B.2

Presentation for Insurance Broker Services

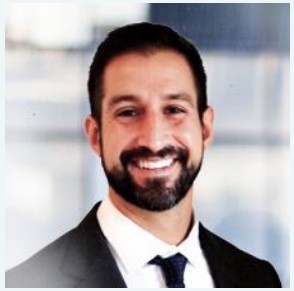
State of Arkansas –
Bureau of Legislative Research

February 28, 2025

Aon

01 Introductions

Aon Presenters



Mark Sulek
National Public Sector

Morgan Mulherin
Lead Property Broker

Todd Denton
Local Team Leader

Britain Brady
Local Team Support

02 Why Aon

Why Aon

Timing, Transition & Execution

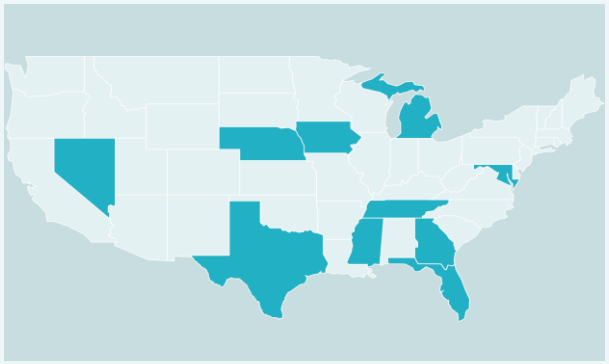
We know timing is critical which is why we are committed to ensuring the State has **coverage in place by 7/1** starting with a plan for Day 1.

Material Projected Cost Savings

Aon has reviewed the information provided and is confident we can **achieve 20%+ cost savings for the State** in the first year.

This is What We Do

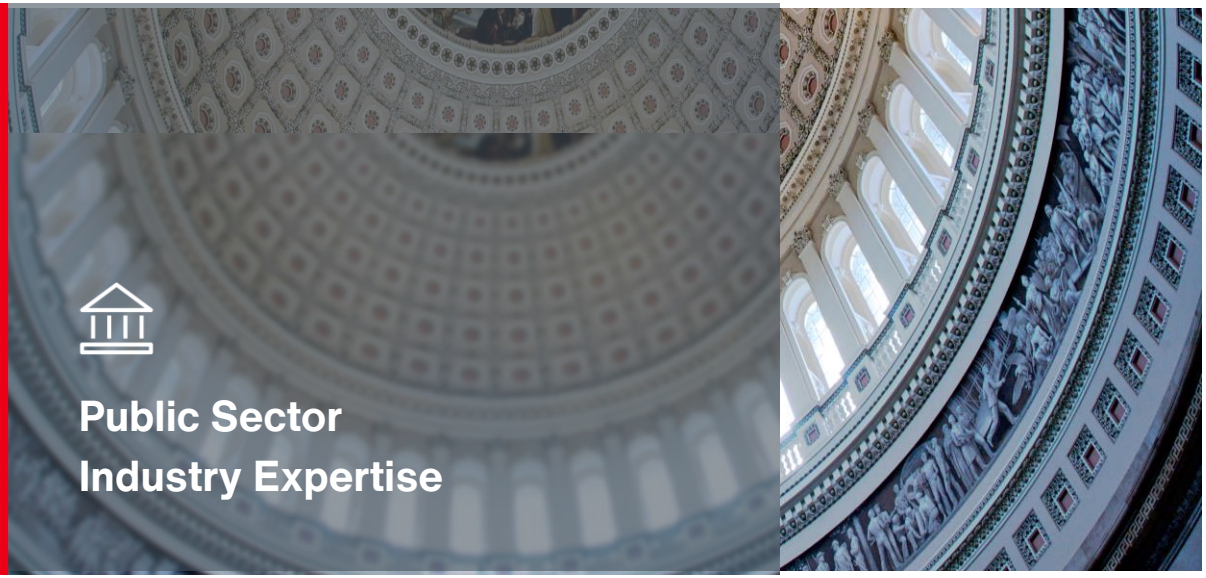
We have over **1,000 clients** and have been **serving governmental entities for over 40 years.**



Global Market Reach & Access

We are **the largest pure property placement broker** and the **largest global reinsurer.**

National Public Sector Practice Overview



Broking Fast Facts

Aon's strategy of organizing our professional resources by industry specialization and product expertise, combined with our strategic account management service concept, provides the optimal platform to deliver focused cost-effective services to complex risks like those of the State of Arkansas.

Due to our great depth of intellectual capital, proprietary services, and strategic approach, Aon is the preferred choice as a partner for managing risk by many complex public sector organizations across the country.

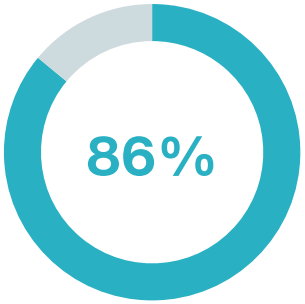
$700M-$800M

U.S. premium dollars
placed per year

We serve

1,114 clients

in the public sector industry

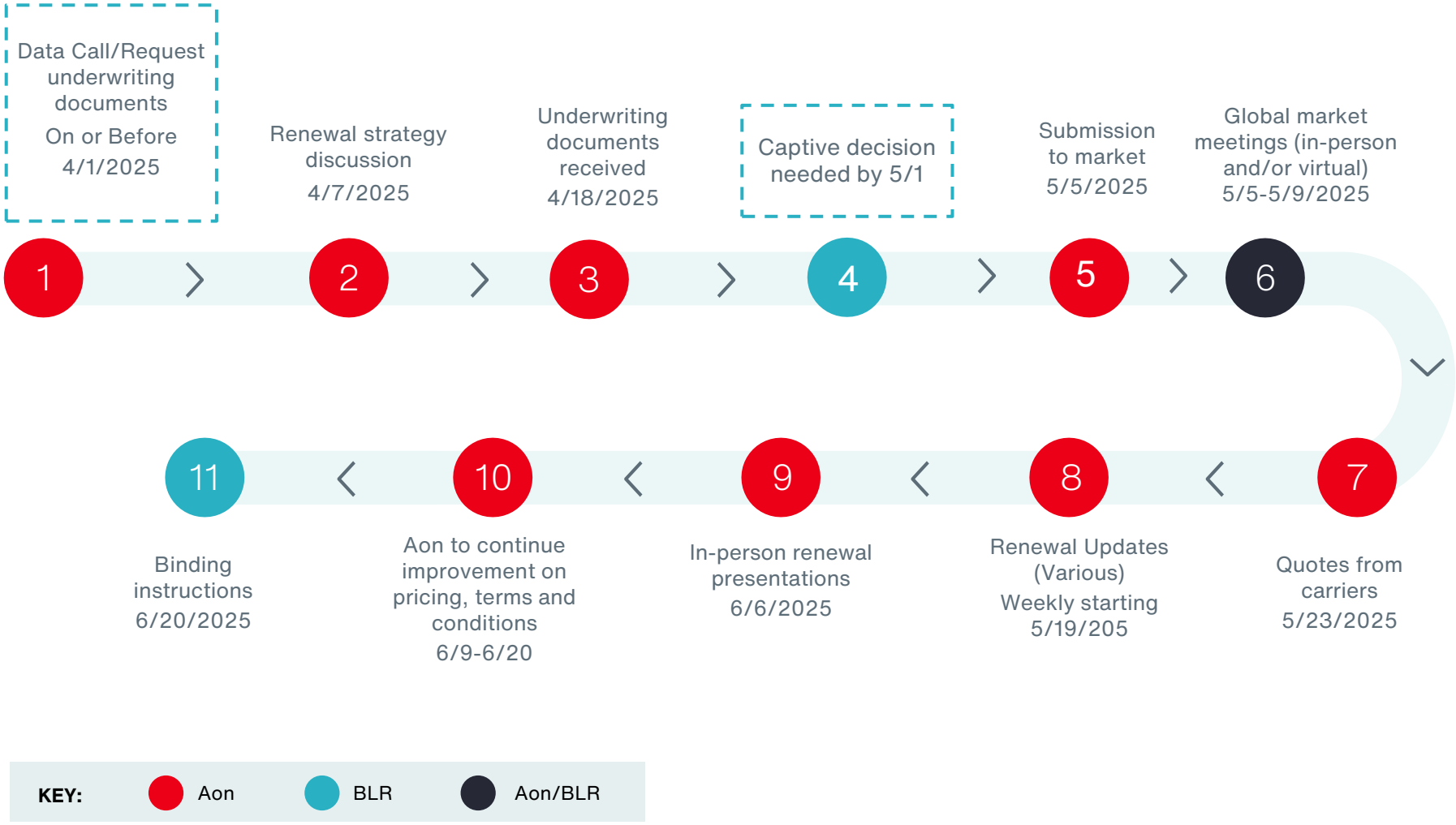


retention rate

04 Program Overview

Timeline to July 1, 2025

We Have A Plan Starting on Day 1



Opportunities & Solutions

01	Maximize cost saving for “As-Is” program	→	Deliver a significant 20%+ rate reduction for “As-Is” programs, driving substantial cost savings
02	Strategic, long-term approach to combine programs	→	Substantial cost savings from combining programs, driven by economies of scale, and elimination of the need for multiple primary layers
03	Improve upon Current CAT limits & increase sublimits for a more robust program	→	Leverage Aon’s advanced analytics to optimize CAT limits, ensuring effective balance sheet protection, while securing higher sublimits (excl. CAT) at little to no additional cost
04	Utilize Aon’s large market access to reduce frictional cost	→	Optimize distribution channel by leveraging more efficient market access point. Utilize Global Broking Centers & ACT capacity
05	“Change the Box” Better deployment of carrier capacity	→	Stretch capacity; ventilate with reinsurance if needed

Current Program Analysis — Terms and Conditions

01 Flood Limits [1]
Recommended Limit: *$125M - $150M all Flood, $50M SFHA – APSIT, AMAIT, ASBA*

02 Earth Movement Limits [2]
Recommended Limit: *$125M - $150M APSIT; $150M NM EM AMAIT*

03 Remove Maximum Amount Payable Clause

04 Newly Acquired & Property in Course of Construction
Increase all to $50M

05 Miscellaneous Unnamed Locations
Increase all to $25M

06 Extended Period of Indemnity
Increase all to 365 Days

07 Off Premises Service Interruption
Increase all to $25M

08 Expediting Expenses
Increase all to $25M

1 NFIP policies not provided, if currently purchased
2 Policy for ASBA not provided; current limits may be adequate.

Program Design & Strategy

01

Optimal Program design
- Loss Limit Determination
- Aggregation of Values
- Exposure to Perils
- CAT Limits Needed

02

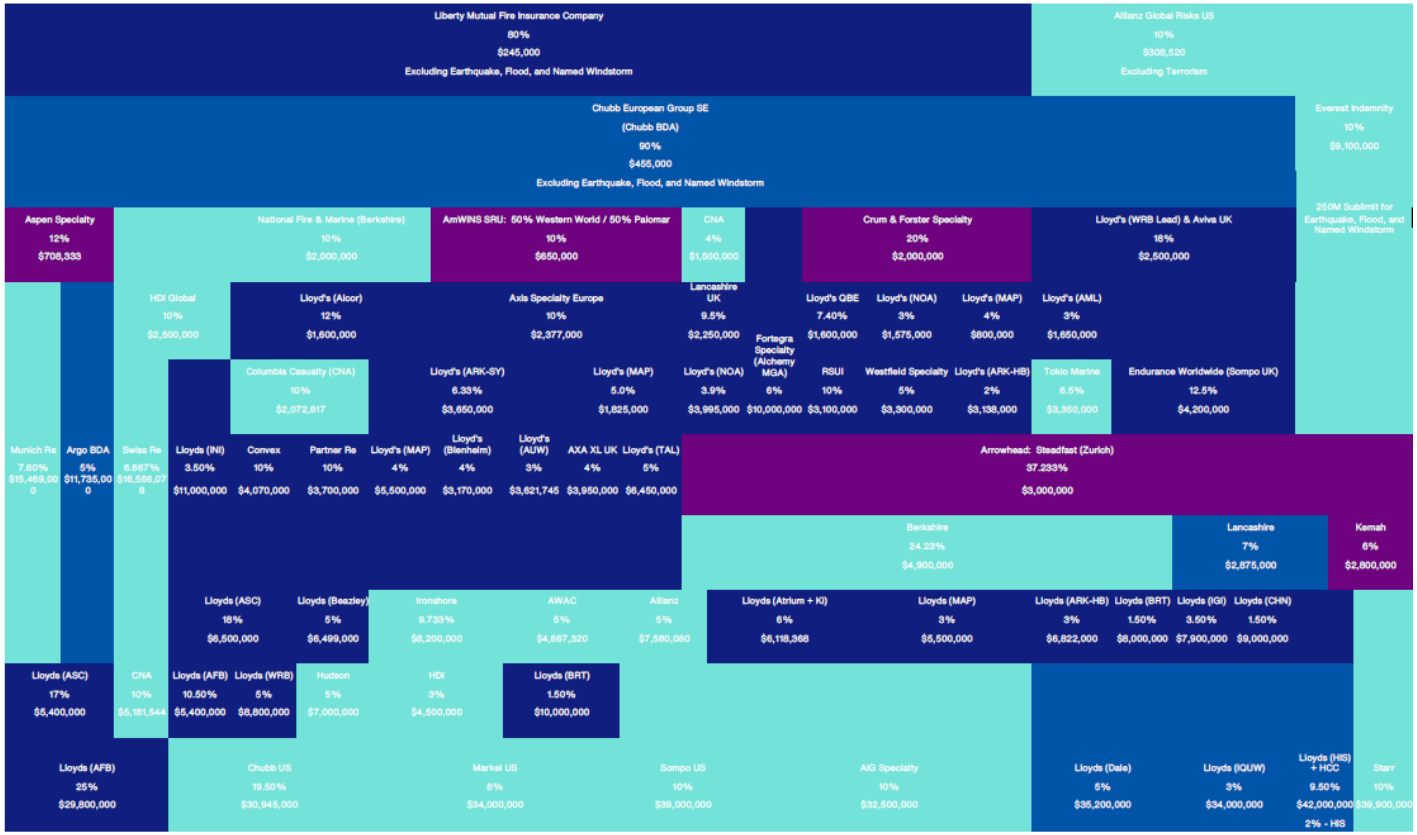
Layer Structure Alignment
- Tailor layers to insurer risk appetite
- Identify Average Annual Loss/Probable Maximum Loss breaks to optimize insurer capacity

03

AAL Insights for Retention Adjustment
- Understand AALs per layer to guide retention adjustments for maximum return

04

Go-to-Market Strategy
- Execute a global strategy with unrestricted access
- Strategy ready to be executed regardless of utilization of captive or not



Example schematic only

Our Strategy for BLR

Phase 1

Discovery Driven by Data & Analytics

Phase 2

Design Strategic Use of Capital / Placement Design

Phase 3

Go to Market Strategy Delivering Retail, Reinsurance, and Capital Markets Solutions

Go to Market Strategy

Aon United Approach

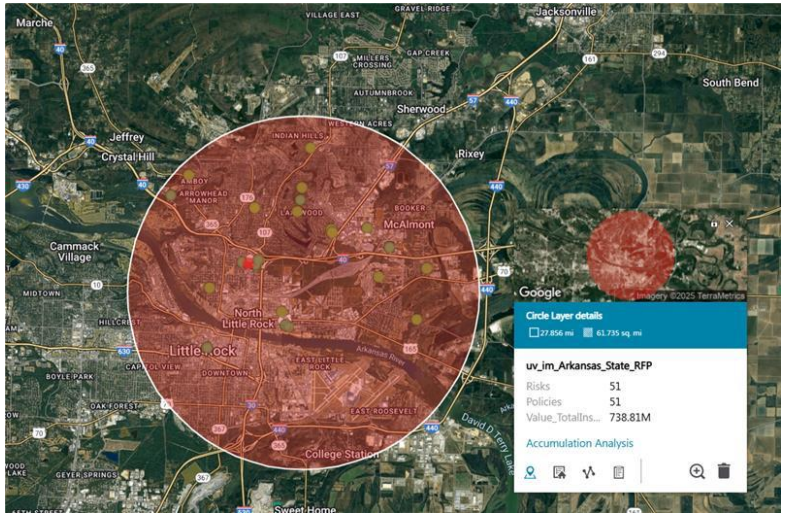
Aon delivers borderless broking and accesses insurers/reinsurers in every financial market globally.

- Our Aon platform provides the flexibility to access the entire global insurance value chain
- Consistent messaging to (re)insurers and capital markets among all capacity access points
- The coordination of global capacity creates an additional layer of healthy competition in securing the most beneficial capacity for BLR
- **Access to exclusive Aon Client Treaty (ACT) 28.5% capacity / 1.5% client dividend**

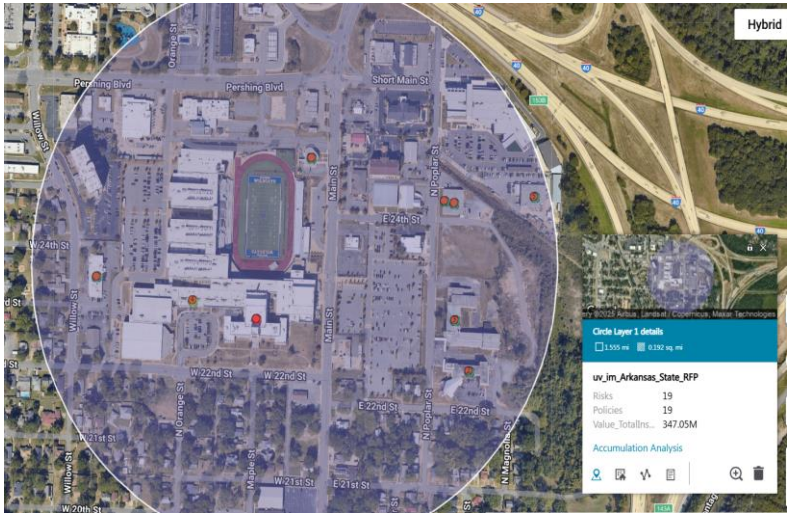
Public Sector Practice

Best In-Class Data & Analytics

Aon's Impact On Demand (IOD) – *APSIT* Analytics Tool Utilized for Property Placement



Little Rock, AR – 27 miles; $738M

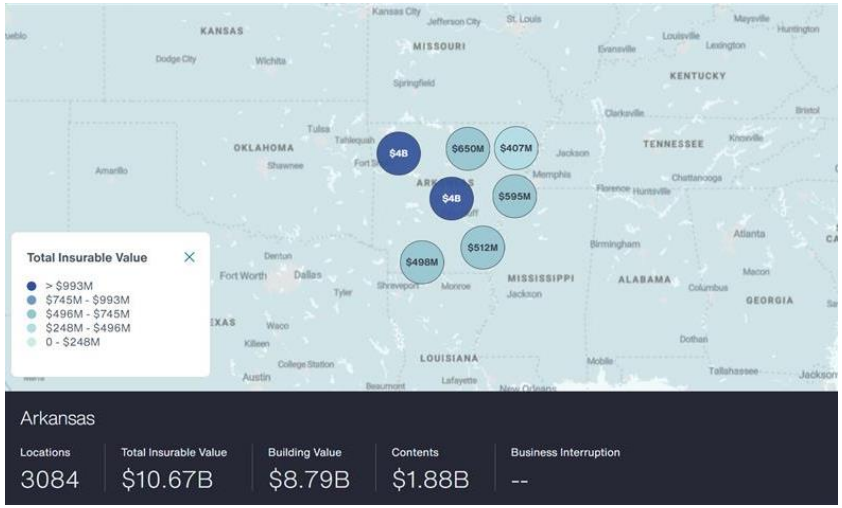


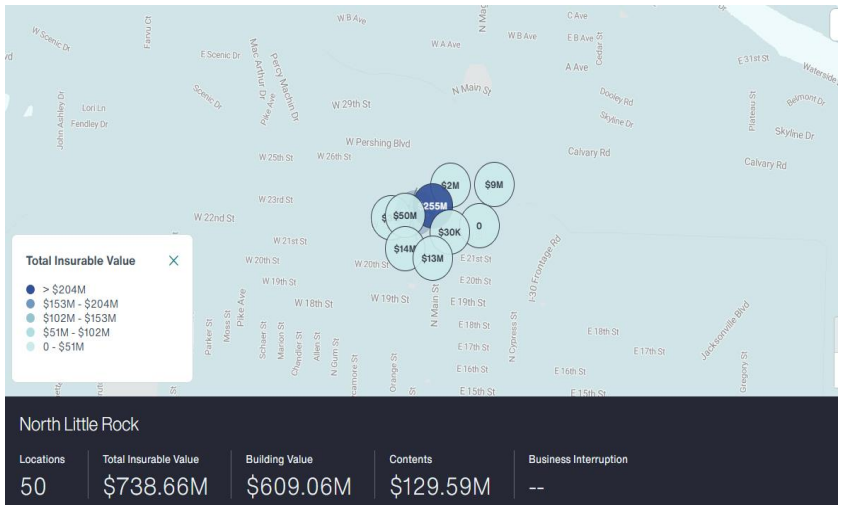
Little Rock, AR – 1.5 miles; $347M

Severe Convective Storm			
Loss Statistic	**Ground Up Loss**	**Client Loss**	**Insured Loss**
0.01% One in 10,000-year event	$422,008,768	$250,000	$421,758,752
0.02% One in 5,000-year event	$219,641,888	$250,000	$219,391,888
0.10% One in 1,000-year event	$160,685,648	$250,000	$160,435,648
0.20% One in 500-year event	$134,052,768	$250,000	$133,802,768
0.40% One in 250-year event	$93,835,168	$250,000	$127,784,120
Average Annual Loss			$4,118,480

Best In-Class Data & Analytics

Aon's Property Risk Analyzer - *APSIT Program for Example*





All Perils				
Loss Statistic	**Ground Up Loss**	**Client Loss**	**Insurable Loss**	**Insured Loss**
0.01% One in 10,000-year event	$722,653,632	$103,850,032	$667,315,648	$421,758,752
0.02% One in 5,000-year event	$685,635,264	$55,337,988	$630,297,280	$219,391,888
0.10% One in 1,000-year event	$261,938,192	$55,337,988	$219,391,888	$171,126,384
0.20% One in 500-year event	$193,277,792	$55,337,988	$171,126,384	$134,442,960
0.40% One in 250-year event	$139,852,656	$25,778,618	$135,573,280	$100,000,000
Average Annual Loss				$7,042,741

07 Pricing Transparency

Our Commitment to Transparency

Aon clients are long-term partners because of our exceptional service and commitment to transparency

01

Compensation Approach

- Flat fee.
- Fully disclose any other direct or indirect compensation.
- Transparency regarding utilization of wholesale and internationally domiciled facilities.

02

Domestic Intermediaries

- Encourage access directly.
- Use of intermediaries for E&S markets.
- No own domestic wholesale facilities.
- Partner with non-owned domestic firms.
- Preserve Aon's independence.
- Avoids conflicts of interest and costs.
- Compensated directly from carrier.
- Mutually agreed capped commission.

03

International Intermediaries

- Global capacity essential to BLR needs.
- Most prominent; London/Bermuda.
- Require locally domiciled intermediaries.
- Owned facilities in both geographies.
- Greater control and transparency.
- Aon Ltd. compensated directly by carrier.
- Mutually agreed capped commission.

Thank You