



Arthur J. Gallagher & Co.
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SORM Statewide Property Insurance Program Overview

CHRIS CONNELLY, ARM-P, ARE | MAY 11, 2017
SENIOR VICE PRESIDENT, ARTHUR J. GALLAGHER & CO.



Today's Agenda

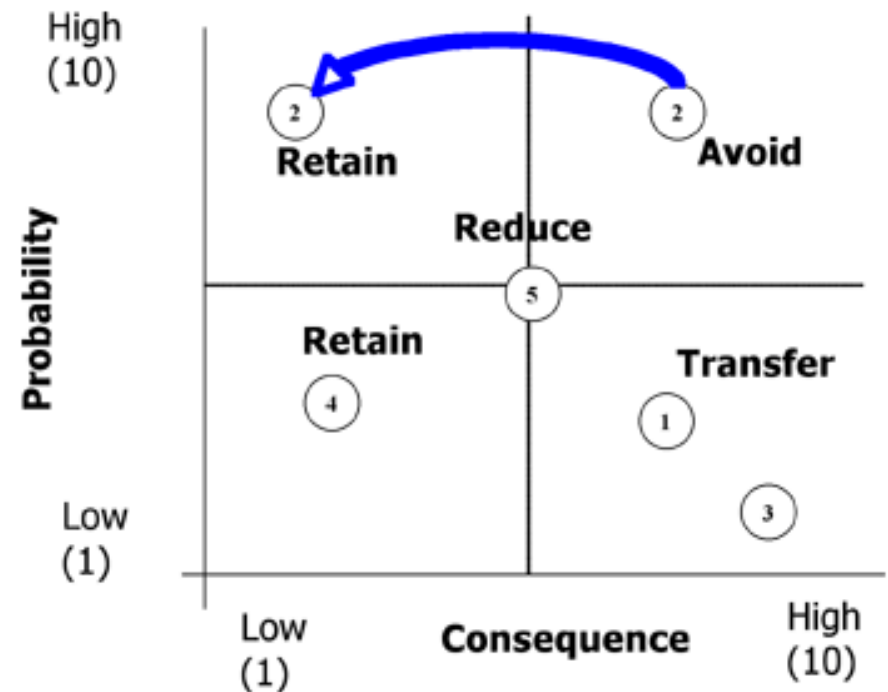
- Purpose of Property Insurance
- Overview of SORM Statewide Property Insurance Program
- Insured Risks
- Recent Developments
- Advisory Committee
- Real-time Natural Hazards Modeling
- How to Obtain More Information

How Property Insurance “Protects Texas”

- Transfers financial burden of damage to physical assets from state agency to insurers
- Aids in COOP (Continuity of Operations planning)
 - Funds for immediate extra expenses required to maintain critical functions
 - Provides financial recovery for lost revenue following loss
- Provides budget stability by transferring large losses to insurers

How Property Insurance “Protects Texas”

- Provides catastrophic protection
 - Assume small risks
 - Transfer large risks
- Value-added services to identify and mitigate against loss

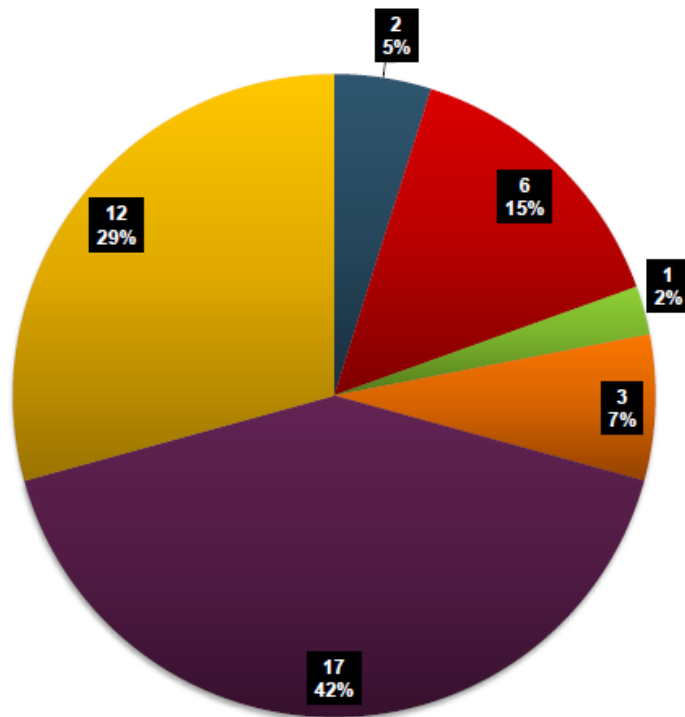


Overview of SORM SPIP

- Designed to provide cost-effective rates and broad coverage to all agencies
 - Economies of scale
 - Broadest policy terms available in market
 - Stability
- Tailored specifically to risks faced by SORM agencies
 - Beginning in 2016, two distinct programs were created – one for Higher Education and a second for Public Entities

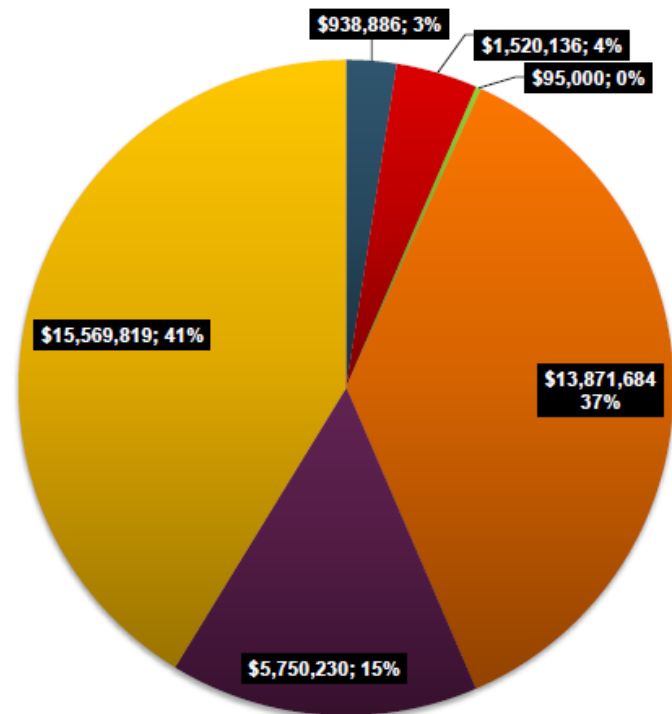
Types of Claims Covered by Property Insurance

Claim Frequency by Type



■ Equipment Breakdown (B/M) ■ Fire Damage
■ Freeze ■ Hurricane Damage
■ Water Damage ■ Windstorm & Hail

Total Incurred* by Type



■ Equipment Breakdown (B/M) ■ Fire Damage
■ Freeze ■ Hurricane Damage
■ Water Damage ■ Windstorm & Hail

Coverage Extensions

- Extra expenses to maintain continuity of operations
- Loss of revenue
- Protection & preservation of property
- Patient / student evacuation in preparation of imminent threat
- Interruption of research & development activities
- Prevention of access to facilities from nearby damage
- Terrorism & resulting impacts

Recent Industry Developments

- Prolonged “soft market” conditions
- 2016 significant U.S. events
 - Texas Spring Floods
 - Texas Hail Storms
 - Florida Hurricane Matthew
- Tough start to 2017 for insurers – worst Q1 in 20 years in U.S. due to hail, tornado, and winter weather events
- Particular emphasis from insurers on hail in Texas due to 2016/Q1 2017 events

Options Available via SPIP

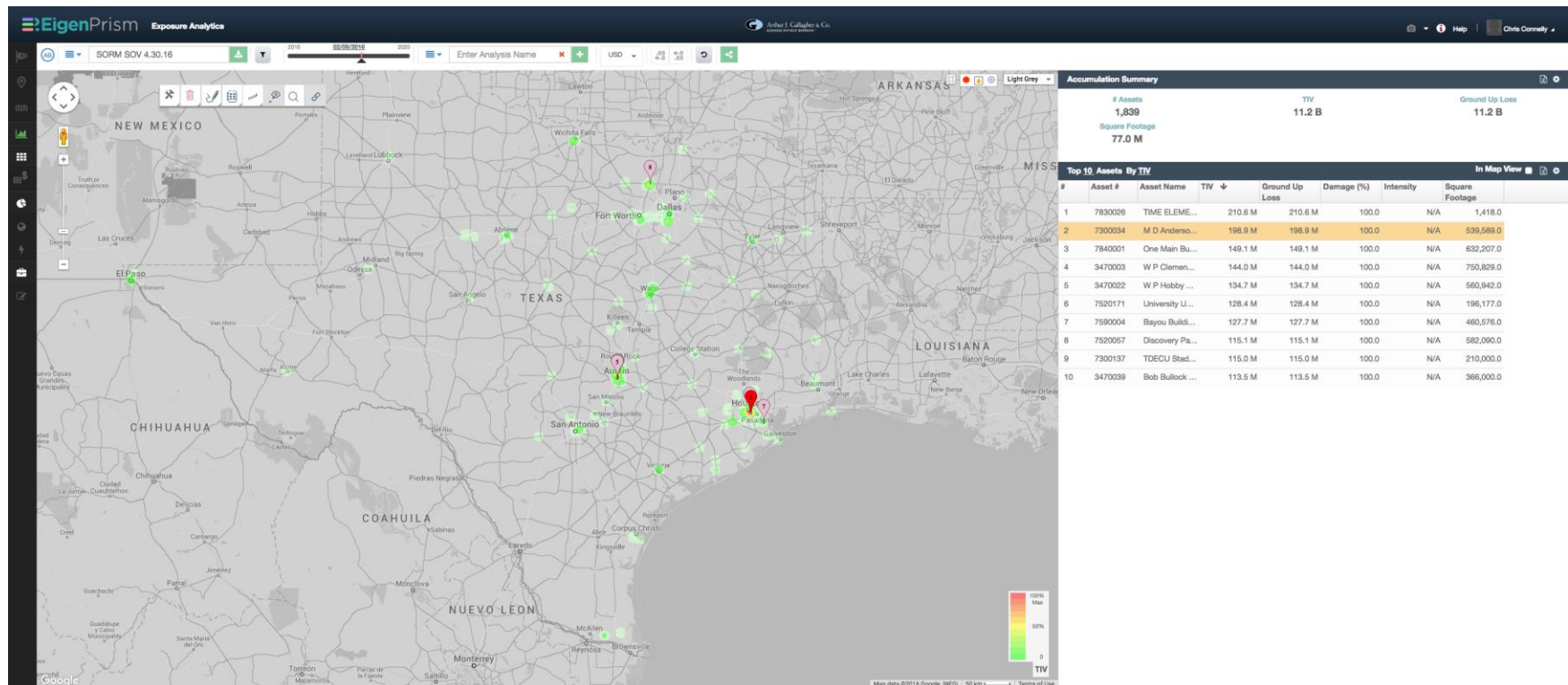
- Deductible buy-downs
 - For example, lowering hurricane/flood deductibles
- National Flood Insurance Program
 - Lowers flood deductibles
 - For High Hazard locations, provides coverage where FEMA will not reimburse agency deductibles
- Dedicated excess limits for individual entities, if desired
- Coverage for construction projects – builder's risk

Advisory Group

- SORM seeks your leadership, guidance, and participation to ensure your entity needs are being met.
- As an advisory group member, a representative from your entity is asked to participate in web conferences hosted by SORM.
- These web conferences will be open discussions on what coverages or value-added services are currently being utilized and what services you would like to see added. As we approach renewal, the discussion will apply to upcoming coverage changes, potential for rate locks or rate buy downs and any topics the committee finds pertinent.

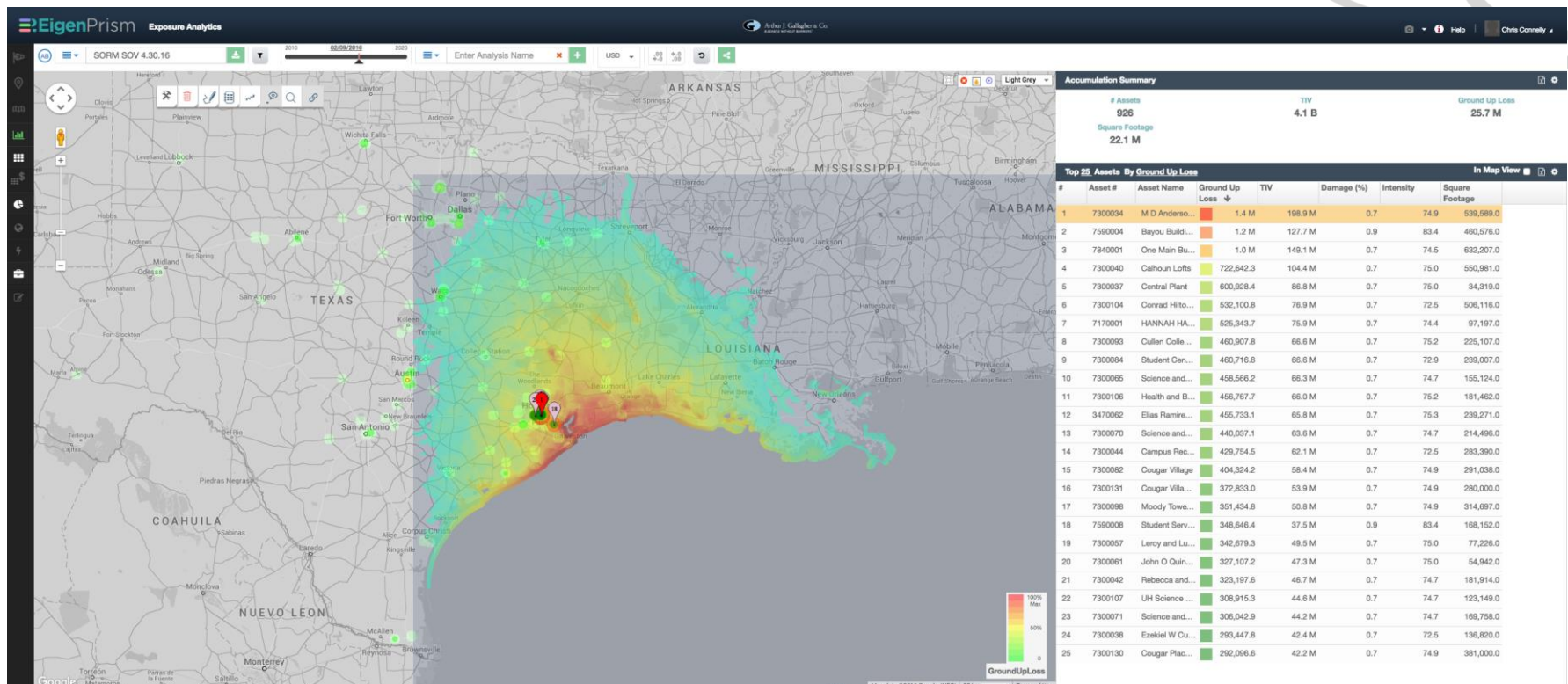
New Tools for Risk Assessment

- Gallagher platform for event simulation & real-time event modeling



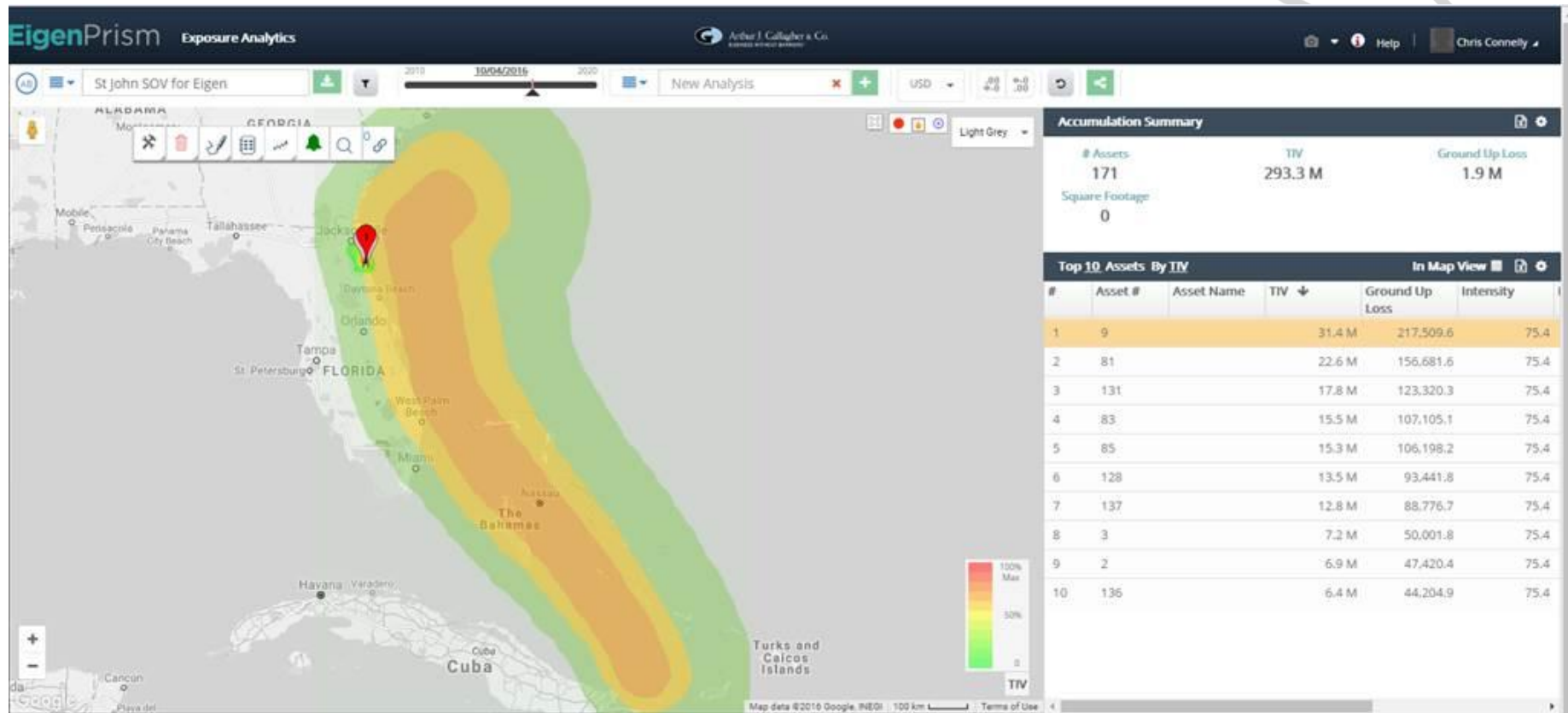
Event Simulation

- Hurricane Ike Example



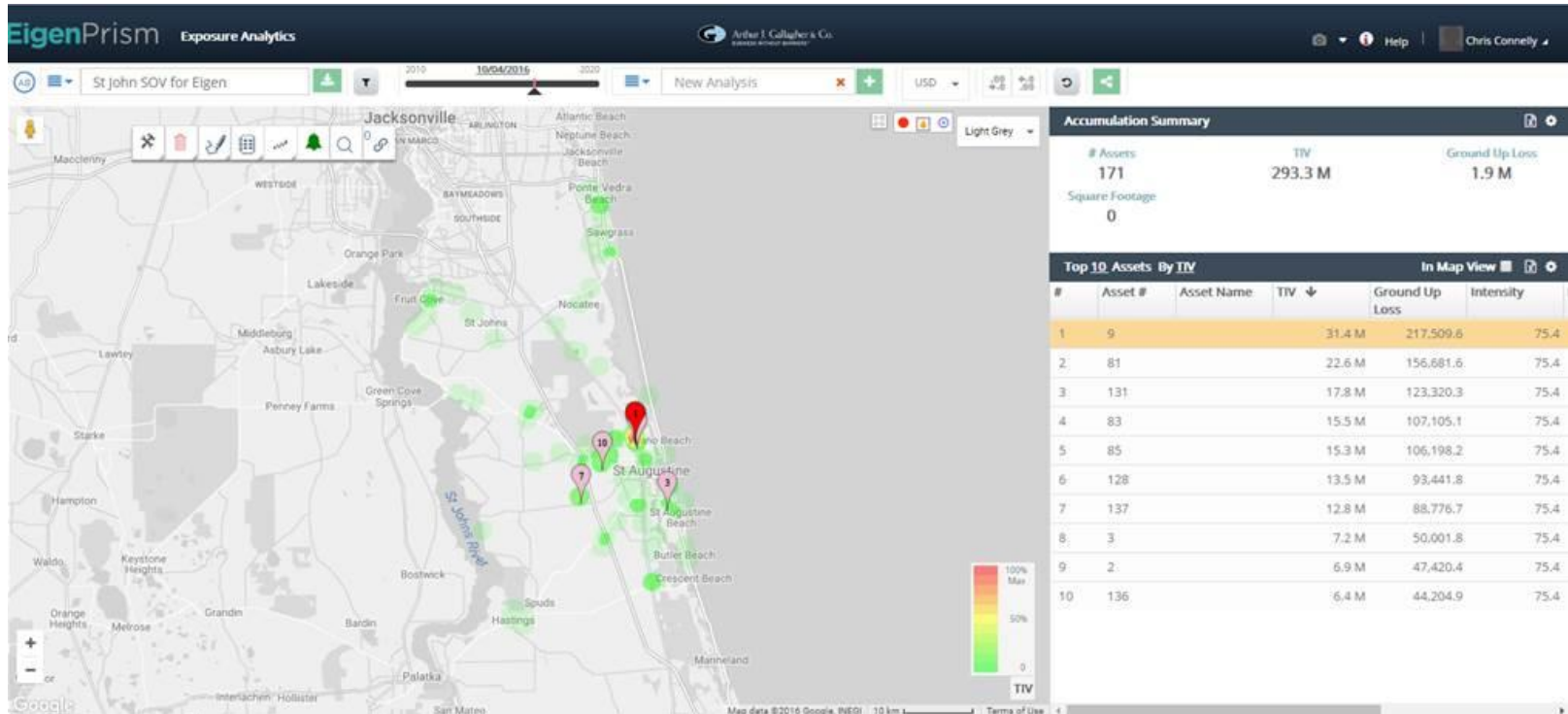
Real-time Event Modeling

- 2017 Example – Hurricane Matthew



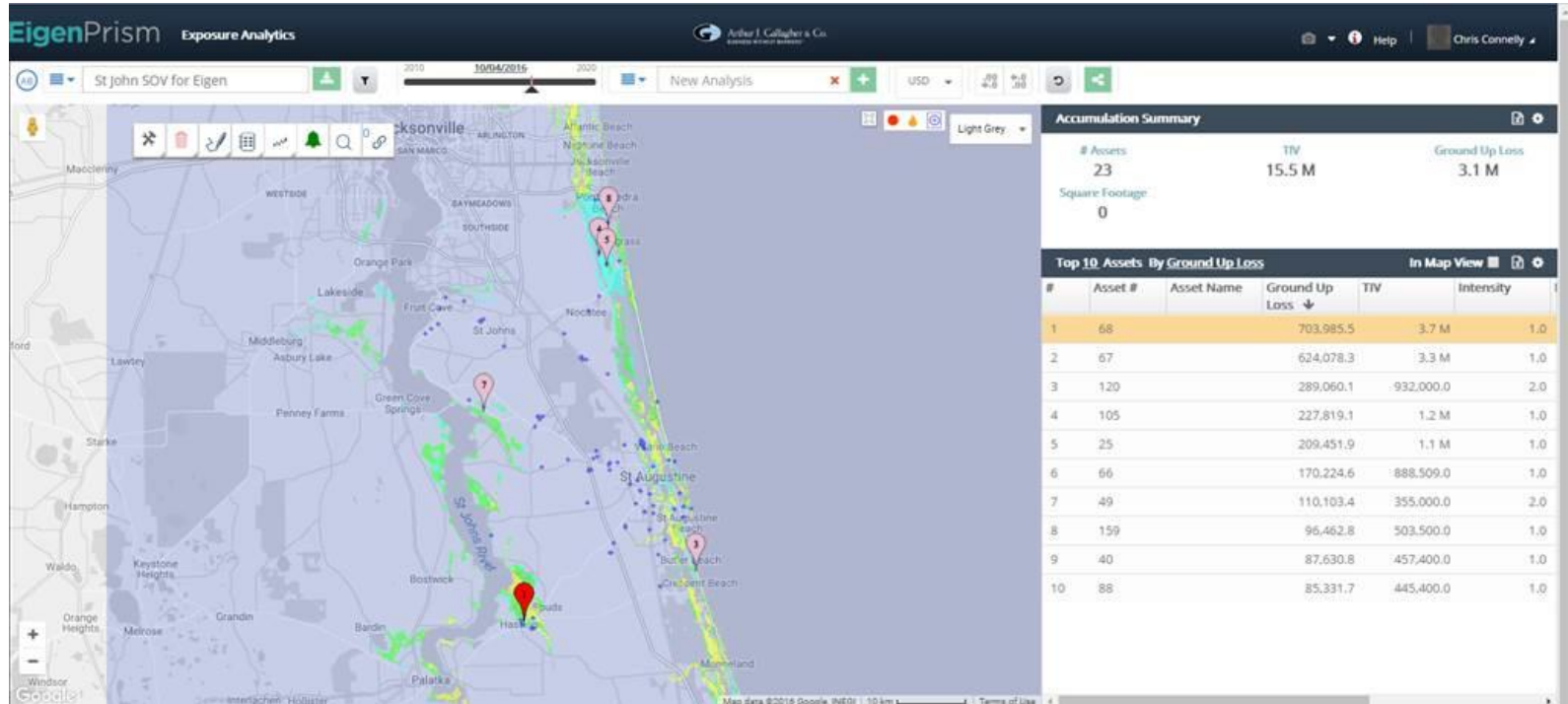
Real-Time Event Modeling

- 2017 Example – Hurricane Matthew
– Concentration of Insured Assets



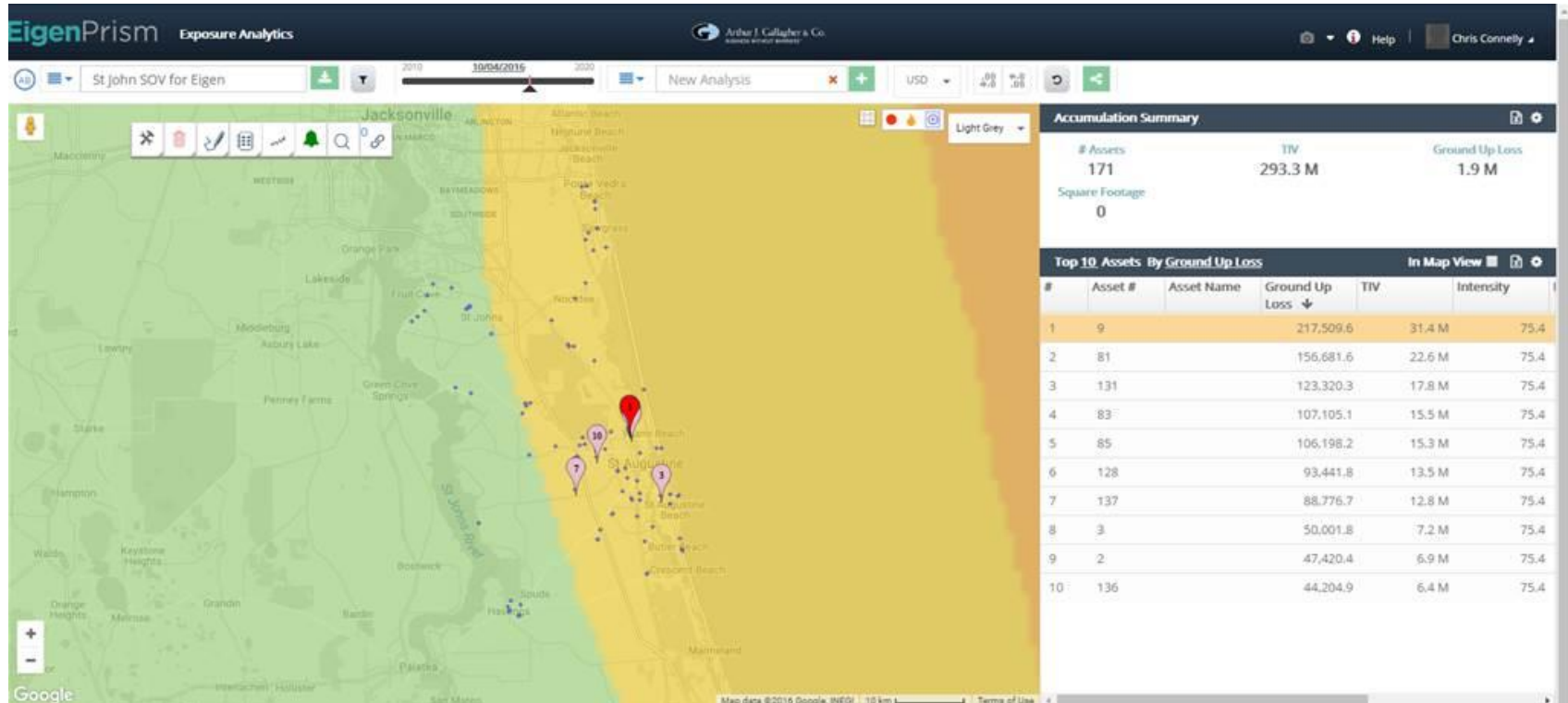
Real-Time Event Modeling

- 2017 Example – Hurricane Matthew
– Real-time Storm Surge Potential



Real-Time Event Modeling

- 2017 Example – Hurricane Matthew
– Real-time Wind Damage Potential



Obtaining More Information

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