

MEMORANDUM

TO: Audit and Enterprise Risk Committee¹
Board of Trustees

FROM: Steve Schultz, SVP and General Counsel

CC: Mung Chiang President
Chris Ruhl, EVP, Treasurer and Chief Financial Officer
Mark Kebert, Executive Director and Chief Risk Officer

DATE: December 8, 2025

RE: Ratification of Property Insurance Policy (2025-2026)

Purpose: This memo seeks your ratification of the University's procurement of a property insurance policy for the 2025-2026 insurance year, which commences on September 30th.

Background: As you know, the Office of Risk Management (ORM), under Mark Kebert's leadership, annually renews our insurance coverages, and it has done so in recent years under difficult market conditions. Still, despite premium increases, ORM continues to be able to obtain property insurance on reasonable terms.

Discussion: Property insurance quoted by our incumbent underwriter, FM, remains the most cost-effective program with the greatest breadth of coverage and notable claims expertise in research equipment. The following discussion presents key terms and considerations underlying this policy.

- **Policy Terms and Limits:** Terms are substantially the same as those in the policy expiring for the current insurance year. Renewal is annually on September 30th. Coverage limits are \$1.5 billion.
- **Retentions:** \$500,000, except for the Wade Power Plant which is \$1,000,000.
- **Premium: \$3,745,014**

The above annual premium reflects a negotiated rate decrease of approximately 5% under the most recent one paid on the expiring policy. Building values, which include new construction increased by an inflationary amount of approximately 2.4%.

The Bylaws provide that Board approval is not required for obligations relating to normal and routine operations, and we generally consider our insurance policies to be in that category. However, because of the materiality of this property insurance policy (entailing total premiums in excess of \$2 million), full Board approval is required pursuant to Article VII, Section 1(e) of the Bylaws.

¹ It should be noted that, although the cognizant board committee for approval of the property insurance policy has historically been the Finance Committee (due to the materiality of premium expenditures in excess of \$2 million), we have now moved this ratification to the Audit and Enterprise Risk Committee to be handled as part of the ORM Annual Report, since full Board of Trustee approval is ultimately required anyway.

Requested Action: We respectfully request **ratification** of this year's property insurance contract with FM via this Committee's review and approval (and subsequent action by the Board via the consent agenda). Consistent with our practice in recent years, and because coverage needed to be bound by September 30th (the end of the insurance year), we already finalized the terms with FM and secured the policy in September.

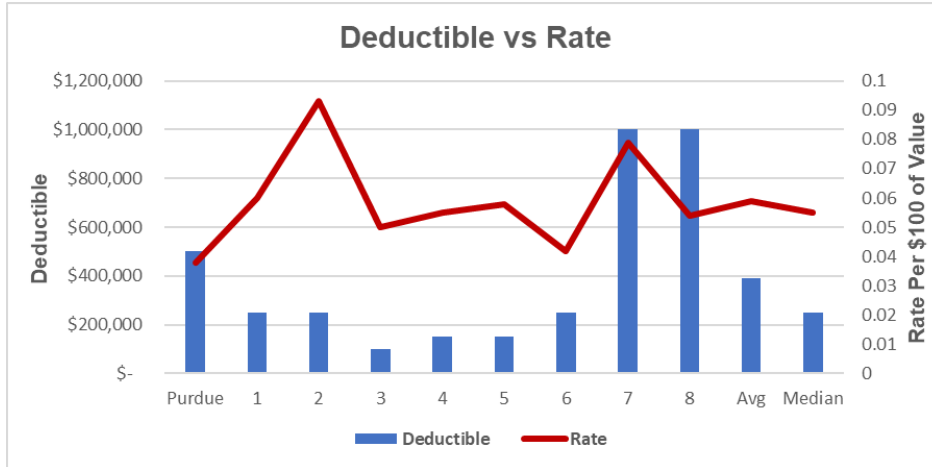
Additional details are provided in the ORM Annual Report that has been provided under separate cover. What follows are current observations from Mark Kebert regarding the state of the property insurance market:

- **Challenges faced.** The current insurance environment remains a "hard market." for the education industry. The following challenges in the market can be noted:
 - Climate and Catastrophe: Rising disaster frequency and reinsurance tightening.
 - Premiums and Capacity: Premium hikes, reduced coverages, higher deductibles demanded.
 - Research and Interruption: High value research exposures and business interruptions.
 - Valuation and Underwriting: Valuation inaccuracies found in total insured values reported.
 - Mitigation and Resilience: Historically inadequate investment in mitigation and resiliency.
 - It remains difficult to find appropriate coverage capacity (i.e., acceptable policy limits) with affordable retentions.
 - It is also difficult to find reasonable and adequate policy sublimit for important special coverages, such as research animals, the herbarium collection, terrorism, flood, builders risk construction, and similar risks in the University's profile.

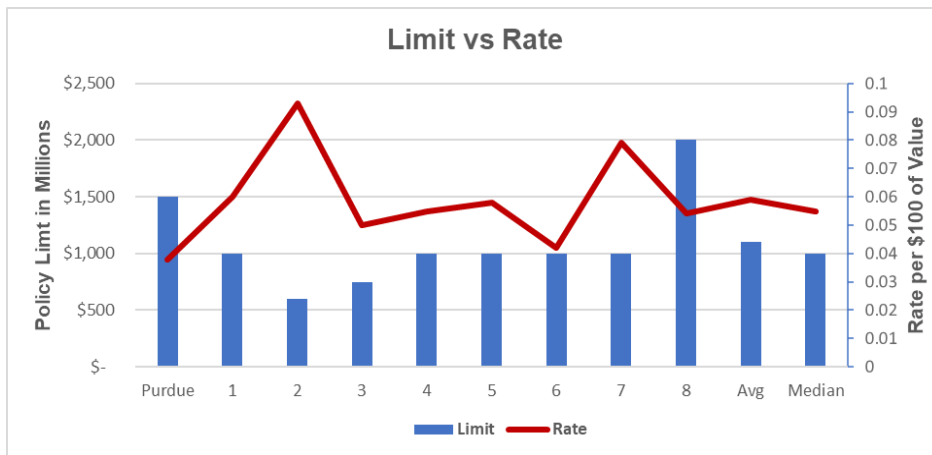
- **Wins:**
 - FM provided Purdue with a \$481,635 premium credit, granted as a membership credit for renewing with FM. Since FM is a mutual company owned by its policy holders, a membership credit is accorded to members who renew as a reward for their continued partnership. This is a nice feature of the FM relationship.
 - Purdue is apart from its peers in that we are able to showcase our robust loss prevention and loss mitigation programs that differentiate us from peers. This was reflected in the proposals we received. We outperform our peers in almost every area cited above as an industry underwriting concern.
 - Purdue was provided with an additional premium credit of \$240,817 due to FM's resiliency credit program for risk reduction solutions.
 - We were able to retain capacity (policy coverage limits) of \$1.5 billion under one primary insurer, versus the need to resort to a quota share program underwritten by multiple insurers. Use of a single insurer remains the most cost-effective option in the industry.
 - The benchmarking data below demonstrates Purdue's rate pricing is reasonable, considering its retention and higher limits (i.e., greater coverage) when compared to its peers.
 - The first graph below depicts a comparison between peer deductibles (or retention) and rates charged per \$100 of insured value. Purdue has a retention level of \$500,000, which is in line with its peers.

- The second graph depicts policy limits purchased compared to the rate paid per \$100 of insured value. Purdue purchases hire limits than many of its peers, but has a lower rate than the peer group. Purdue's rate is .037 per \$100 of insured value, whereas the peer group average is .059 with a median of .055.

- **Benchmarking Data:**



Purdue Deductible: \$500,000
 Median Deductible: \$250,000
 Average Deductible: \$388,889



Purdue Rate: .037
 Median Rate: .055
 Average Rate: .059