

MASTER PROPERTY PROGRAM

A Midwestern Higher Education Compact Program



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.

MHEC states currently participating in the Master Property Program include: *Illinois, Indiana, Kansas, Michigan, Minnesota, Missouri, and Nebraska.*

In 2004, MHEC came to an agreement with the Western Interstate Commission for Higher Education (WICHE). As a result, MHEC now offers this property program to institutions in the West. Currently Arizona, Colorado, Nevada, Oregon, Utah, and Washington are participating in the program. In 2009, an agreement with the New England Board of Higher Education (NEBHE) makes the program available to Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont.

The Midwestern Higher Education Compact is a nonprofit regional organization established by compact statute to assist Midwestern states in advancing higher education through interstate cooperation and resource sharing. Member states are: Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin.

MHEC seeks to fill its interstate mission through programs which:

- enhance productivity through reductions in administrative costs
- encourage student access, completion and affordability
- facilitate public policy analysis and information exchange
- facilitate regional cooperation
- encourage quality education programs and services in higher education
- encourage innovation in the delivery of educational services

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The Midwestern Higher Education Compact (MHEC) Master Property Program (MPP) was established in 1994 to broaden property insurance coverage, reduce program costs, and encourage improved asset protection strategies for colleges and universities in the twelve member states of the Compact.

Since its inception, the program has evolved to focus on strategic growth, program stability, and creating member value.

The goals of the program are to secure broad insurance coverage and services to meet the special needs of its participating member institutions; to reduce program costs; to stabilize rates over time; and to provide group dividend returns when loss experience is favorable.

Coverage and service are the hallmarks of the MHEC Master Property Program. The program's broad manuscript form is responsive to higher education's unique property exposure while remaining flexible to meet individual member needs.

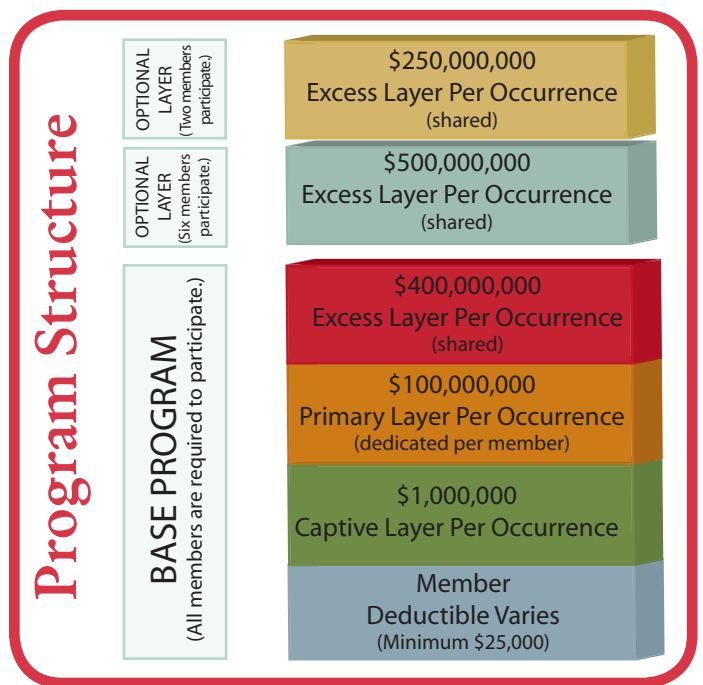
The program provides excellent engineering and loss control services tailored to the requirements and interests of each member institution as well as to the group as a whole. These services help institutions safeguard their capital assets and protect the long-term stability of the program.

The program prides itself on assisting institutions with quality and timely claims service when catastrophic and non-catastrophic claims occur. The program's Oversight Committee conducts ongoing evaluations of carrier responsiveness to incurred losses, recovery processes, and settlements.

The current program is sponsored by MHEC and overseen and directed by a committee of representatives from the member institutions. It is underwritten by insurance companies selected by the participating institutions and administered by the service team of Marsh Inc. and Captive

Resources LLC (CRI). MHEC provides the program coordination, member advocacy, and staff support.

The program carriers and service team have served the program exceptionally well over the past several years and have achieved an excellent record of maintaining outstanding coverage and services at competitive rates.



Each member institution retains an individual deductible that is applied to each claim. Excess of the member deductible, the group loss fund is responsible for the next \$1 million of loss per occurrence subject to an annual aggregate of \$6,998,257 (as of July 1, 2009).

Any loss above the loss fund is the responsibility of the program insurers (Lexington/AIG), as detailed above in the program structure. If the loss fund is depleted in any given year, the Lexington coverage automatically drops down and provides primary insurance directly in excess of the members' individual deductible. In addition, there is no mid-term assessment.

"Because of its size and diverse membership, the Master Property Program offers much lower costs, broader coverage, and higher limits than the Nevada System of Higher Education has ever been able to negotiate on its own. It is a permanent solution to our property insurance needs."

*-Jon Hansen, Risk Manager
Nevada System of Higher Education*

Since its inception in 1994, colleges and universities of all sizes and types have joined the program. The group shares a common commitment towards excellence in campus risk management practices and a desire to work together for the mutual benefit of all members.

The group welcomes new collegiate members who have implemented good risk management practices on their campuses and who have taken preventative measures to reduce avoidable losses over the years.

Public and private nonprofit colleges, universities—including community and technical colleges—in MHEC Compact states are invited to apply for admission to the MHEC Master Property Program. Acceptance is contingent upon approval by the program's Leadership Committee, administrative team, and partner markets.

As of the July 2009 renewal, 47 primary policies were issued to member institutions, which equates to over 100 campuses participating in the program. The endorsed program underwriters provide insurance coverage for the participating institutions with total insured values of approximately \$65.9 billion.

A June 2004 agreement between MHEC and the Western Interstate Commission for Higher Education (WICHE) makes the program available to institutions in the West. Likewise, a June 2009 agreement between MHEC and the New England Board of Higher Education (NEBHE) makes the program available to the institutions in New England. The insured institutions will consider participation of institutions outside of MHEC states on a case-by-case basis.

Under the auspices of the Midwestern Higher Education Compact, MHEC periodically issues a single request for proposal (RFP) on behalf of the participating institutions. Proposals are reviewed and an endorsed carrier is selected by the participating institutions.

Annual Loss Control Workshop

Each year, the MHEC Master Property Program sponsors a two-day Loss Control Workshop for all members. Topics of interest are solicited from members. The two-track format focuses on facilities and risk management issues relevant to higher education. Experts from around the country present and conduct the workshop sessions. The Workshop welcomes any individual member who would benefit from participation. The Workshop hosts approximately 180 people.

Additional Program Benefits

- ♦ Broad coverage template tailored specifically for higher education institutions (manuscript policy)
- ♦ Funded deductible with potential dividend returns when loss experience is favorable; no additional funding required if loss fund is exhausted in any given policy year
- ♦ Exemplary engineering, claims advocacy, and risk management advisory services that are member driven
- ♦ Member owned information centrally located on an engineering website tailored to the members, containing COPE data for all campuses, recommendations, and data reports
- ♦ Program ownership vested with participating institutions
- ♦ A central communication system is accessible to members on MHEC's website and includes: updates on upcoming meetings as well as a running history of past communication, the loss history analysis, renewal information, engineering information, the Annual Loss Control Workshop and more
- ♦ Group leveraging power to assure optimal services and reduced premium costs while maintaining member value
- ♦ Capacity to creatively respond to changing market conditions, which promotes program stability
- ♦ Information sharing and idea exchanges among participating institutions, including a program newsletter

Dividend Distribution:

Underwriting profit in the MHEC Master Property Program is a direct result of the participating institutions' efforts to control and manage their property claims. MHEC is proud that the members of this program are able to realize a positive gain from their insurance expense dollars. Continued management of property exposures and claims that do occur, should continue to produce returns for all members.

- ◆ **2009** - Dividends to be presented and discussed at the October MPP Leadership Committee Meeting
- ◆ **2008** - \$1,574,787 - 36 eligible institutions
- ◆ **2007** - \$1,863,801 - 37 eligible institutions
- ◆ **2006** - \$3,086,806 - 36 eligible institutions
- ◆ **2005** - \$2,576,309 - 36 eligible institutions
- ◆ **2004** - \$1,707,865 - 33 eligible institutions
- ◆ **2003** - \$418,294 - 23 eligible institutions

Participating Institutions

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 Edwardsville
 University of Illinois
Chicago, Springfield, and Urbana – Champaign
 Western Illinois University
 Roosevelt University

Indiana

Indiana Wesleyan University

Kansas

Johnson County Community College

Michigan

M.U.S.I.C. - (Michigan Universities 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
 Wayne State University
 Western Michigan University
Battle Creek, Kalamazoo

Minnesota

University of Minnesota
Crookston, Duluth, Morris, and Twin Cities

Missouri

Missouri State System
 Central Missouri State University
 Harris-Stowe State University
 Lincoln University
 Missouri Southern State University
 Missouri State University
Mountain Grove, Springfield, West Plains
 Missouri Western State University
 Northwest Missouri State University
 Southeast Missouri State University
 Truman State University
 Saint Louis Community College
Florissant Valley, Forest Park, Meramec, and Saint Louis
 University of Missouri
Columbia, Kansas City, Rolla, and Saint Louis

Nebraska

Nebraska State College System
Chadron State College, Peru State College, Wayne State College
 University of Nebraska
Lincoln, Kearney, Medical Center, and Omaha

Arizona

Pima County Community College District

Colorado

University of Northern Colorado

Nevada

Nevada System of Higher Education
 Community College of Southern Nevada
Charleston and Cheyenne
 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 Community College

Oregon

Lewis and Clark College
 Reed College
 Willamette University

Utah

Westminster College

Washington

Seattle Pacific University

"As one of the smaller institution members in the Master Property Program, we're able to access coverage and service that we couldn't afford otherwise. The Loss Control Workshop also provides a great forum to learn from others and allows me to network with my peers."

*-Thomas D. Clayton, Insurance and Risk Manager
 Johnson County Community College, KS*

"The RFP process used by MHEC met the State of Missouri's purchasing requirements making it unnecessary for our office to go through the long and tedious process of bidding insurance."

*-Carla Ahrens, Risk Manager
State of Missouri*

Engineering Services

The engineering services associated with the MHEC Master Property Program have been customized to meet the members' needs. The services assist members in qualifying, quantifying, and improving their property risks; yet at the same time these services help reduce their total cost of risk. The services were developed with the following goals in mind:

- ♦ Promote Loss Prevention Awareness
- ♦ Reduce Total Cost of Risk
- ♦ Obtain and Track Insurance Marketing Data
- ♦ Code Compliance & Insurance Acceptance
- ♦ Owner Driven and Flexibility
- ♦ Common Sense and Practical Approach
- ♦ Savings – Time, Frustration and Money

With more than 15 years in the Highly Protected Risk (HPR) property insurance industry, seasoned Marsh property risk consultants manage the engineering services and are able to bring value to the program by way of their extensive risk management/safety background and by applying good, yet realistic, business common sense. The following engineering services are available to MHEC members:

- ♦ Property Loss Prevention Surveys – The survey consists of seasoned consultants reviewing both physical protection and human element features. These include buildings in excess of \$5 million in total insurable value or buildings of lesser value at the member's request.
- ♦ Plan Reviews – Shop drawings of sprinkler, fire alarm, fire pump and special extinguishing/protection systems can be submitted for review to help ensure the appropriate protection features are being included in major remodel and new construction projects.

- ♦ Fire Protection System Impairment Handling - A fire protection impairment occurs when a fire (or explosion) prevention, protection, alarm or supervisory system is shut off, impaired, or otherwise taken out of service completely or in part. This service helps ensure the necessary precautionary measures are taken to minimize the risk.
- ♦ Electrical Loss Prevention/Control Services – Ignition sources related to electrical equipment continue to be a major cause of commercial/industrial fires. As such, the Infrared Thermography and Arc Flash Training are electrical loss prevention/control services available to members. Optional servicing in other critical areas can also be made available.
- ♦ Boiler and Machinery Jurisdictional Inspections – Statutory boiler and pressure vessel inspections are performed when required by the respective jurisdiction.
- ♦ MFL Evaluations – Maximum Foreseeable Loss (MFL) evaluations are conducted for larger member facilities having a significant impact on property insurance capacity, i.e., buildings > \$100 million.
- ♦ Web-Based Data Management – Engineering information is captured and tracked via a dedicated website. Members have 24/7 access to their respective institution's information, i.e., property loss prevention/control recommendations, member responses/action plans, building data/construction, occupancy, protection, exposures, etc.
- ♦ Annual Workshop – An annual Loss Control Workshop is held to present risk management/safety issues as related to MHEC members. The Workshop is supported by the various engineering vendors.



*MPP Annual Meeting and
Loss Control Workshop
March 2009*

Claims Handling

As with the Engineering Services, Marsh Inc. and Captive Resources LLC (CRI) in conjunction with MHEC agreed to unbundle the claims handling services to ease the reporting and documenting of claims for the member institutions.

As a result, GAB Robins was appointed as the independent adjusting company that will handle all property claims for member institutions.

When selecting the claims handling partner, the following goals and objectives were followed:

- ♦ Single-source reporting
- ♦ Experienced claims administrator
- ♦ Adjusting offices close to member institution locations
- ♦ Member advocacy by Marsh and CRI
- ♦ Timely resolution of any property claim

Each member is required to report any loss that exceeds 50% of the member's institutional deductible directly to GAB's coordinating office. Once reported, MHEC's GAB coordinator will assign the loss to the GAB Robins office closest to the loss location. In the event of a serious or complex loss, the GAB coordinating office will handle it.

If a loss has resulted from equipment breakdown (boiler and machinery), the loss will then be forwarded to Hartford Steam Boiler (HSB) for expert handling.

The designated adjuster, either GAB Robins or HSB, will contact the appropriate individual at the loss location, inspect the loss, report to interested underwriters, work with the loss location designee to arrange for experts when needed, and be the conduit through whom loss payments will flow.

In the event there is a dispute over coverage, the amount of the loss, question surrounding the claim, a need for securing interim payments, or any other issues that may arise, Marsh-Cleveland or CRI may be contacted to act as an advocate for the institution.

Loss information received from the carriers is continually reviewed by Captive Resources and distributed quarterly to the membership through the MHEC website. CRI also prepares and includes a loss history analysis by policy period indicating the distribution of losses falling within the MHEC captive layer.

Members may also contact Marsh in concert with CRI at any time to strategize on claims issues, discuss claims that do not reach the captive or carrier layers, or even discuss claims scenarios to determine how coverage might apply.

"Some of the benefits of participation in the MHEC Master Property Program are the meaningful engineering and loss control services, coverage not typically included in other policies, dividends, program stability, inclusion of builder's risk, and the very competitive pricing with rates typically below industry averages."

*-Jeremy Diller, Risk Manager
Indiana Wesleyan University*

"The collaboration among our institutions is incredibly strong. Our members consider the best interests of the larger group when faced with situations that might bring negative impacts to individual institutions. You never know when your institution may be the one facing a loss."

*-Greg Clayton, Director of Risk Management and Benefits
University of Nebraska*

Q. What information is required to pursue a quote?

A. Marsh will require potential members of the program to provide the following information 90 days prior to their renewal date:

- ♦ Statement of Insurable Values by building name, including COPE information
- ♦ Library Values
- ♦ Fine Art Values
- ♦ Business Interruption Worksheets
- ♦ 5-Year Loss History
- ♦ Loss Control Reports (if available)
- ♦ Hot Works Program detail

Q. What if my renewal date is not July 1?

A. Your premium will be prorated for the first year up to the July 1 renewal date; then you will be asked to modify your renewal date to coincide with the entire group (July 1).

Q. Can I retain my local broker?

A. Each institution, at their own discretion, may choose to retain a local broker to work in conjunction with the Program's administrative team. A number of member institutions solicit the services of a local broker while several others do not. The local broker does not have to be affiliated with Marsh Inc.

Q. How are the dividends distributed among the institutions?

A. Program participants approved a formula that takes into account each individual institution's portion of the remaining loss fund to determine the distribution of end-of-year loss fund balances and interest income. After accounting for all losses and expenses, a dividend will be available for distribution to the program participants no sooner than 12 months after the close of the underwriting year, based on the recommendation of the Master Property Program Oversight Committee. At the request of the member institutions, the MHEC service team is currently working with the Oversight Committee to develop strategies to utilize previous and future loss fund dividends to strengthen and grow the loss fund over time. Institutions that leave the program forfeit their remaining equity, if any, in the loss fund.

Q. What coverage is provided through the program?

A. Due to the size of the insured group, the Program is able to provide a very broad coverage form, with opportunities for individual members to acquire additional coverage to meet special needs and circumstances. Currently, the basic coverage for all members includes:

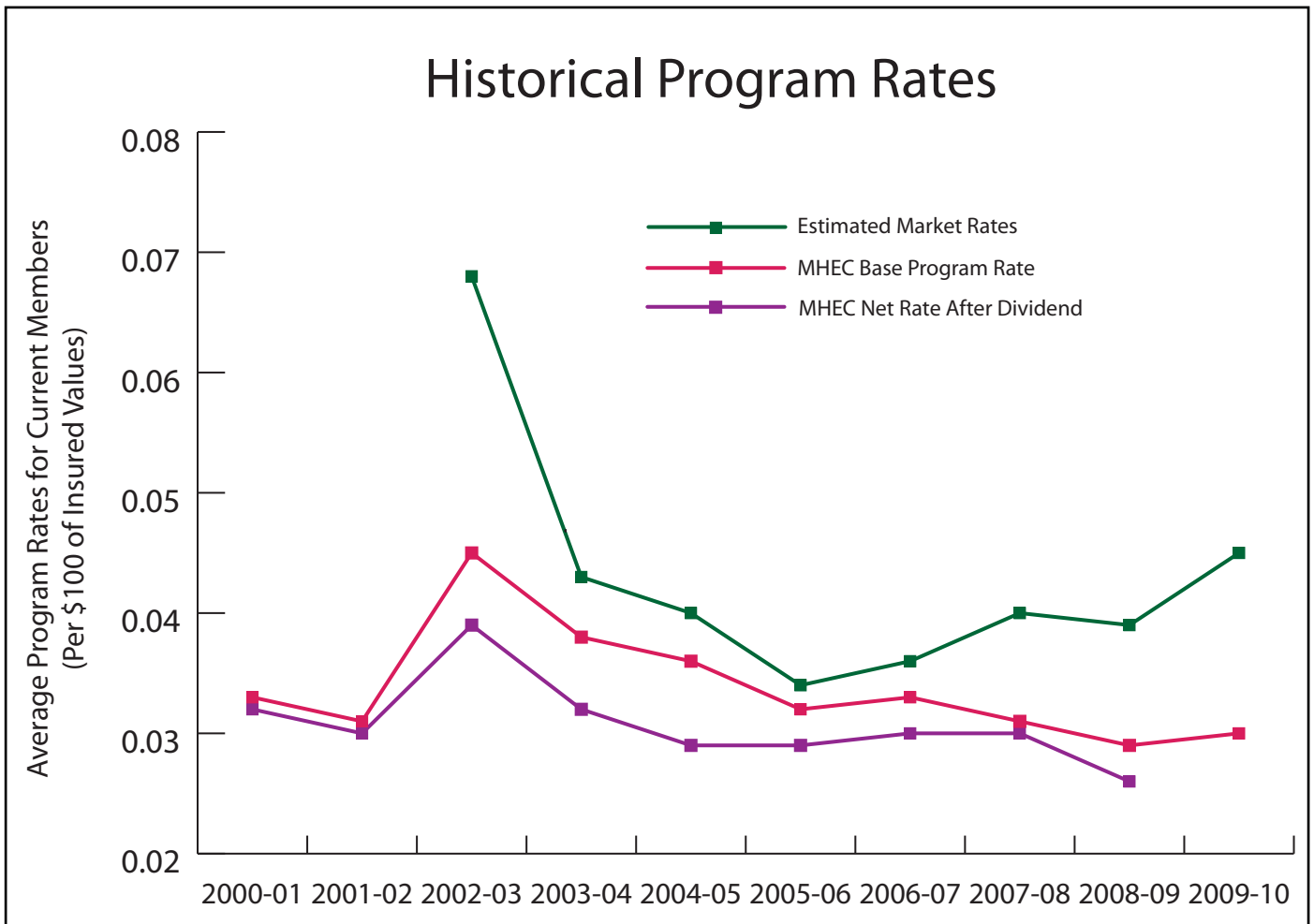
- ♦ \$500,000,000 Limit in base program
- ♦ \$500,000,000 Excess layer is available (optional)
- ♦ \$250,000,000 Excess layer is available (optional)
- ♦ \$250,000,000 Terrorism (\$100M on primary/\$250M on shared excess policy)
- ♦ \$100,000,000 Earthquake, annual aggregate, excluding locations in California
- ♦ \$100,000,000 Flood except for locations wholly or partially within an area identified as a Special Flood Hazard (as determined by FEMA)
- ♦ \$100,000,000 for Boiler & Machinery coverage, subject to sublimits of \$5,000,000 for each of the following – Perishable Goods; Hazardous Substance; EDP (including data restoration); Expediting Expense and CFC Refrigerants
- ♦ \$100,000,000 Automatic Coverage for 90 days
- ♦ \$25,000,000 Miscellaneous unscheduled property in the United States or Canada
- ♦ \$25,000,000 Soft costs
- ♦ \$50,000,000 Civil Military Authority (30-day period)
- ♦ \$50,000,000 Ingress/Egress (30-day period)
- ♦ \$25,000,000 Mold occurring as a direct result of a covered loss
- ♦ \$25,000,000 Service interruption – property damage and time element
- ♦ \$25,000,000 Contingent time element
- ♦ \$25,000,000 Transit
- ♦ \$5,000,000 Personal property situated outside the United States and Canada
- ♦ \$2,500,000 personal property of students and patients, per occurrence subject to a maximum of \$25,000 per student or patient
- ♦ \$2,500,000 Animal research
- ♦ \$1,000,000 Computer systems damages
- ♦ \$1,000,000 Pollutant clean-up, annual aggregate
- ♦ \$1,000,000 Upgrade to green
- ♦ Flexible deductible options starting at \$25,000
- ♦ Crime coverage available as a program extension

MASTER PROPERTY PROGRAM

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A comprehensive "all risk" property insurance program with coverage and services tailored specifically to meet the needs of higher education, at costs that have consistently been below industry trends as evidenced by the following graph:



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.

Historically, the MHEC Master Property Program has consistently provided more competitive terms, conditions, and pricing as compared to a prospective member's incumbent program.

LEVERAGE: 47 members encompassing 100+ campuses
\$65.9 billion of property values insured
Total Insured Values range from \$98.6 million to \$9.9 billion

BENEFITS: Since the program's inception, it is estimated that the program has saved institutions approximately \$59.1 million which includes dividends returned of \$12.6 million.

- ♦ Estimated 2009 MHEC savings - \$6,932,999
- ♦ Estimated 2009 WICHE savings - \$ 669,546

Long-term, program stability

Program ownership including ownership of a member's data

Overall, average account rate of .0302 ranging from .0154 to .0628

Dividend potential (dividends declared for past 7 years) - \$12,588,070

Exemplary engineering and loss control services with a realistic approach

Superior claims advocacy

Annual Loss Control Workshop

Developed by and for participating members

ELIGIBILITY: All 2-year, 4-year, public or private institutions of higher education within a member state, minimum program deductible is \$25,000

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