



# The State of Tennessee Renewal Strategy

July 1, 2015 to  
July 1, 2016

Prepared by:  
National Public Sector Practice  
Aon Risk Solutions

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Presented on February 5, 2015

| Line of Coverage                          |                    | State of Tennessee Current Insurance Overview<br>July 1, 2014 - July 1, 2015     |   | Comments |
|---|--------------------|--|---|----------|
| Commercial Property w/ Boiler & Machinery | \$4,729,251        | Premium  | Expiring TIV = \$19,216,119,100;<br>Renewal TIV = \$19,362,348,300<br><br>Total premium does not include surplus lines taxes<br><br>Engineering fee listed is for appraisals (\$26,550) and inspections (\$12,000). |          |
|   | \$140,740          | Terrorism  |   |          |
|   | \$38,550           | Engineering  |   |          |
|   | <b>\$4,908,541</b> | <b>Total Premium</b>   |   |          |
|   | .244/\$100         | Rate per \$100   |   |          |
| Excess Earthquake                         | \$290,000          | Total Premium  | TIV increased 0.3% and terms and conditions are per expiring.   |          |
|   | .0088/\$100        | Rate per \$100   |   |          |
| Masters Builders Risk                     | \$10,000           | Deposit Premium  | Policy Extension 7/1/14-10/9/14;<br>not renewing in 2015.   |          |
|   | N/A                | N/A  |   |          |
| Fine Arts                                 | \$38,000           | Premium: \$75,000,000 Limit  | Terms and Conditions per expiring.  |          |
| Crime                                     | \$86,166           | Premium: \$3,000,000 Limit<br>\$100,000 Deductible<br>Multi-year term            | Three-year term; next renewal is 2017. Annual premium.  |          |
| Cyber Liability                           | \$242,000          | Premium:<br>Option 1- Combined Agency and Board of Regents/ Schools/Universities | Includes coverage for Agencies, Board of Regents, and Universities  |          |
| Envision Errors & Omissions               | \$49,050           | Premium: \$3,000,000 per claim and \$6,000,000 annual aggregate                  | Covers BEST Prepaid 529 College Tuition Plan or 529 College Savings Plan  |          |
| Overview                                  | \$5,623,757        | Total Premium  |   |          |



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### State of Tennessee Annual Discovery

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How is the economy and upcoming budget cuts affecting the State of Tennessee's Risk Management Department?

What are your most pressing risk issues for the coming year?

Is there any pending legislation that is important to Risk Management?

What are your short to medium term goals for risk management ? How will you measure your success? How can we help you exceed your goals?

What actions are you considering, if any, to reduce costs or improve margins?

What are the most significant challenges of your existing insurance and risk management programs?

Are you considering any new programs or emerging exposures for the next 12 months?

Have there been any changes in risk appetite at the State?

Potential new programs to consider:

1. Pollution legal liability
2. Standalone Terrorism (To discuss as part of property renewal)
3. Excess liability program (last year, the State was considering master program)

# STATE OF TENNESSEE

## Aon Client Promise<sup>®</sup>: *Property Renewal Strategy*

Effective: July 1, 2015 to July 1, 2016

Prepared by Tricia Piccinini, Vice President  
National Public Sector Property  
Aon Risk Solutions



**Aon Client Promise<sup>®</sup>**  
Methodology

**Edition Date:** 5.20.14



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## Property Market Overview

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Property rates for larger or “national” accounts continued to drop for the fourth consecutive quarter in Q2’14. The downward pressure continues to be driven by lower than average loss activity and supply of capacity that exceeds buyer demand. Complex property accounts experienced an average year-over-year rate reduction of over 7 percent for Q2’14.

Loss activity through the first half of the 2014 remained low with just over \$22 billion of worldwide insured losses incurred. This represents a 19% reduction from the 10-year average over the same period. Industry surplus, or supply, continues to set record levels at over \$660 billion at the end of Q1’14.

There is no real change in available property coverage. Broad policy terms and conditions continue to be available for most insurance buyers.

The abundance of traditional and newer alternative sources of capital will continue to fuel a property market where supply exceeds demand. Absent a deterioration in loss experience or insurer consolidation, we expect this over-supply will continue to drive a competitive marketplace.

Flood and Contingent Business Interruption continue to be underwritten carefully by most markets.

Rates will continue to be very competitive for buyers in most classes of business. Limits, deductible, terms and conditions will also continue to be competitively available. Absent a market-altering event, most buyers should experience lower property rates between three to five percent for the near future.

Even though the market is “soft” for property insurance, maintaining the best possible risk data will enable the State of Tennessee to see a competitive risk transfer, regardless of market conditions.



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## Public Entity Benchmarking

| INSURED  | TIV              | POLICY LIMIT    | FLOOD LIMIT   | FLOOD ZONE<br>A | QUAKE LIMIT                 | DEDUCTIBLE            | PREMIUM     | RATE   | 5 YEAR NET<br>LOSSES | 5 YEAR<br>AVG.<br>LOSSES | LOSS<br>RATIO | Review   |
|----------|------------------|-----------------|---------------|-----------------|-----------------------------|-----------------------|-------------|--------|----------------------|--------------------------|---------------|----------|
| CLIENT A | \$28,370,948,344 | \$500,000,000   | \$50,000,000  | \$10,000,000    | \$50,000,000                | \$2.5M / \$10M<br>AGG | \$4,154,194 | 0.0146 | \$0                  | \$0                      | 0.0%          | Deliver  |
| CLIENT B | \$19,362,348,300 | \$750,000,000   | \$50,000,000  | \$25,000,000    | \$50M / \$25M<br>New Madrid | \$25K / \$10M<br>AGG  | \$4,869,991 | 0.0244 | \$22,208,410         | \$4,441,682              | 91.2%         | Develop  |
| CLIENT C | \$1,956,280,315  | \$250,000,000   | \$25,000,000  | \$2,500,000     | \$25,000,000                | \$1,000,000           | \$548,100   | 0.0280 | \$0                  | \$0                      | 0.0%          | Discover |
| CLIENT D | \$9,684,824,966  | \$1,500,000,000 | \$50,000,000  | \$10,000,000    | \$50,000,000                | \$100,000             | \$2,789,729 | 0.0288 | \$7,421,613          | \$1,484,323              | 61.0%         |          |
| CLIENT E | \$3,391,405,855  | \$500,000,000   | \$50,000,000  | \$5,000,000     | \$50,000,000                | \$250,000             | \$1,253,299 | 0.0370 | \$8,500,000          | \$1,700,000              | 135.6%        |          |
| CLIENT F | \$26,294,324,908 | \$1,000,000,000 | \$250,000,000 | \$100,000,000   | \$250,000,000               | \$4,000,000           | \$4,084,718 | 0.0155 | \$0                  | \$0                      | 0.0%          |          |



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### **Current Property Program Summary**

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- TIV: \$ 19,362,348,300
  
- Average Rate: .0244
  
- Premium: \$ 4,729,251  
\$ 140,740 Terrorism  
\$ 4,869,991  
  
\$38,550 Engineering + Appraisal Fee
  
- Insurer: Lexington

**Note: 2 Year Rate Agreement currently in effect (See Page 10)**

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## Current Property Program Limits

**POLICY LIMIT :** \$750,000,000 Except;

**SUB-LIMITS:**

|                |  |
|----------------|--|
| \$ 50,000,000  | Per Occurrence and Annual Aggregate as respects <b>Earth Movement</b> Except;  |
| \$ 25,000,000  | Per Occurrence and Annual Aggregate as respects <b>Earth Movement in New Madrid Earthquake Zone Counties</b>   |
| \$ 50,000,000  | Per Occurrence and Annual Aggregate as respects <b>Flood</b> Except;   |
| \$ 25,000,000  | Per Occurrence and Annual Aggregate as respects <b>Flood occurring wholly or partially within Special Flood Hazard Areas (SFHA), areas of 100-Year Flooding, as defined by the Federal Emergency Management Agency</b> |
| \$ 250,000,000 | Per Occurrence as respects <b>Terrorism</b>  |
| \$ 100,000,000 | Per Occurrence as respects <b>Business Interruption/Extra Expense</b>  |
| \$ 1,000,000   | Per Occurrence as respects <b>Rental Value/Rental Insurance</b>  |
| \$ 25,000,000  | Per Occurrence as respects <b>Accounts Receivable</b>  |
| \$ 25,000,000  | Per Occurrence as respects <b>Automatic Coverage/Newly Acquired Property for a period of 180 days, if not reported to the Company in that 180 day period then coverage ceases</b>                                      |
| Excluded       | <b>Biological and Chemical Terrorism</b>   |
| \$ 5,000,000   | Per Occurrence as respects for <b>Communicable Disease Contamination</b>   |
| \$ 10,000,000  | Per Occurrence as respects <b>Contingent Time Element As Respects Tier 1 Suppliers or Customers</b>  |
| Included       | Per Occurrence as respects <b>Contingent Time Element As Respects Tier 2 Suppliers or Customers</b><br>(a supplier or customer with a direct contractual relationship with a Tier 1 supplier or customer)              |
| \$ 1,000,000   | Per Occurrence as respects <b>Loss of Attraction</b>   |

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**Current Property Program Limits (Continued)**

|               |  |
|---------------|--|
| \$ 50,000,000 | or 25% of loss, whichever is less Per Occurrence as respects <b>Debris Removal</b>   |
| \$ 500,000    | Per Occurrence as respects <b>Exhibitions</b>  |
| \$ 50,000,000 | Per Occurrence as respects <b>Demolition and Increased Cost of Construction/Ordinance or Law</b>   |
| \$ 50,000,000 | Per Occurrence as respects <b>Consequential Loss</b>   |
| \$ 25,000,000 | Per Occurrence as respects <b>Electronic Data Processing (EDP) Systems (Equipment), Media, Data, Programs and/or Software</b>                                  |
| \$ 10,000,000 | Per Occurrence as respects <b>Evacuation Expense</b>   |
| \$ 10,000,000 | Per Occurrence as respects <b>Errors and Omissions</b>   |
| \$ 1,000,000  | Per Occurrence as respects <b>Land Improvements</b>  |
| \$ 5,000,000  | Per Occurrence as respects <b>Expediting Expense</b>   |
| Excluded      | <b>Fine Arts</b>   |
| \$ 250,000    | Per Occurrence as respects <b>Fire Brigade Charges and Extinguishing Expenses</b>  |
| \$ 1,000,000  | Per Occurrence and Annual Aggregate as respects <b>Land and Water Pollutant Cleanup</b>  |
| \$ 1,000,000  | Per Occurrence as respects <b>Leasehold Interest</b>   |
| \$ 1,000,000  | Per Occurrence as respects <b>Loss Adjustment Expenses and/or Professional Fees</b>  |
| \$ 25,000,000 | Per Occurrence as respects <b>Miscellaneous Unnamed/Unscheduled Locations</b>  |
| \$ 1,000,000  | Per Occurrence and Annual Aggregate as respects <b>Mold / Fungus Resultant Damage Only</b> (coverage for ensuing mold / fungus as a result of a covered peril) |
| \$ 26,654,200 | Per Occurrence as respects <b>Outdoor Statuary at Bicentennial Mall</b>  |
| \$ 25,000,000 | Per Occurrence as respects <b>Property in the Course of Construction and/or During Erection, Assembly and/or Installation Excluding Soft Costs</b>             |
| \$ 2,500,000  | Per Occurrence as respects <b>Defense Costs</b>  |
| \$ 10,000,000 | Per Occurrence as respects <b>Royalties</b>  |
| \$ 25,000,000 | Per Occurrence as respects <b>Service / Off Premises Power Interruption Including T&amp;D Lines. 1 Statute Mile.</b>   |
| \$ 1,000,000  | Per Occurrence as respects <b>Soft Costs</b>   |

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**Current Property Program Limits (Continued)**

|               |   |
|---------------|---|
| \$ 25,000,000 | Per Occurrence as respects <b>Decontamination Costs</b>   |
| \$ 1,000,000  | Per Occurrence as respects <b>Transit</b>   |
| \$ 25,000,000 | Per Occurrence as respects <b>Radioactive Contamination</b>   |
| \$ 5,000,000  | Per Occurrence as respects <b>Research &amp; Development: Plants &amp; Animals – Property Damage Only</b>             |
| Included      | Per Occurrence as respects <b>State Owned Mobile Equipment</b>  |
| \$ 25,000,000 | Per Occurrence as respects <b>Valuable Papers and Records</b>   |
| \$ 25,000,000 | or 60 Days whichever is reached first Per Occurrence as respects <b>Ingress / Egress (1) Statute Mile</b>             |
| \$ 25,000,000 | or 60 Days whichever is reached first Per Occurrence as respects <b>Civil or Military Authority. (1) Statute Mile</b> |
| \$ 25,000,000 | Per Occurrence for <b>Deferred Payments</b>   |
| 365 Days      | <b>Extended Period of Indemnity</b>   |
| \$100,000,000 | Per Occurrence as respects <b>Equipment Breakdown</b> Except;   |
| Excluded      | Per Occurrence as respects <b>Business Interruption</b>   |
| \$ 5,000,000  | Per Occurrence as respects <b>Extra Expense</b>   |
| Excluded      | Per Occurrence as respects <b>Rental Value</b>  |
| Excluded      | Per Occurrence as respects <b>Contingent Business Interruption Suppliers and/or Receivers</b>                         |
| \$ 1,000,000  | Per Occurrence as respects <b>Demolition and Increased Cost of Construction</b>                                       |
| \$ 500,000    | Per Occurrence as respects <b>Data Restoration</b>  |
| \$ 5,000,000  | Per Occurrence as respects <b>Expediting Expense</b>  |
| \$ 1,000,000  | Per Occurrence as respects <b>Hazardous Substances</b>  |
| \$ 50,000     | Per Occurrence as respects <b>Soft Costs</b>  |
| \$ 5,000,000  | Per Occurrence as respects <b>Newly Acquired Property</b>   |
| \$ 2,500,000  | Per Occurrence as respects <b>Service Interruption (BI / EE) - 24 hour waiting period</b>                             |
| \$ 100,000    | Per Occurrence as respects <b>Mold</b>  |
| \$ 2,500,000  | Per Occurrence as respects <b>Perishable Goods / Spoilage</b>   |

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## Current Property Deductibles

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\$25,000, Per occurrence and \$10,000,000 in the aggregate annually.  
Losses exceeding \$25,000 contributes to the erosion of the annual aggregate retention.  
After exhaustion of the annual aggregate, a maintenance deductible of \$25,000 per occurrence shall apply, **except:**

\$10,000,000 Per Occurrence as respects to ***Flood and Earthquake***  
(Does not contribute towards the erosion of the Annual Aggregate)

As respects to ***Flood:***

A \$50,000 Agency Flood Deductible applies except a \$250,000 Agency deductible applies to Flood Zones A and V (does not contribute to the erosion of the annual aggregate)

As respects to ***Earthquake:***

A \$25,000 Agency Earthquake Deductible applies except a \$50,000 Agency deductible applies to New Madrid Earthquake Zones (does not contribute to the erosion of the annual aggregate)

48 Hour Waiting Period-Service Interruption, Civil or Military Authority, Ingress/Egress

### ***Equipment Breakdown: Boiler & Machinery***

- \$10,000 per occurrence, Direct Damage
- 24 Hours per occurrence, Indirect Damage
- 10% of Loss, \$10,000 Minimum, per occurrence for Spoilage
- 2 Days per occurrence for Soft Costs
- 24 Hour Waiting Period, Service Interruption
- \$125,000 per occurrence, Gas Turbine Generator
- Aggregate deductible does not apply to Equipment Breakdown



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## Property Loss History

| Policy Effective Date | Earned Premium         | Written Premium        | Indemnity O/S Reserve  | Paid Indemnity         | Paid Expenses         | Total Net Incurred     | Other Recoveries | Expense Ratio excluding Autos |
|-----------------------|------------------------|------------------------|------------------------|------------------------|-----------------------|------------------------|------------------|-------------------------------|
| 2006-07-01            | \$1,669,985.00         | \$1,669,985.00         | \$2,000,000.00         | \$1,379,878.02         | \$322,167.92          | \$3,701,745.94         | -\$300.00        | 221.66%                       |
| 2007-07-01            | \$1,660,388.00         | \$1,660,388.00         | \$490,000.00           | \$1,273,700.01         | \$520,456.00          | \$2,284,056.01         | -\$100.00        | 137.56%                       |
| 2008-07-01            | \$1,893,299.00         | \$1,893,299.00         | \$0.00                 | \$0.00                 | \$151,733.05          | \$151,733.05           | \$0.00           | 8.01%                         |
| 2009-07-01            | \$2,317,675.00         | \$2,317,675.00         | \$3,500,000.00         | \$12,500,000.00        | \$875,958.82          | \$16,875,958.37        | -\$0.45          | 706.57%                       |
| 2010-07-01            | \$3,280,590.00         | \$3,280,590.00         | \$18,958,544.61        | \$2,144,138.39         | \$804,607.95          | \$21,907,290.95        | \$0.00           | 606.82%                       |
| 2011-07-01            | \$4,046,631.00         | \$4,046,631.00         | \$0.00                 | \$0.00                 | \$68,790.26           | \$68,790.26            | \$0.00           | 1.70%                         |
| 2012-07-01            | \$3,429,473.00         | \$4,636,583.00         | \$0.00                 | \$16,362.79            | \$105,793.19          | \$122,155.98           | \$0.00           | 3.56%                         |
| 2013-07-01            | \$4,859,559.00         | \$4,859,559.00         | \$0.00                 | \$0.00                 | \$95,738.37           | \$95,738.37            | \$0.00           | 1.97%                         |
| 2014-07-01            | \$4,869,991.00         | \$4,869,991.00         | \$7,000.00             | \$0.00                 | \$7,435.00            | \$14,435.00            | \$0.00           | 0.30%                         |
| <b>TOTALS</b>         | <b>\$28,027,591.00</b> | <b>\$29,234,701.00</b> | <b>\$24,955,544.61</b> | <b>\$17,314,079.21</b> | <b>\$2,952,680.56</b> | <b>\$45,221,903.93</b> | <b>-\$400.45</b> | <b>152.43%</b>                |

Losses valued as of 1/23/15

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## July 1, 2014-July 1, 2015 Program Review

- Maintained Policy Limit
- Maintained overall terms and conditions
- Values increased 1% from \$19,216,119,110 to \$19,362,348,300
- Annual Premium increased 1% from \$4,832,059 to \$4,869,991
- Secured a Flat Rate of .0244 as per Expiring
- Secured a 2 Year Rate Agreement (*Subject to terms as stated on the agreement*)
  1. Guaranteed Rate of .0244
  2. Subject to Incurred Loss Ratio of 30% or less.
  3. Reduction in Deductible at Renewal from \$25,000 per occurrence and \$10M in the Annual Aggregate to \$25,000 per occurrence and \$7.5M in the Annual Aggregate.

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## 2015 Renewal Objectives

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- Maintain overall policy terms/conditions
- Maintain key participants (e.g., Lexington) as “core” to the property placement
- Parametrix Triggers could be considered as alternatives specifically to defined Flood & Earthquake exposures
- Deductible Buy-Down as alternative to lowering retention
- Excess Flood Limits should be considered, if economically feasible. TN’s exposure in the Special Hazard Flood Areas/Flood Zone A is \$396,595,602. TN’s program currently only affords \$25M in the aggregate for Flood occurring wholly or partially in Special Hazard Flood Areas.
- Additional Excess Limits should be considered, if economically feasible. TN’s exposure in the New Madrid Quake area is \$3,289,604,000. TN’s current Excess New Madrid Quake Limits of \$50M Aggregate.
- Pursue an option for Standalone Terrorism. (Discuss property vs combined property and liability option)

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2015 – 2016 Property Marketing  
**Markets Aon will approach**

| Incumbent | Potential New Markets   |
|-----------|---|
| Lexington | RSUI – AmWins<br>London Markets - Aon London*<br>Allianz<br>ACE – AmWins<br>St. Paul Travelers<br>Liberty Mutual<br>CNA<br>QBE US<br>XL US<br>Axis – AmWins<br>Zurich<br>Swiss Re |

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## **Property Marketing Strategy:**

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- Continue to differentiate the State of Tennessee risk profile
- Quality submission
- Continued refinement of renewal data
- Identify underwriter concerns early; address issues
- Strive to drum up competition to maximize potential price decrease

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## **Underwriting Information Required**

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- Updated Renewal Values
- Updated Loss Information



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## Quote Disclosure Report

| Trade ID   | Program             | Line Of Business             | Carrier                              | Carrier Response | Carrier Declination Reason | Premium <sup>2</sup> | Quoted ARS Commission | National Additional Commission Rate <sup>3</sup> | Intermediary, if applicable | Intermediary Commission | ARS Fee <sup>4</sup> | Total ARS Income <sup>1,5,7</sup> | Total Cost to Client (Premium +Fee) <sup>6</sup> |
|--|---------------------|------------------------------|--------------------------------------|------------------|----------------------------|----------------------|-----------------------|--|-----------------------------|-------------------------|----------------------|-----------------------------------|--|
| <b>Policy Term: July 01, 2015 to July 01, 2016</b> |                     |                              |                                      |                  |                            |                      |                       |  |                             |                         |                      |                                   |  |
| 2473156  | Commercial Property | Commercial Property Coverage | ACE/Westchester Fire                 | Not Submitted    | N/A                        | N/A                  | N/A                   | N/A  | AmWINS Brokerage            | N/A                     | N/A                  | N/A                               | N/A  |
| 2473140  | Commercial Property | Commercial Property Coverage | Axis US                              | Not Submitted    | N/A                        | N/A                  | N/A                   | N/A  | AmWINS Brokerage            | N/A                     | N/A                  | N/A                               | N/A  |
| 2473159  | Commercial Property | Commercial Property Coverage | Allianz Global Corporate & Specialty | Not Submitted    | N/A                        | N/A                  | N/A                   | N/A  | AmWINS Brokerage            | N/A                     | N/A                  | N/A                               | N/A  |
| 2473160  | Commercial Property | Commercial Property Coverage | Continental Casualty Company         | Not Submitted    | N/A                        | N/A                  | N/A                   | N/A  | N/A                         | N/A                     | N/A                  | N/A                               | N/A  |
| 2473154  | Commercial Property | Commercial Property Coverage | Lexington Insurance Company          | Not Submitted    | N/A                        | N/A                  | N/A                   | N/A  | N/A                         | N/A                     | N/A                  | N/A                               | N/A  |
| 2473166  | Commercial Property | Commercial Property Coverage | Liberty Mutual Insurance Co.         | Not Submitted    | N/A                        | N/A                  | N/A                   | N/A  | N/A                         | N/A                     | N/A                  | N/A                               | N/A  |
| 2473157  | Commercial Property | Commercial Property Coverage | QBE Insurance Corporation            | Not Submitted    | N/A                        | N/A                  | N/A                   | N/A  | N/A                         | N/A                     | N/A                  | N/A                               | N/A  |
| 2473161  | Commercial Property | Commercial Property Coverage | RSUI Indemnity Company               | Not Submitted    | N/A                        | N/A                  | N/A                   | N/A  | AmWINS Brokerage            | N/A                     | N/A                  | N/A                               | N/A  |
| 2473158  | Commercial Property | Commercial Property Coverage | Underwriters at Lloyds               | Not Submitted    | N/A                        | N/A                  | N/A                   | N/A  | Aon London-United Kingdom   | N/A                     | N/A                  | N/A                               | N/A  |
| 2473157  | Commercial Property | Commercial Property Coverage | Travelers Indemnity Company          | Not Submitted    | N/A                        | N/A                  | N/A                   | N/A  | N/A                         | N/A                     | N/A                  | N/A                               | N/A  |
| 2473163  | Commercial Property | Commercial Property Coverage | XL Insurance America Inc             | Not Submitted    | N/A                        | N/A                  | N/A                   | N/A  | N/A                         | N/A                     | N/A                  | N/A                               | N/A  |
| 2473162  | Commercial Property | Commercial Property Coverage | Zurich American Ins Co               | Not Submitted    | N/A                        | N/A                  | N/A                   | N/A  | N/A                         | N/A                     | N/A                  | N/A                               | N/A  |
| 2473163  | Commercial Property | Commercial Property Coverage | Westport Insurance Corporation       | Not Submitted    | N/A                        | N/A                  | N/A                   | N/A  | N/A                         | N/A                     | N/A                  | N/A                               | N/A  |
| Presentation Date:                                 |                     |                              |                                      |                  |                            |                      |                       |  |                             |                         | Currency: USD        |                                   |  |

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### QDR-Disclosures

1. Aon Risk Services is an insurance producer licensed in your state. Insurance producers are authorized by their license to confer with insurance purchasers about the benefits, terms and conditions of insurance contracts; to offer advice concerning the substantive benefits of particular insurance contracts; to sell insurance; and to obtain insurance for purchasers. The role of the producer in any particular transaction involves one or more of these activities. Compensation will be paid to the producer, based on the insurance contract the producer sells. Depending on the insurer(s) and insurance contract(s) the purchaser selects, compensation will be paid by the insurer(s) selling the insurance contract or by another third party. Such compensation may vary depending on a number of factors, including the insurance contract(s) and the insurer(s) the purchaser selects. In placing, renewing, consulting on or servicing your insurance coverages, Aon Risk Services and its affiliates ("Aon") may participate in contingent commission arrangements with insurance companies that provide for additional contingent compensation, if, for example, certain underwriting, profitability, volume or retention goals are achieved.

Such goals are typically based on the total amount of certain insurance coverages placed by Aon with the insurance company or the overall performance of the policies placed with that insurance company, not on an individual policy basis. As a result, Aon may be considered to have an incentive to place your insurance coverages with a particular insurance company. The insurance purchaser may obtain information about compensation expected to be received by the producer based in whole or in part on the sale of insurance to the purchaser, and (if applicable) compensation expected to be received based in whole or in part on any alternative quotes presented to the purchaser by the producer, by contacting your Account Executive or emailing Aon Email Box. Where Aon participates in contingent commission arrangements with insurance companies, Aon may be entitled to additional commission in the range of 0 to 6% depending upon whether and when specified thresholds are achieved.

2. ARS receives premiums Clients pay for remittance to carriers, as well as refunds insurance companies pay for remittance to Clients, and deposits these payments into fiduciary accounts in accordance with applicable insurance laws until they are due to be remitted. ARS will retain the interest or investment income earned while such funds are on deposit pursuant to those laws and carrier agreements.

3. Notwithstanding whether any commission amounts are shown in the Quoted ARS Commission column, ARS has national additional commission rates with some carriers for certain lines of business and/or for outsourced administrative services performed on the carrier's behalf. Where there is a National Additional Commission Rate shown, ARS expects to earn this commission rate on the premium amount quoted herein. Collecting this commission will not change in any way the Premium quoted above.

4. When a carrier does not pay ARS an amount sufficient to cover the brokerage and administrative services performed by ARS on the carrier's behalf for the benefit of our clients, ARS may charge such fees to the client as ARS deems necessary and where permitted by applicable law.

5. Total ARS Income equals the sum of the commission ARS will receive from the Carrier, including quoted and national additional commissions (as applicable), and the ARS fee, if any. Commission is calculated by multiplying the Premium amount by applicable commission rates.

6. The Total Cost to Client is Premium (inclusive of all ARS commission) plus ARS Fee (if applicable). Total Cost to Client does not include applicable surplus lines taxes and fees and it does not include applicable state fees, surcharges, or taxes assessed on the policy.

7. ARS performs various administrative functions related to the procurement of coverage, including, but not limited to, electronic policy filing and storage, expiration tracking, client data management, and administration. Where legally permitted to do so, ARS-US charges for its own account and collects from its clients, a \$300 policy administrative charge per policy placed. In some countries where legally permitted to do so, ARS charges for its own account and collects administrative fees from its clients. Administrative fees are in addition to and not in lieu of any other service fees agreed to and paid to us by our clients and/or any commissions paid to us by insurers, and these administrative fees appear separately on the invoices we issue.

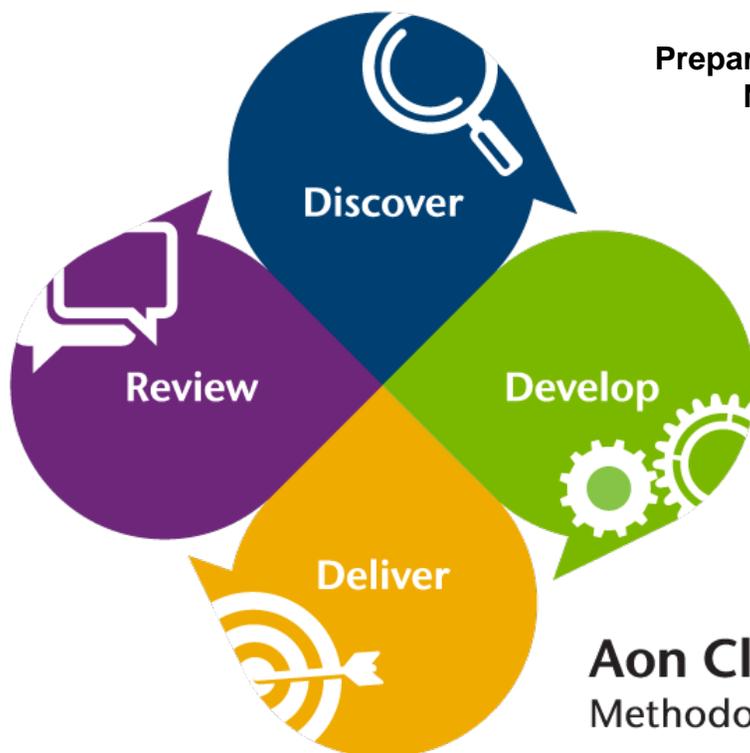
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# STATE OF TENNESSEE

## Aon Client Promise<sup>®</sup>: *Excess Quake Renewal Strategy*

Effective: July 1, 2015 to July 1, 2016

Prepared by Tricia Piccinini, Vice President  
National Public Sector Property  
Aon Risk Solutions



**Aon Client Promise<sup>®</sup>**  
Methodology

**Edition Date:** 5.20.14



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## Property Market Overview

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Property rates for larger or “national” accounts continued to drop for the fourth consecutive quarter in Q2’14. The downward pressure continues to be driven by lower than average loss activity and supply of capacity that exceeds buyer demand. Complex property accounts experienced an average year-over-year rate reduction of over 7 percent for Q2’14.

Loss activity through the first half of the 2014 remained low with just over \$22 billion of worldwide insured losses incurred. This represents a 19% reduction from the 10-year average over the same period. Industry surplus, or supply, continues to set record levels at over \$660 billion at the end of Q1’14.

There is no real change in available property coverage. Broad policy terms and conditions continue to be available for most insurance buyers.

The abundance of traditional and newer alternative sources of capital will continue to fuel a property market where supply exceeds demand. Absent a deterioration in loss experience or insurer consolidation, we expect this over-supply will continue to drive a competitive marketplace.

Flood and CBI continue to be underwritten carefully by most markets.

Rates will continue to be very competitive for buyers in most classes of business. Limits, deductibles, and terms and conditions will also continue to be competitively available. Absent a market-altering event, most buyers should experience property earthquake rates between flat to three percent for the near future.

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## **Current Excess Quake Program Summary**

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- TIV: \$ 3,289,604,000
  
- Average Rate: .0088
  
- Premium: \$ 290,000
  
- Insurer: RSUI Indemnity Company

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## **Current Excess New Madrid Earthquake Program Limit**

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**POLICY LIMIT :** \$25,000,000 Annual Aggregate Excess of \$25,000,000

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## Property Loss History

**NO LOSSES IN PAST FIVE (5) YEARS**

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## **July 1, 2014 to July 1, 2015 Program Review**

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- Values decreased by 0.003% from \$3,289,700,500 to \$3,289,604,000
- Annual Premium decreased from \$290,850 to \$290,000
- Secured a Rate decrease of 0.3%
- Maintained policy terms, conditions, limits and deductibles



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## 2015 Renewal Objectives

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- Minimize potential premium increase
- Maintain overall policy terms/conditions
- Maintain key participants (e.g. RSUI) as “core” to the Excess New Madrid Earthquake placement

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**2015 – 2016 Property Marketing**  
**Markets we will approach**

| Incumbent   | Potential New Markets   |
|-------------|---|
| RSUI-AmWins | Lexington<br>Underwriters at Lloyds – Aon London*<br>Scottsdale – Amwins<br>QBE<br>Aspen – Amwins<br>Liberty – Amwins<br>Commonwealth – Amwins<br>Axis – Amwins |

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## **Property Marketing Strategy**

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- Continue to differentiate the State of Tennessee risk profile
  - Quality submission
  - Continued refinement of renewal data
- Attempt to re-structure the program to achieve possible savings
- Identify underwriter concerns early; address issues
- Strive to drum up competition to minimize potential price increase

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## **Underwriting Information Required**

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- Updated Renewal Values
- Updated Loss Information



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## QDR

| Trade ID   | Program      | Line Of Business               | Carrier                              | Carrier Response | Carrier Declination Reason | Premium <sup>2</sup> | Quoted ARS Commission | National Additional Commission Rate <sup>3</sup> | Intermediary, if applicable | Intermediary Commission | ARS Fee <sup>4</sup> | Total ARS Income <sup>1,5,7</sup> | Total Cost to Client (Premium + Fee) <sup>6</sup> |
|--|--------------|--------------------------------|--------------------------------------|------------------|----------------------------|----------------------|-----------------------|--|-----------------------------|-------------------------|----------------------|-----------------------------------|---|
| <b>Policy Term: July 01, 2015 to July 01, 2016</b> |              |                                |                                      |                  |                            |                      |                       |  |                             |                         |                      |                                   |   |
| 2473274  | Excess Quake | Earthquake Coverage - Property | Aspen Specialty Insurance Company    | Not Submitted    | N/A                        | N/A                  | N/A                   | N/A  | Amwins Brokerage            | N/A                     | N/A                  | N/A                               | N/A   |
| 2473278  | Excess Quake | Earthquake Coverage - Property | AXIS Surplus Insurance Company       | Not Submitted    | N/A                        | N/A                  | N/A                   | N/A  | Amwins Brokerage            | N/A                     | N/A                  | N/A                               | N/A   |
| 2473279  | Excess Quake | Earthquake Coverage - Property | Commonwealth Ins Co                  | Not Submitted    | N/A                        | N/A                  | N/A                   | N/A  | Amwins Brokerage            | N/A                     | N/A                  | N/A                               | N/A   |
| 2473258  | Excess Quake | Earthquake Coverage - Property | Kinsale Insurance Company            | Not Submitted    | N/A                        | N/A                  | N/A                   | N/A  | Amwins Brokerage            | N/A                     | N/A                  | N/A                               | N/A   |
| 2473280  | Excess Quake | Earthquake Coverage - Property | Liberty Insurance Underwriters, Inc. | Not Submitted    | N/A                        | N/A                  | N/A                   | N/A  | Amwins Brokerage            | N/A                     | N/A                  | N/A                               | N/A   |
| 2473257  | Excess Quake | Earthquake Coverage - Property | RSUI Indemnity Company               | Not Submitted    | N/A                        | N/A                  | N/A                   | N/A  | Amwins Brokerage            | N/A                     | N/A                  | N/A                               | N/A   |
| 2473281  | Excess Quake | Earthquake Coverage - Property | Scottsdale Ins Company               | Not Submitted    | N/A                        | N/A                  | N/A                   | N/A  | Amwins Brokerage            | N/A                     | N/A                  | N/A                               | N/A   |
|  |              |                                |                                      |                  |                            |                      |                       |  |                             |                         |                      |                                   |   |

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Presentation Date:

Currency: USD



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## Quote Disclosure

1. Aon Risk Services is an insurance producer licensed in your state. Insurance producers are authorized by their license to confer with insurance purchasers about the benefits, terms and conditions of insurance contracts; to offer advice concerning the substantive benefits of particular insurance contracts; to sell insurance; and to obtain insurance for purchasers. The role of the producer in any particular transaction involves one or more of these activities. Compensation will be paid to the producer, based on the insurance contract the producer sells. Depending on the insurer(s) and insurance contract(s) the purchaser selects, compensation will be paid by the insurer(s) selling the insurance contract or by another third party. Such compensation may vary depending on a number of factors, including the insurance contract(s) and the insurer(s) the purchaser selects. In placing, renewing, consulting on or servicing your insurance coverages, Aon Risk Services and its affiliates ("Aon") may participate in contingent commission arrangements with insurance companies that provide for additional contingent compensation, if, for example, certain underwriting, profitability, volume or retention goals are achieved.

Such goals are typically based on the total amount of certain insurance coverages placed by Aon with the insurance company or the overall performance of the policies placed with that insurance company, not on an individual policy basis. As a result, Aon may be considered to have an incentive to place your insurance coverages with a particular insurance company. The insurance purchaser may obtain information about compensation expected to be received by the producer based in whole or in part on the sale of insurance to the purchaser, and (if applicable) compensation expected to be received based in whole or in part on any alternative quotes presented to the purchaser by the producer, by contacting your Account Executive or emailing Aon Email Box. Where Aon participates in contingent commission arrangements with insurance companies, Aon may be entitled to additional commission in the range of 0 to 6% depending upon whether and when specified thresholds are achieved.

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# STATE OF TENNESSEE

## Aon Client Promise<sup>®</sup>: *Fine Arts Renewal Strategy*

Effective: July 1, 2015 to July 1, 2016

Prepared by Casey Wigglesworth  
Huntington T. Block Fine Arts Specialists  
Aon Risk Solutions



**Aon Client Promise<sup>®</sup>**  
Methodology

**Edition Date:** 5.20.14





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## **Fine Arts Market Overview**

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US natural disasters were numerous over the last few years. As a result of these domestic disasters, along with global losses, the overall insurance market is hardening.

Fine Art rating has stabilized after nearly two years of increasing rates . Some Huntington T. Block (HTB) markets continue to quote renewals with increased rating and/or exclusions and limitations:

- Wind and water exposures- mostly applying to specific geographic areas but with increased broadening into non-cat zones.
- Sub-level storage

Ace American, the State's incumbent market, is no longer an available fine art market. The State of Tennessee will receive a non-renewal notice from Ace American. Rest assured, HTB has successfully replaced Ace American on all renewals and has confirmed Ironshore will replace Ace American on this renewal.

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## **Current Fine Arts Program Summary**

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Ace American

\$75,000,000 blanket limit  
\$25M any other location, transit

Term Premium: \$38,000

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## **Fine Arts Loss History**

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07/01/11 – 07/01/12

Two losses - \$1,437 paid in total

07/01/12 – 07/01/13

No losses

07/01/13-07/01/14

One loss - \$67,881 paid in total

07/01/14-07/01/15

Two losses - one closed with \$380 paid / one open with \$1,280 reserve

53.775% overall loss ratio

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## 2015 Renewal Objectives

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- Obtain minimal rate increase at renewal. Aon expects a 3% rate increase because of market conditions.
- Maintain expiring policy terms and conditions.

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**2015 – 2016 Fine Arts Marketing**  
**Markets we will approach**

| <b>Incumbent</b>   | <b>Potential New Markets</b>   |
|--|--|
| <p><b>Ace American – not available at renewal. Ironshore will quote the renewal.</b></p> | <p><b>AXA Insurance Company<br/>Berkley<br/>XL<br/>Ironshore</b></p> |

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Overall rate change projection: Estimate 0-3% rate increase  
(Based on “as expiring” terms and values)



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## **Fine Arts Marketing Strategy**

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- Maintain all expiring terms and conditions.
- Keep premium increase to a minimum (less than 3%)
- Obtain renewal terms by May 15, 2015
- Market to alternatives if necessary



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## **Underwriting Information Required**

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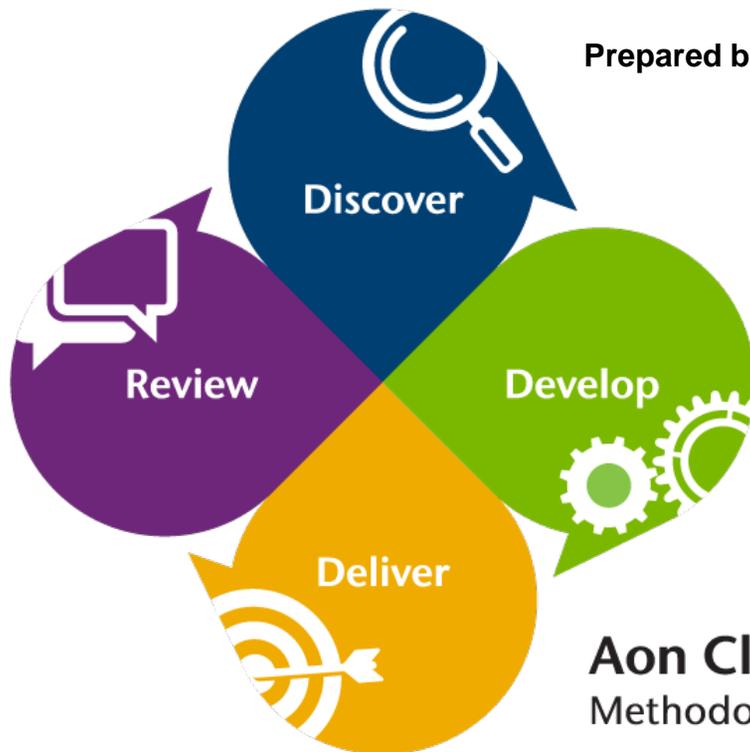
- Updated Renewal Values
- Confirm any changes to expiring data

# STATE OF TENNESSEE

## Aon Client Promise<sup>®</sup>: *Cyber Liability Renewal Strategy*

**Effective: July 1, 2015 to July 1, 2016**

**Prepared by Shannan Fort, Assistant Vice President  
Aon Professional Solutions  
Aon Risk Solutions**



**Aon Client Promise<sup>®</sup>**  
Methodology

**Edition Date: 5.20.14**



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### Cyber Liability Market Overview

#### Capacity



- **Capacity for Cyber coverage continues to grow both domestically and abroad**

- There are approximately 35-40 unique markets that can provide Cyber capacity, with new entrants each year
- Markets exist domestically (primary and excess), the UK (primary and excess) and Bermuda (excess only)
- Of the available markets, there continue to be 7-9 Tier I markets; though the available markets for governmental entities still remain limited but more markets are testing the waters (ACE, Liberty, Ascent, etc.)

#### Coverage



- **Coverage continues to expand in both breadth and limit availability**

- Carriers continue to differentiate their offerings with new /enhanced coverage components with a focus on pre and post-breach services
- Breach mitigation coverages continue to expand to meet clients' needs, including higher limits of coverage and the availability of coverage through a tower

#### Claims & Losses



- **Stronger data is being gathered as more breaches are reported**

- There continue to be numerous breaches reported with additional reports tracking costs of the breaches
- Policies are responding, particularly to breach mitigation, allowing better tracking of "claims" payments

#### Retentions



- **Retentions remain stable and varied**

- Retentions of all levels are available in the market, but vary based on industry class, revenue and unique exposures
- Adjusting retentions can lead to more coverage/sublimit flexibility

#### Pricing



- **Pricing continues to trend upwards**

- Pricing continues to rise in the wake of significant breaches, particularly in the affected industries
- Renewal premiums continue to increase between 5 – 10% for insureds with no change in exposure profile
- The impact of the recent retail breaches has been swift and led to some restrictions in the market and higher pricing



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## Current Cyber Liability Program Summary

### State of TN Cyber Program Structure

|               |  |
|---------------|--|
| <b>\$5 MM</b> | <b>NAS Insurance</b>                       |
|               | Security & Privacy Liability               |
|               | Multimedia Liability                       |
|               | Privacy Regulatory Defense & Penalties     |
|               | Cyber Extortion                            |
|               | Cyber Terrorism                            |
| <b>\$3MM</b>  | <b>Privacy Event Expense Reimbursement</b> |
|               |  |
|               | <b>\$500,000</b>                           |

### Program Summary

|               |             |
|---------------|-------------|
| Total Limits: | \$5,000,000 |
| Retention:    | \$500,000   |
| Premium:      | \$242,000   |

### Goals

- (1) Conduct an underwriting and relationship meeting with State of TN, Aon and NAS; including alternate carriers, AIG, ACE and XL.
- (2) Evaluate the State's current business model to discuss any exposures/risks that are of growing concern since the 2014-2015 renewal
- (3) Review current coverage/limits/retentions, and renew with the most competitive carrier, contingent on the renewal pricing and terms

Premium does not include taxes & fees



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## Current Cyber Liability Insurance Overview

| EFFECTIVE DATE  | EXPIRATION DATE  | POLICY NUMBER | INSURANCE COMPANY                       |
|---|--|---------------|---|
| 07.01.2014  | 07.01.2015   | LIB466144-14  | NAS Insurance (Underwriters at Lloyd's) |
| COVERAGE DESCRIPTION                                      |  |               |   |
| Subject of Insurance                                      | <b>Network Security &amp; Privacy Liability, Privacy Regulatory Defense/Penalties; Privacy Breach Response Costs; Network Asset Protection; Cyber Extortion; Cyber Terrorism</b> |               |   |
| Policy Limit of Liability<br>(Inclusive of Defense Costs) | <b>\$5,000,000 Each Claim and In the aggregate<br/>\$3,000,000 Privacy Breach Response Costs<br/>\$1,000,000 Network Asset Protection</b>  |               |   |
| Per Claim Retention                                       | <b>\$500,000 – Each Claim; 8 Hr. Waiting Period and 10% co-insurance (special expenses) – Network Asset Protection</b>   |               |   |
| Premium   | <b>\$242,000</b>   |               |   |
| Retroactive Date  | <b>Inception</b>   |               |   |
| Policy Form   | <b>NetGuard</b>  |               |   |
| DEFENSE PROVISIONS  |  |               |   |
| Type  | <b>Duty to Defend</b>  |               |   |
| Choice of Counsel   | <b>No</b>  |               |   |
| Hammer Clause   | <b>70/30 Defense &amp; Settlement</b>  |               |   |
| Settlement within Retention                               | <b>Not Allowed</b>   |               |   |
| Notice of Claims  | <b>Notice must be made by RM, GC, Senior Officer or Director will provide notice within 60 days such claim is made</b>   |               |   |

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## Current Cyber Liability Insurance Overview

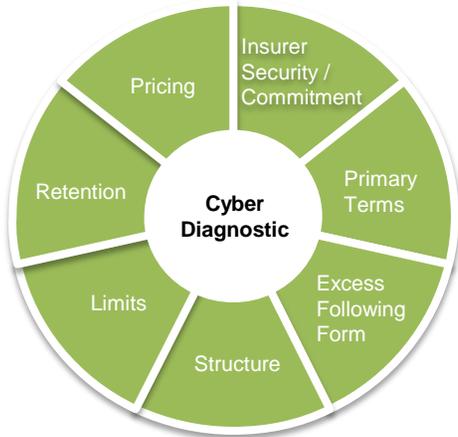
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| COVERAGE DESCRIPTION |  |               |   |
| Subject of Insurance | <b>Network Security &amp; Privacy Liability, Privacy Regulatory Defense/Penalties; Privacy Breach Response Costs; Network Asset Protection; Cyber Extortion; Cyber Terrorism</b>   |               |   |
| Endorsements (cont.) | <ol style="list-style-type: none"> <li>1. Nuclear Incident Exclusion Clause</li> <li>2. War and Terrorism Exclusion Endorsement</li> <li>3. Cyber Amendatory Endorsement – <i>Additional \$1MM defense expenses; remove exclusion 11</i></li> <li>4. Extended Reporting Period</li> <li>5. PCI DSS Assessment Extension – <i>Sublimit of \$250K, \$100K retention</i></li> <li>6. Blanket Waiver of Subrogation</li> <li>7. Unencrypted Portable Devices Exclusion</li> <li>8. Manuscript Endorsement – <i>Amending Notice, definitions, exclusions, etc.</i></li> </ol> |               |   |

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## Cyber Program Renewal Diagnostic



- Exceeds Industry Norms
- Within Industry Norms
- Outside Industry Norms

### **Insurer Security / Commitment**

Primary Insurer: NAS Insurance – NAS Insurance is a market that provides specialized coverage for difficult to place risks. As such, they are generally not considered a “Top Tier” carrier, however, their experience in the market and ability to consider difficult risks make them a viable carrier. We should continue to evaluate additional options as the market expands.

### **Primary Terms**

Aon will continue to evaluate the State of TN’s primary terms to ensure best in class policy language is maintained. While the current program does include the standard coverages a Cyber policy should have, there are areas of improvement that can be achieved during the renewal and by employing a new primary carrier

### **Structure**

The current program structure is appropriate for the limits and coverages. The structure allows for higher privacy event management limits that would typically be found in the market.

### **Limits**

Limit decisions are often driven by specific limits of liability required in contracts, average costs of breach statistics and a company’s unique exposures and revenues. Increased limits can be considered depending on these various factors as well as growth projections for the 2015 – 2016 term.

### **Retentions**

The current retention is competitive for the limits and program structure. Increasing the retention may result in minimal premium savings, but could lead to higher sublimits for certain coverages under the policy.

### **Pricing**

Primary Price Per Million is \$48,400, which is appropriate given the retention on the program and other underwriting factors. Given the relative new entry of governmental entities into Cyber Insurance, pricing can vary widely from carrier to carrier and entity to entity



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## July 1, 2015 to July 1, 2016 Renewal Strategy

### Exposure Identification

#### Completion of Renewal Application/Underwriting Call

- We will continue to work with the underwriters (both new and incumbent) to streamline the renewal process/applications.
- We would also suggest an underwriting meeting (in person) with representatives from the Board of Regents, OIR and Treasury, with separate incumbent and new carrier meetings.

### Primary Terms

#### Negotiate Favorable Primary Terms, with alternate options as necessary

- Negotiate favorable renewal pricing and terms with NAS, including additional changes to the base form.
- If NAS is not competitive, evaluate alternative primary markets that are interested in providing primary capacity.

### Excess Capacity

#### Negotiate Favorable Excess Terms, If Desired

- Purchasing excess capacity is also an excellent way to achieve higher sublimits for Privacy Breach Response & Regulatory Fines coverage.
- We are seeing excess capacity priced anywhere between 70-85% of the underlying layer.

### End Result

#### Successful Renewal

- Negotiate favorable terms, and maintain a competitively priced program for the 2015-2016 renewal.

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Review *continuously*

Calendar At-a-Glance

Renewal Timing

| Action   | Date   |
|--|--|
| Renewal Strategy Meeting   | February 5, 2015                                       |
| Underwriting Data to Aon   | March 15, 2015   |
| Prepare Underwriting Submission                                      | March / April 2015                                     |
| Send Underwriting Submission to client for approval                  | March / April 2015                                     |
| Submission to Carriers   | March / April 2015                                     |
| Present Draft Renewal Proposal and Recommendations to Client         | May 15, 2015<br>(Depending on receipt of renewal data) |
| Presentation to the Board of Claims Subcommittee and Board of Claims | End of May/ Early June 2015                            |
| Carrier/Program Selection  | Prior to July 1, 2015                                  |
| Issue Binders to Client  | Prior to July 1, 2015                                  |
| Policies Effective   | July 1, 2015   |
| Policy Delivery  | August 2015  |

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## Aon Business Terms and Disclosures

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### Intermediaries

ARS encourages its retail brokers to approach markets directly (without an intermediary) wherever possible. However, where ARS believes it is in the Client's best interest, We may recommend the use of intermediaries, including but not limited to co-brokers, sub-brokers, managing general agents/managing general underwriters, wholesale brokers, or reinsurance brokers (collectively, "Intermediary") to assist in the procurement and servicing of the Client's insurance.. ARS prefers, wherever possible, to use the services of an ARS-affiliated Intermediary and ARS shall not be responsible for a non-ARS affiliated Intermediary's actual or alleged acts, errors, or omissions or those of its officers, directors or employees. Any and all compensation earned by an Intermediary in connection with the programs shall be in addition to the compensation paid to ARS and shall not be credited against the Fee.

### Surplus Lines and Other Government Taxes (Aon understands the State of Tennessee is not subject to Surplus Lines taxes)

Insurance may not be available in the admitted marketplace for the terms and conditions specified by the Client. In such event, ARS's insurance proposal may include one or more insurers not licensed to transact insurance in the states of exposure and such coverage may be placed as surplus lines coverage pursuant to applicable insurance laws governing the placement of insurance with non-admitted insurers. Persons and entities insured by surplus lines insurers cannot avail themselves of the protection and recovery afforded by the state insurance guaranty funds in the event the surplus lines insurer should become insolvent. The states do not audit the finances or review the solvency of surplus lines insurers. In some instances, these insurance placements made by ARS or its affiliates on the Client's behalf may require the payment of state surplus lines, excise or other taxes and/or fees in addition to the premium itself. ARS will endeavor to identify any such tax and/or fee in advance, but in all instances the payment of these taxes and/or fees will remain the responsibility of the Client. ARS will invoice the Client for the payment of such taxes and fees where it is ARS's responsibility to do so.

### Client Responsibilities

ARS will deliver the Included Services based upon the information that the Client and its representatives provide. The Client is responsible for the accuracy and completeness of the information and ARS accepts no responsibility arising from the Client's failure to provide such information to ARS. ARS must receive promptly the information to deliver the Included Services as well as the Client's prompt updates to any information where there has been a material change which may affect the scope or delivery of the Included Services, such as a change in the nature of the risk, insured entities, property values and persons or entities to be covered.

To the extent that any portion of ARS's compensation, by operation of law, agreement or otherwise, becomes adjusted or credited to the Client, it is the Client's responsibility to disclose the actual net cost of the brokerage and insurance costs You have incurred to third party(ies) having an interest in such amounts.



## Review *continuously*

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### Aon Business Terms and Disclosures

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#### **Insurer Solvency**

While ARS only engages insurers who meet certain requirements as established by Us from time to time, We make no representation, guarantee or warranty as to the solvency or ability of any insurer to pay any amounts for insurance claims or otherwise.

#### **Foreign Account Tax Compliance Act (FATCA)**

Client acknowledges that ARS is required to act as a withholding agent on any FATCA eligible premium payments when ARS or its US licensed affiliates are responsible for the remittance of premium payments to insurers and in such instances, ARS will be responsible for gathering and validating appropriate FATCA form(s) from carriers and intermediaries involved in FATCA eligible premium payments. ARS will not act as withholding agent on premium remitted by you to any other party, including premiums paid directly to insurers, to non-US intermediaries, or to non-US Aon entities. Further, ARS will not knowingly place business with or through carriers or intermediaries that do not provide valid FATCA form(s), without your prior approval.

If Client insists on using a carrier or intermediary that is unable or unwilling to provide FATCA forms, Client will be responsible for paying any additional sums so that the mandated FATCA withholdings can be made while concurrently fulfilling Client's obligation to remit the full premium amounts necessary to effect coverage.

ARS will provide ARS's US W-9 form(s) to Client via Aon.com as directed to Client on invoices. Client agrees with and accepts delivery of such form(s) via Aon.com. ARS will not be responsible for issues arising from ARS withholding 30% of premium payments in connection with its FATCA obligations. Client agrees to work with ARS to provide information required to meet FATCA obligations.

#### **Pricing**

ARS does not and cannot guarantee the availability or price of insurance for Your risks and will not be responsible for fluctuation in the premiums charged by insurers. We will rely on You to review and approve calculation or estimation of premium and ARS is not responsible for any loss occasioned as a result of Our calculation or estimation of premium and statutory charges that may apply to Your insurance.

**ALL TERMS WILL FOLLOW AON'S SIGNED AGREEMENT WITH THE STATE OF TENNESSEE.**