

Gallagher: Your partner for July 1, 2025 And Beyond

Presented By:

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Gallagher

Insurance | Risk Management | Consulting

Your Gallagher Team



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Jeff Estes
Area Vice President
Regional Director
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Senior Vice President
Little Rock, AR

The Right Partner

1

Unmatched Expertise with Mid-South
Public Entities

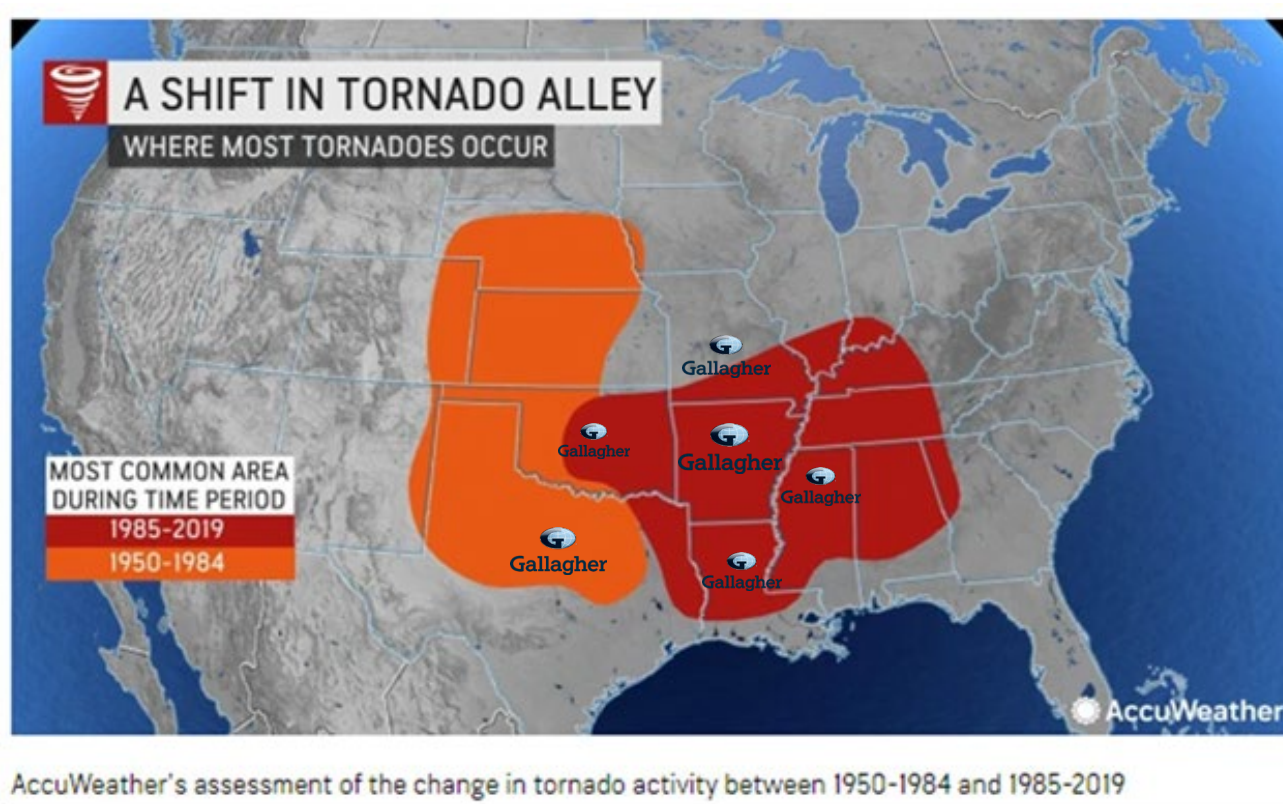
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Deep Knowledge of Arkansas Programs

3

Best Positioned for 7/1 Success

Arkansas and Surrounding States



AMAIT and APSIT

- **AMAIT and APSIT**
 - Both run by AID
 - Exact same RMIS System
 - Similar Manuscript Coverage Documents
 - AIG leads both programs - Outstanding relationship
 - Structures and reinsurance panel similar
 - No balance sheet risk to State of Arkansas

- ASBA –Non-profit run by Board of Directors
- Balance sheet risk?
- APSIT \$35M+ losses in 17 days – 4 occurrences

APSIT & ASBA – Recent History

2024 Renewal

- APSIT and ASBA will remain two separate programs
- APSIT- Our goal is to negotiate similar structure to last year
 - \$2M SIR/\$6M Aggregate
- AIG committed to \$25M primary capacity on APSIT

2025 Renewal

- ASBA will sunset coverage and most if not all districts will move to APSIT
- Signed Memorandum of Understanding
- Legislative Session will create self insured fund in late 2024 by statute
- Approval set for 2025
- Arkansas Insurance Department (AID) will run statewide program
- Legislature will provide monies to structure higher retentions in 2025

7/1 Options

Extension/
Renewal
As-Is

July 1, 2025

- No insurance is not an option
- Under Contract to Renew

Combine w/o
Captive
Established

July 1, 2025

- State of Texas
- State of Louisiana
- Oklahoma School Insurance Group
- Missouri Unified School Council
- University of Texas
- Mississippi Institutions of Higher Learning
- Texas A&M University

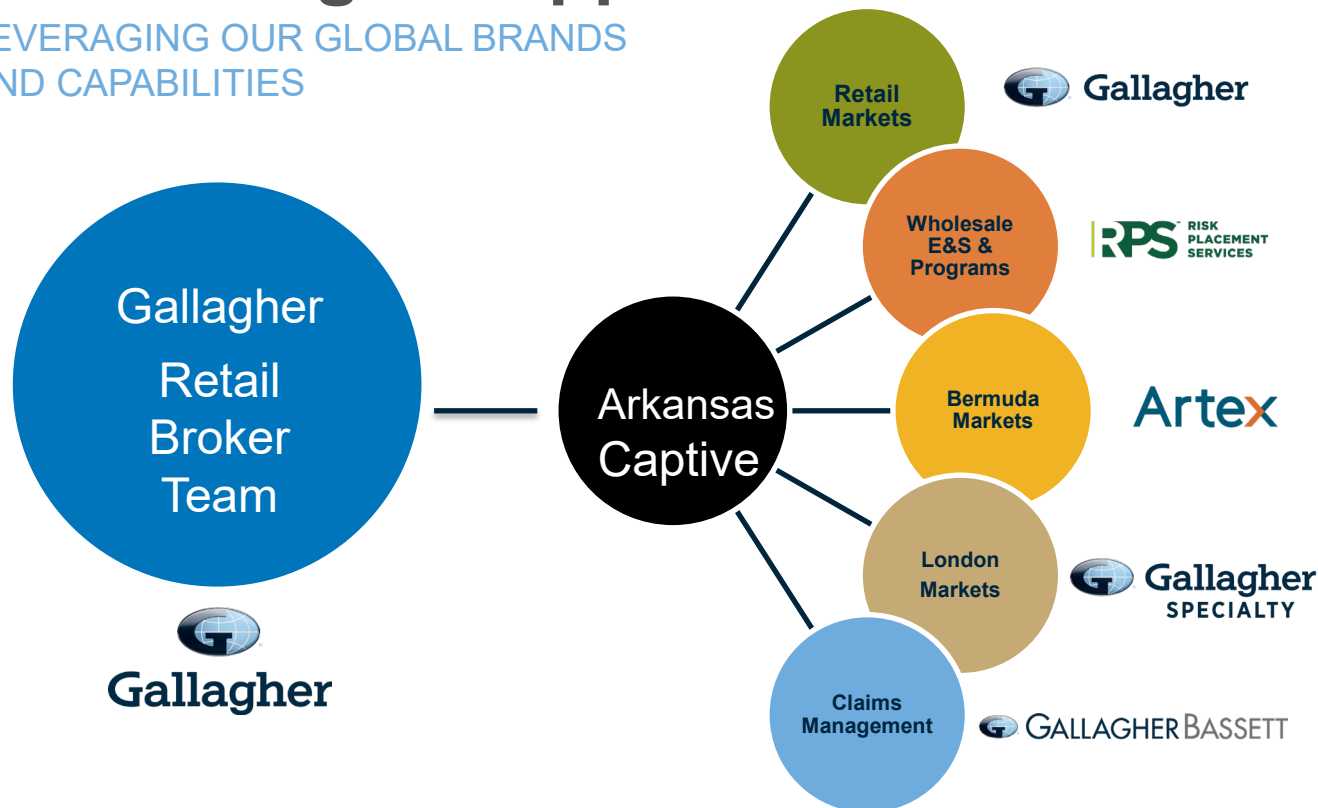
Captive

July 1, 2025

- Captive is approved and operational

ONE Gallagher Approach

LEVERAGING OUR GLOBAL BRANDS
AND CAPABILITIES



Gallagher Re

- Fac
- Treaty
- Analytics

Building Appraisal Report

APSIT & AMAIT

- Salesforce Platform-Award winning
- Full-time Appraisers on staff
- Secondary Modifiers
- Markets confident in data
- Catastrophic Modeling
- Actuarial

Asset Appraisal Date: 04/18/2023		BUILDING APPRAISAL REPORT STATE MASTER POLICY ADMINISTERED BY RISK MANAGEMENT DIVISION, ARKANSAS INSURANCE DEPARTMENT		Loss Control Inspection Date: 03/01/2010	
					
04-04 - Gravette School District 04-04 - High School Campus 04-04 - High School Campus HIGH SCHOOL 325 Lion Dr. A Gravette 72736					
Latitude: N 36 25' 15"		Longitude: W 94 26' 6"			
Building Appraisal A) 165,025 B) THEATRE LIVESTAGE 18,002 C) BLEACHERS 10,590 D) EQUIPMENT 183,027.00 Total 183,027.00		Square Footage 165,025 18,002 10,590 183,027.00		Cost Per Unit(sqFT) \$280.08 \$388.06 \$132.15 \$56,447,808.45	
Cost To Rebuild \$46,220,202.00 \$6,985,856.12 \$0.00 \$1,412,374.15 Total \$56,447,808.45		Leased ☒ Building Insured ☒ TC 040 PC 04 EZ 5 ET 16 FZ X CT 4 BC E Values Insured Replacement Cost-Building \$56,447,808.45 Agreed Amount-Building \$0.00 Contents \$12,500,000.00 Total Insured \$68,947,808.45			
Construction Code CSP1 CSP2 CSP3 CSP4 100% CSP5 CSP6		Alarms and Emergency Equipment Air Dust-Central Station X Air Dust-Local X Ansul System X Auxiliary Lights X Battery Smoke X Burglar-Central Station X Burglar-Local X Emergency Generator X Fire Doors-Automated X Fire Extinguisher X Fire Pump X Gaseous Fire Suppression X Hardwire Smoke Central Station X Hardwire Smoke-Local X Heat-Local X Heat-Central Station 1 Pull Station-Local X Pull Station-Central Station X Sprinklers 100% Sprinklers - Attic X Standpipe System X			
Roof Covering Metal Wood Concrete Composition Built-Up 100% Other		Security Hours 8A - 4P, M - F Occupancy Hours 8A - 4P, M - F			
Electrical None Without Conduit With Conduit X Unknown Exposure to Other Structures CSP 1-2 CSP 3-6 0'-50' 51'-100' Over 100'		Appraisal Descriptions and Comments A) HIGH SCHOOL (484), CLASS C, 3.25, SEC. 18-9, DED. W/C, ADD PACK HVAC, 16' HT. MOD., B.V. EXT., ACOUSTIC, PB, TILE/CARPET, ADD 100% WET, ADD (1) PASS ELEVATOR B) THEATER: LIVE STAGE (379), CLASS C, 3.5, SEC. 16-12, DED. W/C, ADD PACK HVAC, 30' HT. MOD., CARPET, MIXED INT. WALL SURFACES, ADD 100% WET. C) CONCRETE POURED IN PLACE BLEACHERS 67-4, INCLUDES THOSE WITH BENCHES, FOLDING SEATS AS WELL AS PLAIN, 10,590 TOTAL S.F., UNDER 5,000 SEAT RANGE, AVG @ \$101.75 / S.F. GYM 6 ROWS @ 90'. D) EQUIPMENT: THEATRICAL EQUIPMENT - \$140,489, FOOD SERVICE - \$290,319, W/C LIFT - \$19,999, STAGE LIGHTING - \$82,506, GYM BLEACHERS, SEC. 67-4, TELESCOPING, POWER OPS, 315 SEATS - \$30,373, THEATER SEATING, UPHOLSTERED, AVG. 649 SEATS, \$136.75/SEAT, \$88,894, METAL LOCKERS, HALLWAYS AND P.E., 1,569' @ \$67.98/FT., \$106,664. (2620 GYM ADD) GYM BLEACHERS, MECH OPS, TELE, AVG, 3R X 67 + (2) X 3R X 95' = 509 TOTAL, UNDER 600 RANGE = \$106.75 / SEAT = \$54,336 COMMENTS: (1) FOOD PREP ONLY.			

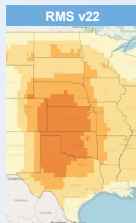
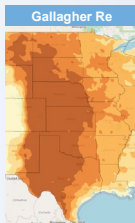
Gallagher Re Underwriting Tools

Secondary Peril Scores



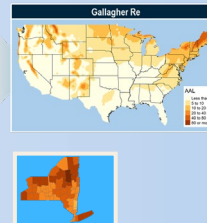
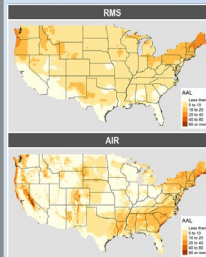
Hail

Hail Score is founded on 23 years of hail radar maps. Insurers can receive predictive analytics for parameters including hail size, claim frequency, claim severity, and damage ratios.



Winter Storm

The Winter Storm Score is founded on a combination of novel databases that cover snow/ice accumulation, min temps, wind speeds/gusts, snow density, snow cover, and many other observations.



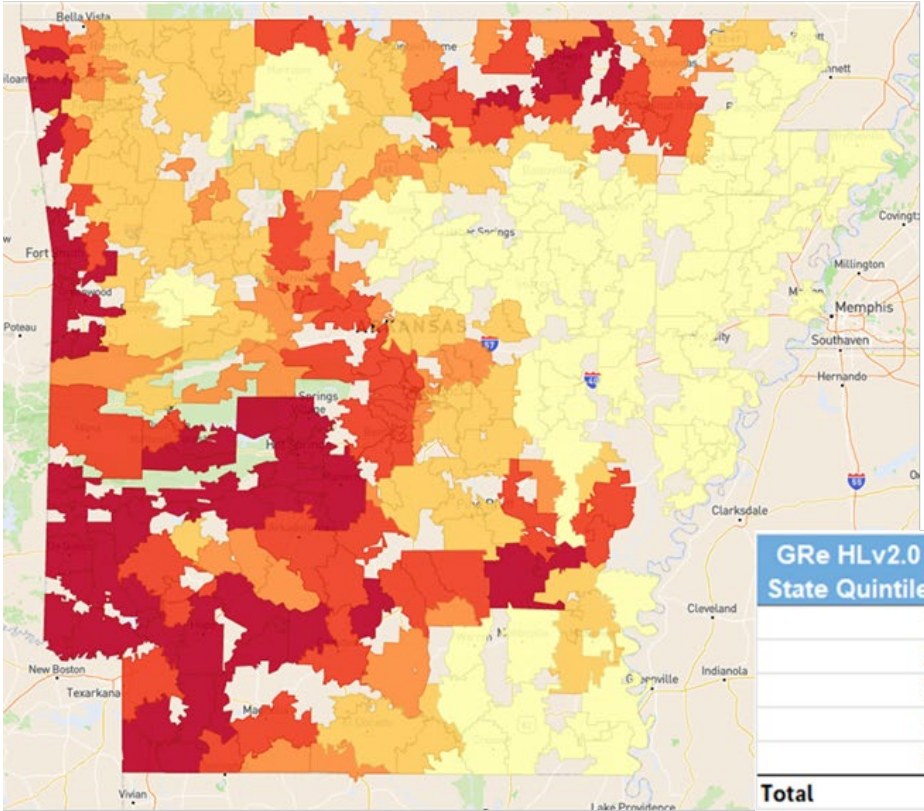
Hail Model Applied

State of Arkansas Combined Portfolio

- Hail model applied

- Output

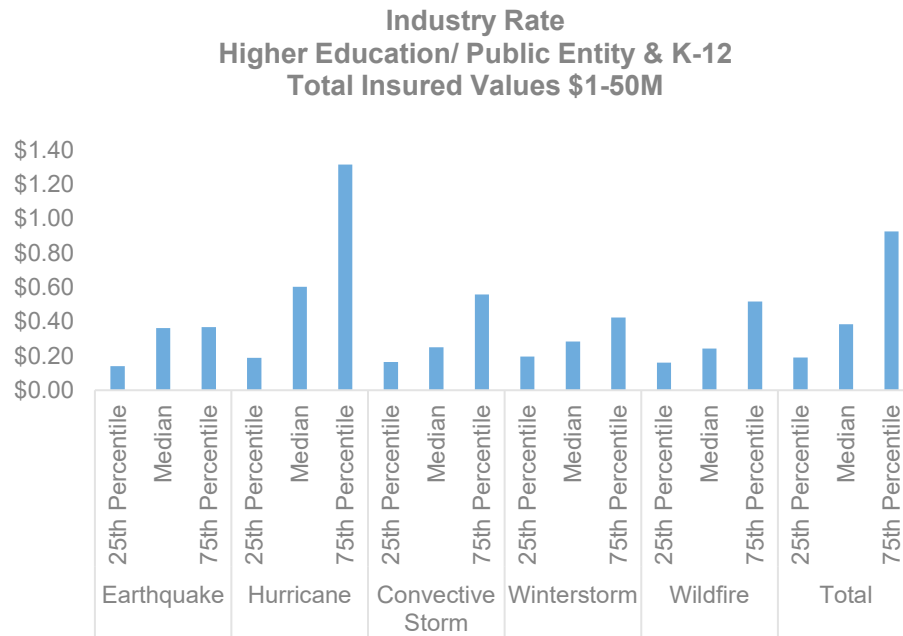
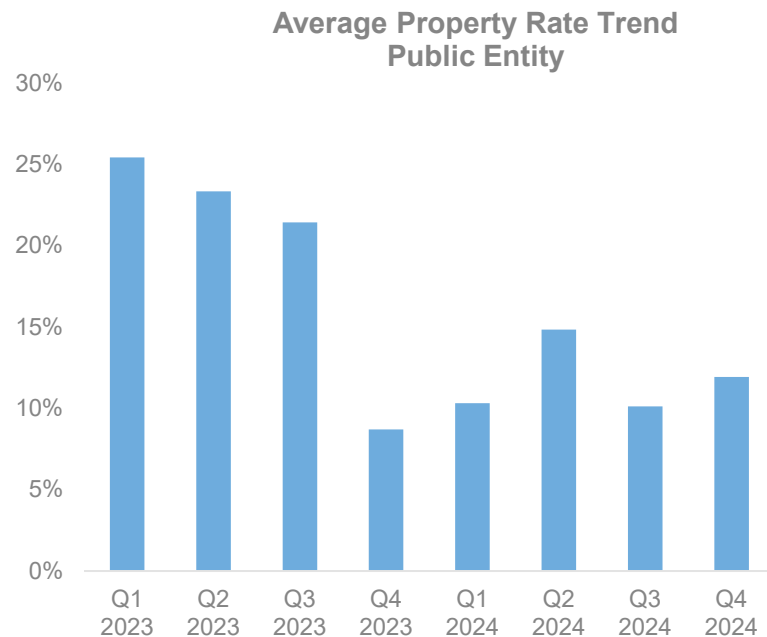
- Distributes locations Arkansas' 20k locations into quintiles by hazard
- Produce historical frequency by hail size down to the location
- Identifies hail size down to the location on a post event basis
- With Arkansas' historical hail claims, can build a hail model customized to the State's exposures



GRe HLv2.0 State Quintile	Building Value [\$Millions]	Count	Proportion of Building Value
1	7,872	5,297	19%
2	10,278	4,361	24%
3	11,380	2,616	27%
4	7,075	3,823	17%
5	5,875	4,159	14%
Total	42,479	20,256	100%

Average Property Rate Trend

While average property rates are continuing to increase for public entity, the rate increases have slowed significantly over the last 5 quarters to low double digits



Gross Portfolio

• AIR Model versus Actual

• First \$10M

- \$28.5M for EQFF, SCS, WT & AOP
- \$37M with Flood
- Experience is \$24M

• From \$10M to \$100M

- \$11.5M ex Flood, \$27M with Flood
- \$22M in experience

• Above \$100M

- \$6.6M ex Flood, \$10.3M with Flood
- \$5.5M experience

• Modeling ex Flood and AIR are largely aligned

- Flood adds significant uncertainty to the portfolio

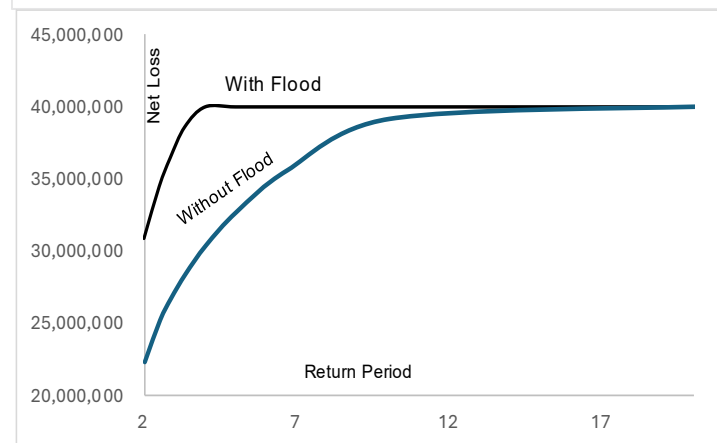
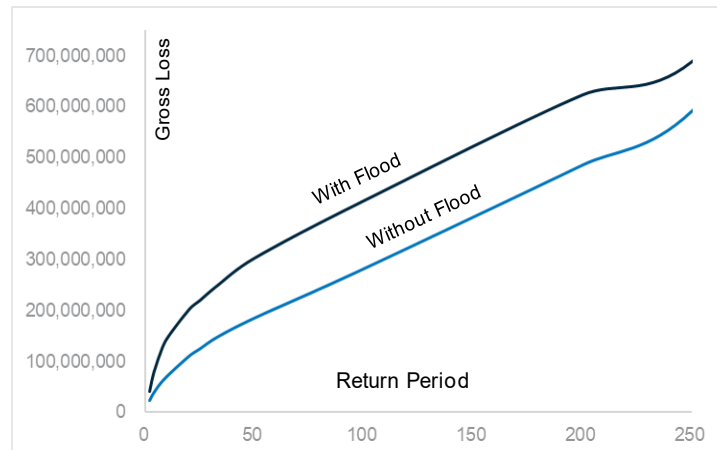
	Modeled Loss		
	0 to \$10M	\$10M to \$100M	Above \$100M
Earthquake Fire Following	205,748	966,527	3,471,693
Severe Convective Storm	21,736,583	9,397,859	3,160,901
Winter Storm	2,102,344	376,730	0
Non-Cat	4,487,654	820,169	0
Inland Flood	8,534,091	15,597,263	3,660,306
Total Modeling	37,066,419	27,158,548	10,292,900
Total Modeling Ex Flood	28,532,329	11,561,285	6,632,594

	Historical Loss		
	0 to \$10M	\$10M to \$100M	Above \$100M
2018	2,675,104	-	-
2019	17,056,619	-	-
2020	15,658,855	5,157,137	-
2021	21,913,786	-	-
2022	41,939,774	37,630,911	-
2023	37,572,860	100,000,000	38,696,022
2024	35,870,611	12,260,500	-
7yr avg	24,669,658	22,149,793	5,528,003

Structure Test

- **Proposed**
 - \$100m primary with a \$40M aggregate retention
 - Contributions to aggregate are capped at \$10M per event
- Excess layers
 - \$400M xs \$100M & \$500M xs \$500M
 - Locks in net result within a narrow variation with and without flood volatility

	Without Flood		With Flood	
	Gross	Net	Gross	Net
Mean	44,250,569	26,125,854	72,042,228	32,352,417
Std. Dev.	149,622,876	77,411,166	159,227,055	77,303,983
Return Period				
2	24,269,391	22,291,122	40,536,024	30,878,814
4	39,966,734	30,377,923	78,883,435	39,999,999
5	46,353,476	32,698,557	92,088,130	40,000,000
10	72,018,019	39,153,840	144,792,355	40,000,000
20	111,098,627	40,000,000	201,173,397	40,000,001
25	125,540,958	40,000,000	219,227,904	40,000,001
50	185,986,712	40,000,001	302,279,849	40,000,001
100	282,774,278	40,000,001	414,959,887	40,000,002
250	591,566,760	40,000,001	687,879,609	40,000,002
500	1,635,391,352	284,278,543	1,694,674,181	284,383,947
1,000	2,666,794,699	921,813,042	2,685,526,239	931,811,140



Back Test

- Expiring & Proposed applied to the 2018 to 2024 years
 - Expiring net loss ranges from \$1.8M to almost \$24M
 - Proposed net loss ranges from \$2.7M to \$40M
- ***By incorporating an aggregate retention, the State of Arkansas can adjust the net to ceded relationship every year based on an actuarial review of the portfolio and market conditions***

	Structure Backtest						
	2018	2019	2020	2021	2022	2023**	2024
Proposed Net Loss	2,675,104	17,056,619	15,658,855	21,913,786	40,000,000	37,572,860	35,870,611
Proposed Ceded	48,719,431	48,719,431	48,719,431	48,719,431	48,719,431	48,719,431	48,719,431
Total Proposed	51,394,535	65,776,050	64,378,285	70,633,217	88,719,431	86,292,291	84,590,041
Expiring Net Loss	1,798,573	10,518,442	8,290,244	10,075,501	18,367,233	19,293,734	23,977,124
Expiring Ceded	72,568,552	72,568,552	72,568,552	72,568,552	72,568,552	72,568,552	72,568,552
Expiring Total	74,367,125	83,086,994	80,858,796	82,644,053	90,935,785	91,862,286	96,545,676
Savings	22,972,591	17,310,944	16,480,511	12,010,836	2,216,355	5,569,995	11,955,635
Ave Savings							12,645,267

* Incorporates retentions and aggregates on APSIT, AMAIT and ASBA which estimates the impact of a 2% deductible.

** For 2023, a \$5M deductible is applied to ASBA's large wind event. \$1M minimum deductible applied to all other SCS catastrophes

Gallagher – Ready to Serve

1

Unmatched Expertise with Mid-South
Public Entities

2

Deep Knowledge of Arkansas Programs

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Best Positioned for 7/1 Success

Proposed 7.1.2025 Placement Timeline

	Target Date	Renewal Item	Status
Planning, Data Gathering, & Strategy	February	Gallagher submits Actuarial and Underwriting Data Requests	Completed
		<i>RFP Phase 3 meeting in person</i>	
	Friday, February 28 th , 2025	- Discuss expiring programs and state of the market - Discuss placement strategy	In progress
	Week of March 1 st	Meet with Perr & Knight to discuss program structure	<i>Forthcoming</i>
Marketing	Week of March 15 th	State of Arkansas approval of submission & Gallagher Re releases submission to (re)insurers	<i>Forthcoming</i>
	March 17 th – March 21 st	London marketing meetings	<i>Forthcoming</i>
	Week of April 7 th	Domestic reinsurance market meetings	<i>Forthcoming</i>
	Week of May 12 th	Quotes & pricing received from market	<i>Forthcoming</i>
	Week of May 19 th	Pricing & terms agreed by State of Arkansas	<i>Forthcoming</i>
	Week of June 9 th	<i>Present final shares to State of Arkansas</i>	<i>Forthcoming</i>
Program Completion	Tuesday, July 1 st , 2025	Executed documents sent to State of Arkansas	<i>Forthcoming</i>
	Mid July	<i>Wrap-up meeting with State of Arkansas</i>	<i>Forthcoming</i>

Note: all dates shown above are tentative and subject to change.