

# 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.*

*Program Stability ♦ Member Value ♦ Strategic Growth*

[www.mhec.org/mpp](http://www.mhec.org/mpp)

**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, Washington, and Wyoming are participating in the program.*

**In 2009, an agreement with the New England Board of Higher Education (NEBHE) makes the program available to institutions in the East.** *Currently Maine and Massachusetts are participating in the program.*

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

*For further information regarding the MHEC Master Property Program, please contact:*

*Rob Trembath, Vice President and General Counsel, Midwestern Higher Education Compact  
Office Phone: 612-624-1812 or E-mail: robt@mhec.org*

*Mary Roberson, Director of Communications & Marketing, Midwestern Higher Education Compact  
Coordinator of Master Property Program Annual Meeting and Loss Control Workshop  
Office Phone: 612-626-0070 or E-mail: maryr@mhec.org*

*Jere Mock, Vice President Programs & Services, Western Interstate Commission for Higher Education  
Office Phone: 303-541-0222 or E-mail: jmock@wiche.edu*

*Genevieve Davis, Chief Financial Officer, New England Board of Higher Education  
Office Phone: 617-357-9620 x110 or E-mail: gdavis@nebhe.org*

*Ed Knollmeyer, Program Leadership Chair  
Director of Risk and Insurance Management, University of Missouri System  
Office Phone: 573-882-3735 E-mail: knollmeyere@umsystem.edu*

*Chris Glidewell, Program Leadership Vice-Chair  
Director of University Risk Management, Southern Illinois University  
Office Phone: 618-536-3345 E-mail: cglide@siu.edu*

*Elizabeth Conlin (Beth), Program Administrator, Marsh-Cleveland  
Office Phone: 216-937-1553 Cell: 216-440-5550 E-mail: elizabeth.a.conlin@marsh.com*



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1300 South Second Street, Suite 130  
Minneapolis, MN 55454-1079  
www.mhec.org



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 be a premiere property program for institutions of higher education focused 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 costs over time; and to provide dividend returns when loss experience is favorable.

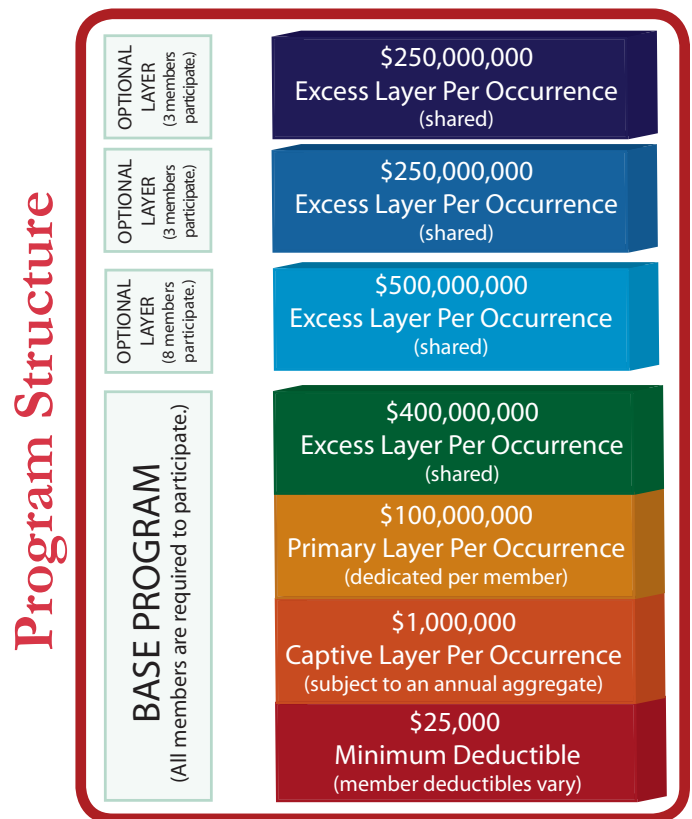
Coverage and service are the hallmarks of the MHEC Master Property Program. The program's broad manuscript form is responsive to higher education's unique property exposures while remaining flexible to meet individual member needs.

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 Leadership Committee conducts ongoing evaluations of carrier responsiveness to incurred losses, recovery processes, and settlements.

While the current program is sponsored by MHEC, it is 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 and Captive Resources LLC. 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 \$6,425,270 (as of July 1, 2011).

Any loss above the loss fund is the responsibility of the program insurers (Lexington/Chartis), 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.

*"In the challenging budgetary atmosphere of Higher Education and with growing pressures for identifying ways to save money through cooperative purchasing and other collaborative ventures, the MHEC Master Property Program is a shining example of an innovative and effective collaboration within academia."*

*-Mick Doxey, Director of Business Services  
Grand Valley State University, MI*

*"Prior to making the important decision to change our property insurance program, the MHEC program was reviewed extensively by me and several others, including a full review by an outside consulting firm. The reviews led to the conclusion that the MHEC MPP is a superior, time-tested program that offers many advantages to our campuses."*

*-Edward Nobles, Risk Manager  
University of Maine System*

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 and the program.

The group welcomes new collegiate members who have implemented good risk management practices on their campuses, who have taken preventative measures to reduce avoidable losses over the years, and is interested in the overall mission of the program.

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 Underwriting Subcommittee, Leadership Committee, administrative team, and partner markets.

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.

As of the July 2011 renewal, 49 member institutions, which equates to over 100 campuses, participate in the program. The endorsed program underwriters provide insurance coverage for the participating institutions with total insured values of approximately \$78.7 billion.

Under the auspices of the Midwestern Higher Education Compact, MHEC periodically issues a Request For Proposal (RFP) on behalf of the participating institutions. Proposals are reviewed and endorsed carriers, vendors and/or service providers are 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 three-track format focuses on facilities, risk management, and EH&S 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 more than 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 – online discussion – 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
- ♦ A website that provides members with 24/7 access to program information
- ♦ 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.

♦	<b>2011</b>	Dividends to be presented and discussed at the October MPP Leadership Committee Meeting
♦	<b>2010</b>	\$904,469 46 eligible institutions
♦	<b>2009</b>	\$1,360,208 47 eligible institutions
♦	<b>2008</b>	\$1,574,787 36 eligible institutions
♦	<b>2007</b>	\$1,863,801 37 eligible institutions
♦	<b>2006</b>	\$3,086,806 36 eligible institutions
♦	<b>2005</b>	\$2,576,309 36 eligible institutions
♦	<b>2004</b>	\$1,707,865 33 eligible institutions
♦	<b>2003</b>	\$418,294 23 eligible institutions

**Total Dividends Paid**  
**\$13,492,539**

## MHEC 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  
Loyola University of Chicago  
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  
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*

## WICHE Participating Institutions

### Arizona

Pima County Community College District

### Colorado

The Colorado College

### Nevada

Nevada System of Higher Education  
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 College

### Oregon

Lewis and Clark College  
Reed College  
Willamette University

### Utah

Westminster College

### Washington

Seattle Pacific University

### Wyoming

University of Wyoming

## NEBHE Participating Institutions

### Maine

University of Maine System

### Massachusetts

Clark 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 meets 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*

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

*-Jon Hansen, WICHE Consultant and Former Risk Manager (Retired), Nevada System of Higher Education*

## 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 the 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 16 years in the program and 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.



*Photos (left to right): MPP Leadership engage with program administration; MPP Loss Control Workshop; and institutional representatives connect with each other throughout the meeting.*

## Claims Handling and Advocacy

As with the Engineering Services, Marsh and Captive Resources LLC 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 (a division of Cunningham Lindsey) 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 Captive Resources
- ♦ 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 in coordination with Marsh.

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 Captive Resources 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. Captive Resources 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 Captive Resources 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.



*MPP participating institutions gather for their annual meeting every March.*

*"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, the program administrator, will require potential members of the program to provide the following information at least 60 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)
- ◆ Detail of Hot Works Program

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

**A.** Your positions of 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, the program administrator.

*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 Leadership Committee. At the request of the member institutions, the MHEC service team is currently working with the Leadership 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 a portion of their remaining equity (if any) based on years of participation, in the Master Property Program.

*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:

**Program Limits Available**

- ◆ \$500M Limit in Base Program
- ◆ \$500M Excess of \$500M (optional)
- ◆ \$250M Excess of \$1B (optional)
- ◆ \$250M Excess of \$1.25B (optional)

**Program Sublimits**

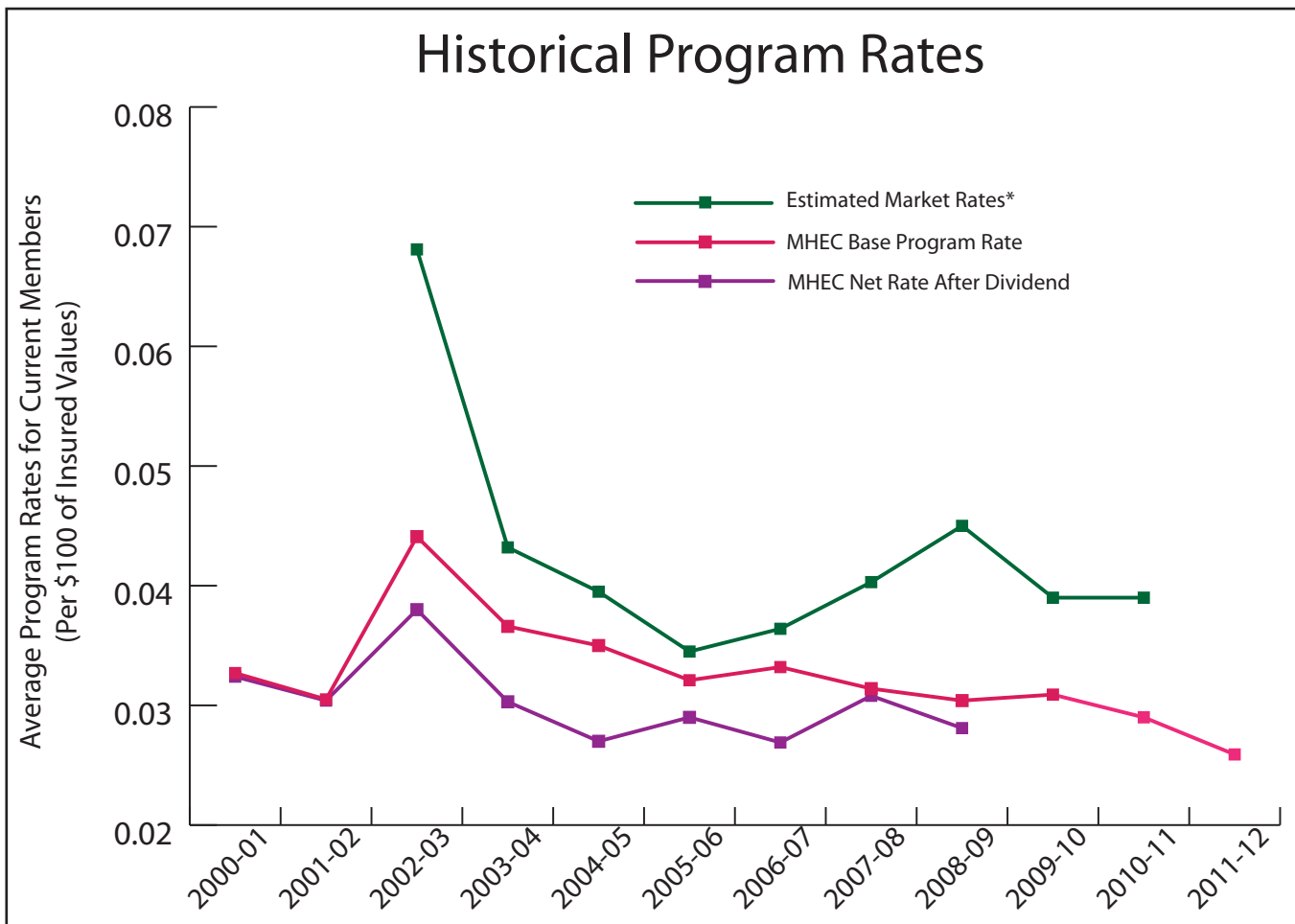
- ◆ \$250M Terrorism (\$100M on primary/\$250M on shared excess policy)
- ◆ \$100M Earthquake, Annual Aggregate, excluding locations in California
- ◆ \$100M per occurrence and annual aggregate as respects the peril of flood including a reduced limit of \$50M per occurrence and annual aggregate at locations situated wholly or partially within an area identified as a Special Flood Hazard Area (SFHA) by the Federal Emergency Management Agency (FEMA).
- ◆ \$100M for Boiler & Machinery coverage, subject to sublimits of \$5M for each of the following – Perishable Goods; Hazardous Substance; EDP (including data restoration); Expediting Expense and CFC Refrigerants
- ◆ \$100M Automatic Coverage for 90 days
- ◆ \$25M Miscellaneous Unscheduled Property in the United States or Canada
- ◆ \$25M Soft costs
- ◆ \$50M Civil Military Authority (30-day period)
- ◆ \$50M Ingress/Egress (30-day period)
- ◆ \$25M Mold occurring as a direct result of a covered loss
- ◆ \$25M Service Interruption – property damage and time element
- ◆ \$25M Contingent Time Element
- ◆ \$25M Transit
- ◆ \$5M Personal Property situated outside the United States and Canada
- ◆ \$2.5M Personal Property of students and patients, per occurrence subject to a maximum of \$25K per student or patient
- ◆ \$2.5M Animal Research
- ◆ \$1M Computer Systems Damages
- ◆ \$1M Pollutant Clean-up, Annual Aggregate
- ◆ \$1M Upgrade to Green
- ◆ Flexible deductible options starting at \$25K
- ◆ Crime coverage available as a program extension

# MASTER PROPERTY PROGRAM

A Midwestern Higher Education Compact Program



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:



\*Estimated market rates are specific to the member's that participated in MHEC in that year and are not intended to illustrate the market as a whole. Variables that can significantly affect rates include losses, exposure to natural catastrophe, risk quality, and size among others.

### 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:** 49 members encompassing 100+ campuses  
\$78.7 billion of property values insured  
Total Insured Values range from \$99.3 million to \$13.4 billion

**BENEFITS:** Since the program's inception, it is estimated that the program has saved institutions approximately \$68.9 million which includes dividends returned of \$9.8 million.

- ♦ Estimated 2010 MHEC savings - \$8,848,853
- ♦ Estimated 2010 WICHE savings - \$676,130
- ♦ Estimated 2010 NEBHE savings - \$248,533

Long-term, program stability

Program ownership including ownership of a member's data

Overall, average account rate of .0258 ranging from .0169 to .0668

Dividend potential (dividends declared for past 7 years) - \$13,492,539

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 not-for-profit institutions of higher education within a member state, minimum program deductible is \$25,000

*For further information regarding the MHEC Master Property Program, please contact:*

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*Genevieve Davis, Chief Financial Officer  
Office Phone: 617-357-9620 x110 or E-mail: [gdavis@nebhe.org](mailto:gdavis@nebhe.org)*