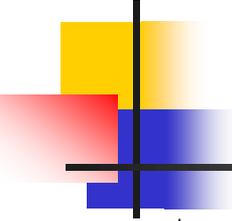


Property/Casualty Insurance Bid FY 2012

May 17, 2012

Prepared by:
The Risk Management & Tort Defense Division

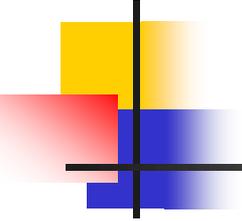


Phase I

(Insurance Broker Selection)

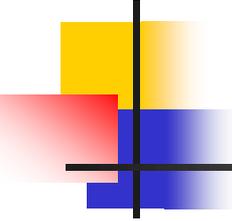
A panel of six individuals representing state agencies and universities met with RMTD staff and consultants in March of 2012 to evaluate written conceptual proposals. Some of the largest insurance brokers in the world and local insurance agents were invited to participate in the bid process including:

- Alliant Insurance Services
- Aon
- HUB International
- Marsh
- Mountain Air Aviation
- Payne Financial Group
- Western States
- Willis



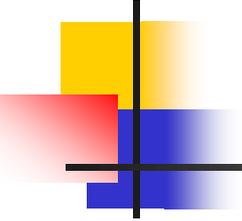
Four insurance brokers were selected to market state and university system property/casualty insurance programs worldwide.

- Driver Alliant
- Hub International
- IMA
- Mountain Air Aviation



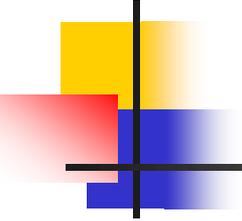
Driver Alliant

- **Accidental death & dismemberment**
- **Fine art**
- **Foreign (including kidnap & ransom)**
- **HIPAA**
- **Medical professional liability for student interns**
- **Miscellaneous (as assigned by the Risk Management & Tort Defense Division)**
- **Non-medical professional liability for student interns**
- **Property**
- **Special events**



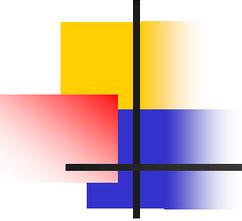
Mountain Air Aviation

- **Aircraft**
- **Airports**



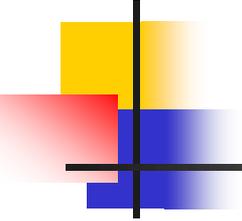
HUB Mountain States

- **Crime insurance.**



IMA (Colorado)

- **Surety bonds**

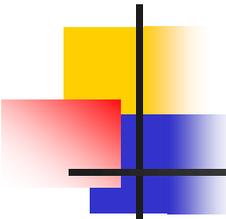


Phase II

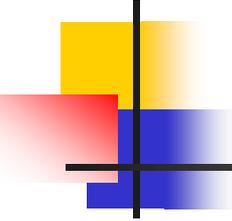
(Property/Casualty Insurance Bid)

1. Contract insurance brokers to market state and university system insurance programs to insurance carriers worldwide.
2. Market conditions will have a big impact on the availability and affordability of commercial excess insurance at the FY 2013 renewal.
 - Aviation Insurance - Insurance carrier investment income is down, but there have been few catastrophic losses worldwide. Competition for business is keen and the state's rates are expected to be stable at the FY 2012 renewal.
 - Property Insurance - Insurance carrier investment income is down and worldwide catastrophic losses stemming from earthquakes in New Zealand and Japan, tornado losses in the Midwest will result in commercial insurance premium increases.
 - State's Losses Experience - State agencies and universities have realized record loss experience over the past five years.
3. Insurance coverage will be bound and in place effective July 1, 2012.

**State of Montana
Property Loss History
FY03 through FY 10**



Claims Description	Loss Date	Claim Amount	Amount Paid By State	Amount Paid By Commercial Insurance
Montana State Prison Fire	08/06/07	\$703,080	\$250,000	\$453,080
FWP Fire	12/01/03	\$546,428	\$250,000	\$296,428
FWP Fire	09/16/07	\$329,714	\$250,000	\$79,714
National Guard Flood	05/01/08	\$2,363,199	\$250,000	\$2,113,199
Dillon Earthquake	07/25/05	\$1,345,736	\$250,000	\$1,095,736
DPHHS Boiler	01/25/06	\$352,808	\$250,000	\$102,808
MSU Bozeman Fire	07/15/06	\$598,829	\$250,000	\$348,829
MSU Bozeman Hail	07/22/08	\$1,248,999	\$250,000	\$998,999
MSU Northern Hail	06/20/03	\$1,260,076	\$250,000	\$1,010,076
MSU Bozeman Hail	06/30/10	\$3,500,000	\$500,000	\$3,000,000
Total		\$12,248,869	2,750,000	\$9,498,869



Looking Ahead

- The financial market outlook is uncertain throughout 2013. Insurance carrier investment income is projected to be low due to national investment climate.
- An upward pricing trend in catastrophe trends and the impact of new risk models has created a nervous energy about what may play out into the 2015 biennium.
- The insurance industry's ability to secure additional capacity will depend on specific companies and lines of business.

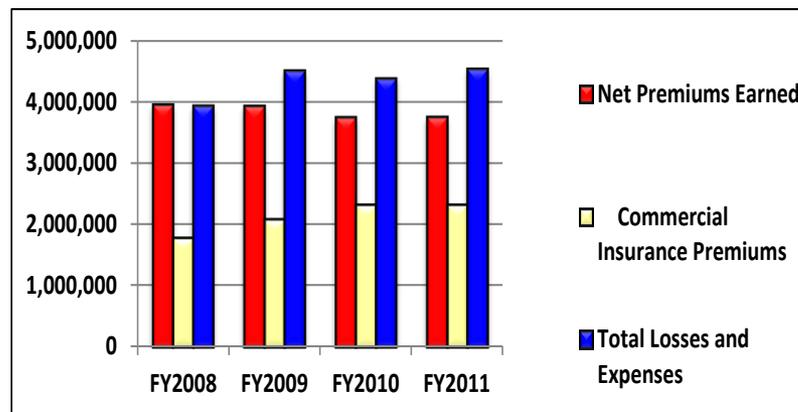
Looking Ahead (cont'd)

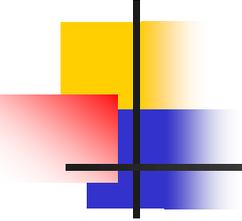
State's Commercial Insurance Premiums as a % of Net Premiums Earned Have Increased

Property Insurance Program

	FY2008	FY2009	FY2010	FY2011
(1) Net Premiums Earned	3,953,568	3,929,251	3,747,417	3,750,054
(2) Losses Paid	1,904,179	2,047,194	1,759,655	1,869,255
(3) Loss Expenses Paid Operations	45,292	122,504	26,146	61,563
	206,745	253,873	276,008	283,656
Commercial Insurance Premiums	1,772,298	2,078,008	2,312,381	2,312,381
Total Losses and Expenses	3,928,514	4,501,579	4,374,191	4,526,856

- (1) Net Premiums Earned = Budgeted premium (SABHRS org summary) - insurance premium discounts
- (2) Losses Incurred = Loss payments (SABHRS Trial Balance Report), Prospective Years based on state's 6/30/10 actuarial re
- (3) Loss Expenses Incurred = Adjusters fees + legal fees (CLAIMS database property/casualty statistics report) + court costs.





What does this mean for your agency?

- Potential rate impacts for the 2015 biennium.