- Developed by participating members
- Brings together facilities, health and safety, risk management and financial representatives to discuss risk management issues, not just property issues, relevant to the participating member institutions and higher education
- Facilities, Risk Management and Environmental Health & Safety sessions run concurrently



# Participating Institutions

## MHEC

### Illinois

#### Aurora University

*Aurora and Lake Geneva*

#### IPHEC

(Illinois Public Higher Education Cooperative)

Chicago State University

Eastern Illinois University

Governors State University

Illinois State University

*Normal and Springfield*

Northeastern Illinois University

Northern Illinois University

*DeKalb, Hoffman Estates, Lorado*

*Taft Field, Naperville, and Rockford*

Southern Illinois University

*Carbondale and Edwardsville*

University of Illinois

*Chicago, Springfield, and Urbana-Champaign*

Western Illinois University

#### Loyola University of Chicago

#### Roosevelt University

### Indiana

#### Indiana Wesleyan University

### Kansas

#### Johnson County Community College

### Michigan

#### M.U.S.I.C.

(Michigan University Self-Insurance Corporation)

Central Michigan University

*Beaver Island and Mt. Pleasant*

Eastern Michigan University

Ferris State University

Grand Valley State University

*Allendale and Grand Rapids*

Lake Superior State University

Michigan Technological University

*Houghton and Keweenaw*

Northern Michigan University

Oakland University

Saginaw Valley State University

Western Michigan University

*Battle Creek and Kalamazoo*

### Minnesota

#### University of Minnesota

*Crookston, Duluth, Morris, and Twin Cities*

### Missouri

#### Missouri State System

Harris-Stowe State University

Lincoln University

Missouri Southern State University

Missouri State University

*Mountain Grove, Springfield, and West Plains*

Missouri Western State University

Northwest Missouri State University

Southeast Missouri State University

Truman State University

University of Central Missouri

#### Saint Louis Community College

*Florissant Valley, Forest Park, Meramec, and Saint Louis*

#### University of Missouri

*Columbia, Kansas City, Missouri*

*University of Science and Technology (Rolla), and Saint Louis*

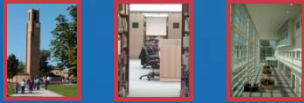
### Nebraska

#### Nebraska State College System

*Chadron State College, Peru State College, and Wayne State College*

#### University of Nebraska

*Lincoln, Kearney, Medical Center, and Omaha*



# Participating Institutions

## WICHE

### Arizona

Pima County Community College District

### Colorado

Colorado College

### Nevada

#### Nevada System of Higher Education (NSHE)

College of Southern Nevada

*Charleston Campus and Cheyenne Campus*

Desert Research Institute

*Northern Nevada Science Center and*

*Southern Nevada Science Center*

Great Basin College

Nevada State College at Henderson

Truckee Meadows Community College

University of Nevada

*Las Vegas and Reno*

Western Nevada College

### Oregon

Lewis and Clark College

Reed College

Willamette University

### Utah

Westminster College

### Washington

Seattle Pacific University

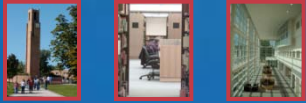
### Wyoming

University of Wyoming

## NEBHE

### Maine

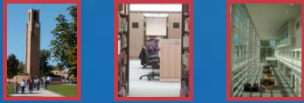
University of Maine System



# Master Property Program—Membership Considerations

- Requires \$25,000 minimum institutional deductible for membership
- The program includes single campuses, multi-campus systems, and intercollegiate consortia
- 48 members (over 100 campuses) with enrollments ranging from 1,700 to over 45,000 students
- Individual rates vary by institution based on exposures, historical rates, loss history, deductibles, and aggregates
- Subject to underwriting approval





## Master Property Program—The Application Process<sup>2</sup>

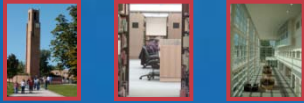
- The process takes about 60 days
- Coverage can be effected on any date but will be normalized to correspond with the program's renewal date of July 1st
- Formal submission (including statement of values and 5 years loss experience)
- Letter of authorization (if you are currently insured by the Lexington Insurance Company)
- Confidentiality statement <sup>1</sup> (requires that your institution will not provide copies of any of the information provided by this program to a third party)
- Additional program information sent <sup>1</sup>

**Note 1:**

Once a Confidentiality Statement is signed, MHEC will provide additional program information which will include: Coverage Form, Summary of Insurance, Details of Engineering Program, Claims Handling Instructions and Procedures Manual

**Note 2:**

A prospective member will receive their first quote at no charge; however, should a perspective member return for a quote within 3 years, a fee of \$2,500 will be charged to provide a quote. This fee will be waived should a prospective member join the program



# Master Property Program—Thank You and Questions

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