

COMMISSION FOR HIGHER EDUCATION

Friday, February 13, 2009

DISCUSSION ITEM B: Overview of the MHEC Master Property Program

Staff Recommendation

For information only.

Background

As the Commission considered the request from Indiana University to replace Tamarack Hall on the IU Northwest campus, which had been severely damaged in a recent flood, the Commission began to raise a number of basic questions regarding how institutions go about insuring their buildings. This led to a survey by Commission staff of campus practices in this area, which has not been completed yet. The questions raised by the Commission also led staff to arrange for a presentation on the Midwestern Higher Education Compact (MHEC) Master Property Program.

The Master Property Program was established through MHEC in 1994, and now has participating institutions from 13 states, seven of which are MHEC member states: Illinois, Indiana, Kansas, Michigan, Minnesota, Missouri, and Nebraska. The six states outside of the MHEC region with participating institutions are Arizona, Colorado, Nevada, Oregon, Utah, and Washington. Only one Indiana institution, Indiana Wesleyan University, currently participates in Master Property Program.

Elizabeth (Beth) Conlin, Senior Vice President Marsh USA Inc., is Program Administrator for this service and will make the presentation to the Commission.

Supporting Documents

Pages downloaded from the MHEC web site describing the Master Property Program

Master Property Program

The Master Property Program (MPP) is a regional collaborative venture that provides comprehensive property coverage, specifically tailored to the needs of today's college campuses, while reducing insurance costs and improving asset protection. The Program was established in 1994 upon recommendation of MHEC's Risk Management Committee. The Program has generated more than \$40.1 million in savings for its participating institutions since its inception. The program is currently underwritten by **Lexington AIG** and is jointly administered by **Marsh** and **Captive Resources, Inc.** under the direction of a leadership committee representative of the insured institutions. Membership includes over 100 campuses (48 members) with total insured values of over \$62.3 billion.

The Master Property Program is overseen by the Master Property Program Committee, composed of representatives from each of the participating institutions, and its Leadership Committee. The Master Property Program meets annually to review programmatic issues and to approve major policy changes and activities. The Leadership Committee directs the major operations of the program, overseeing the development of program policies, premium allocations, new program membership, and selection of program administrators and insurance underwriters. The Leadership Committee meets four times a year or as-needed to review and discuss program issues.

In June 2004, MHEC's Executive Committee on recommendation from the MPP Oversight Committee approved an agreement with the Western Interstate Commission for Higher Education (WICHE) to make the program available in the WICHE region.

For further information on either of these programs, contact **Rob Trembath** at 612-624-1812.

Master Property Program Leadership Committee January 2009

The Master Property Program is governed by the MPP Leadership Committee. Twelve members, representing all member institutions participating in the MPP, serve on the Leadership Committee. Carla Ahrens, director of risk management for the state of Missouri, currently serves as the committee chair. The Leadership Committee is responsible for managing the main elements of the program and for recommending policy changes to all of the insured institutions for final approval.

Carla Ahrens, State of Missouri (Chair)
Mick Doxey, Grand Valley State University [MI] (Vice-Chair)
Greg Clayton, University of Nebraska
Tom Clayton, Johnson County Community College [KS]
Jeremy Diller, Indiana Wesleyan University
Jon Hansen, Nevada System of Higher Education
PJ Kale, University of Illinois
Tim Kellogg, Western Michigan University
Craig Kispert, Seattle Pacific University [WA]
Ed Knollmeyer, University of Missouri System
Steve Pardoe, University of Minnesota
Clair Williams, Northern Illinois University

Master Property Program Subcommittees January 2009

Due to the growth and complexity of the program, the Leadership Committee has developed four subcommittees to work on specific areas of the program and to make recommendations to the full Leadership Committee. The respective responsibilities and focus of the four subcommittees are as follows:

The Executive Subcommittee is comprised of the Leadership Committee chair, vice chair, outgoing chair and the three other subcommittee chairs. It is responsible for providing leadership in assessing MPP's effectiveness, developing strategies to help the program achieve its stated mission, and maintaining and nurturing the program's relationships with its members, program administrators, carriers, service providers, and other interested parties. This subcommittee is currently in the process of reviewing the program's entrance and exit protocols to determine if adjustments need to be made as a result of the growth and restructuring of the program. The subcommittee is also evaluating the need to develop a website more focused on the issues of the MPP. Finally, the subcommittee is working on updating and revising the program's procedures manual.

The Underwriting and Marketing Subcommittee is responsible for reviewing and making recommendations on the selection of insurance companies, policy terms and conditions, and the range of services to be offered under the program. This subcommittee is also responsible for reviewing all applications for participation in the program. The subcommittee has been paying close attention to the issue of equitability among members while allowing for flexibility to meet member needs. The subcommittee has also been reviewing the procedures used when quoting prospective members, and has recommended that a quoting fee of \$2,500 be implemented if a prospective member returns for a second quote. This additional quoting fee would help cover the costs and expenses involved when preparing a quote for a prospective

institution. The \$2,500 would be deducted from the institution's premium cost should it decide to become a member. As the MPP continues to receive increased attention, this issue is expected to occur with more frequency.

The Engineering and Loss Control Subcommittee is responsible for making recommendations on loss control measures based on reviews of losses and recommendations within program best practices. The subcommittee members are also responsible for the selection and annual review of various third party administrators that might be required to administer and provide loss control services. This subcommittee has been working on various ways of getting the institutions to respond in a timelier manner to the engineering recommendations that are provided to the institutions by the program's third party engineering firm. The MPP is a loss rated program, meaning the premiums are primarily determined by the loss experience of its members. The recommendations provided to the institutions by the third party engineering firm are meant to help prevent losses from occurring and also keep premiums down. Members are being strongly encouraged to respond to all recommendations, especially those of the human element variety, which cost the institution little to implement.

The Finance and Audit Subcommittee is responsible for the financial aspects of the program, including the investment of funds from the loss fund, the review of financial statements, and an annual confirmation of program costs. The subcommittee has confirmed the distribution of program costs for the past year and has received a positive confirmation by all of the members. The subcommittee has also reviewed all financial aspects of the program and has created an investment advisory group, which will be responsible for review and recommendation of the program's investments.

Engineering/Loss Control

Jon Hansen, Nevada System of Higher Education (Chair)
PJ Kale, University of Illinois
Craig Kispert-Seattle Pacific University [WA]
Dan Salk-Eastern Michigan University

Program Administration

Neil Cochenour, Marsh-Pittsburgh
Kelly Weston, Marsh-Chicago

Executive

Carla Ahrens, State of Missouri (Chair)
Greg Clayton, University of Nebraska
Mick Doxey, Grand Valley State University [MI]
Jon Hansen, Nevada System of Higher Education
PJ Kale, University of Illinois
Clair Williams, Northern Illinois University

Program Administration

Beth Conlin, Marsh-Cleveland
Curt Oliver, Marsh-Cleveland
Denis Wiener, Captive Resources

Finance and Audit

Clair Williams, Northern Illinois University (Chair)
Mick Doxey, Grand Valley State University [MI]
Jeremy Diller, Indiana Wesleyan University
Mike Volna, University of Minnesota

Program Administration

Patrick Miller, Captive Resources

Underwriting and Marketing

Greg Clayton, University of Nebraska (Chair)
Tom Clayton, Johnson County Community College [KS]
Chris Glidewell, Southern Illinois University
Tim Kellogg, Western Michigan University
Ed Knollmeyer, University of Missouri
Steve Pardoe, University of Minnesota

Program Administration

Beth Conlin, Marsh-Cleveland
Chris Dawson, Captive Resources

Loss Control Workshop

Chris Glidewell, Southern Illinois University (Chair)
Ana Andrews, Nevada System of Higher Education
Dana Biernbaum, Western Illinois University
Mark Briggs, University of Illinois
Tom Clayton, Johnson County Community College [KS]
Mark Daganaar, Johnson County Community College [KS]
John Hauser, University of Nebraska
William A. Kemp, Wayne State University [MI]
George Kroder, St. Louis Community College [MO]

Program Administration

Beth Conlin, Marsh-Cleveland
Neil Cochenour, Marsh-Pittsburgh
Margaret Mary Knoll, Marsh-Cleveland
Kelly Weston, Marsh-Chicago
John Ashman, Captive Resources