Q4 2025

Markets in Focus

EDUCATION

K-12 & Higher Education

Insurance Pricing & Market Update

INTRODUCTION

Educational institutions are navigating a complex mix of internal pressures, external forces, and emerging risks that influence every strategic decision across the sector. Shrinking budgets, declining enrollment, staffing shortages, and escalating compensation demands—combined with rising property costs, rapid technology shifts, and evolving regulations—are converging to create a highly challenging environment that threatens the future of education.

BUDGET CONCERNS

Operational costs are increasing faster than inflation, while tuition revenue remains variable. Timing creates a particular vulnerability when enrollment projections are missed or unexpected mid-year expenses arise. Issues such as mid-year student transfers to temporary closing facilities have caused private K-12 schools to struggle with operating income and reporting business income. Schools face uncertainty over whether to classify the issue as a business loss under current reporting requirements. Many miscalculate business income by relying solely on annual tuition figures, overlooking additional expenses and the timing of when tuition is collected and earned. Inaccurate or delayed financial reporting often hinders timely corrective action.

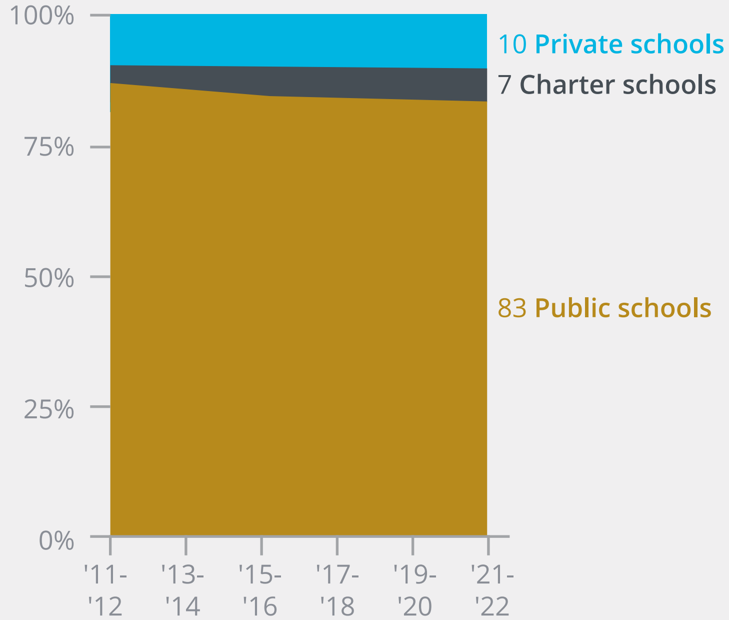
Higher education institutions face budget challenges due to enrollment shortfalls, particularly among international students, which necessitate cuts in programs and departments, staffing reductions, and operational reductions and directly affect educational missions.

ENROLLMENT SHIFTS

A decline in enrollment signifies a significant risk for educational institutions. This enrollment shift and decline are creating a demographic squeeze throughout all levels of education. This is a concern for private K-12 institutions, where tuition is often the primary source of income. While the total number of K-12 students is decreasing, studies suggest the effect is more profound in public schools than in private or charter schools.

TRADITIONAL PUBLIC SCHOOLS MAKE UP THE BULK OF U.S. ENROLLMENT

% OF TOTAL ENROLLMENT, BY SCHOOL YEAR



Note: Public and charter school figures include students in prekindergarten through 12th grade. Private school data includes pre-K students in schools that offer kindergarten or a higher grade.

Source: U.S. public, private, and charter schools in 5 charts[1]

Through 2021, estimates suggest that private school enrollment rebounded from the decline just ten years earlier, while charter schools have seen steady growth since 2011. It remains challenging to track private school enrollment, making it difficult to determine overall K-12 student enrollment. Census data shows 11.8% of U.S. students attended private schools in 2022, though finding reliable current data remains challenging compared to public school enrollment tracking.[2] While 46% of private schools reported enrollment increases over 2022-2023, retaining these families remains difficult amid tuition increases and economic uncertainty.[3] Higher education is facing similar pressures, including reduced foreign student enrollment, further impacting the sector.

STAFFING SHORTAGES

Teacher and staff shortages represent a crisis affecting learning quality, operational costs, and institutional stability across all education sectors. Forty-five states reported special education teacher shortages in 2024-25, and the labor market remains challenging, with difficulty finding qualified educators and the cost of hiring new educators continuing to grow rapidly.[4]

Often, these shortages require schools to hire uncertified teachers, rely on substitutes, increase class sizes, or cancel courses, undermining student achievement and creating potential risk exposures. The costs are substantial, ranging from $12,000 to $25,000 per teacher who leaves. And, benefit costs, including pensions and health insurance, are rising faster than inflation. Staffing shortages in special education are particularly acute and have led to increased litigation between districts and families over missed services.

PROPERTY

While there has been some plateauing in property rates for educational institutions, it is not the dramatic decline in rates or terms and conditions seen in other industries or at the reinsurance level. Many institutions are covered in the standard property market, which remains fairly challenging, and expectations are for single-digit rate increases in 2026.

Catastrophic events are also fueling challenges in property coverage. The Southern California wildfires last January demonstrated that the property market as a whole was undervalued by approximately 50%. Beyond named storms, significant wind, hail, and wildfire exposures have generated substantial claims over the past 12 months. The 2024 flooding in North Carolina caused severe damage to several college campuses that remained closed for months. As carriers review property, institutions should expect renewal pricing to be based on the updated valuation, which affects insurance rates and replacement costs.

These catastrophic losses are driving property insurers to scrutinize replacement cost valuations more carefully and demand higher premiums. The insurance implications extend beyond premium increases—rising construction costs mean that underinsured properties face potentially devastating gaps in coverage when losses occur.

TECHNOLOGY

Technology presents both opportunities and significant risks for educational institutions. Artificial intelligence offers potential benefits for classroom instruction and administrative efficiency, yet also raises concerns about academic integrity, data privacy, and the replacement of authentic educational experiences with AI-generated content.

Cybersecurity threats represent a more immediate and costly concern. Education remains among the most targeted industries for attacks; 80% of school IT professionals reported an increase in ransomware attacks in the last year, up from 56% in 2022,[5] and cyber-attacks were up 47% in Q1 2025. The 2023 MOVEit breach exemplified third-party vulnerability, affecting numerous educational institutions, including the National Student Clearinghouse, when hackers exploited file-transfer software, exposing sensitive student data such as names, birth dates, and Social Security numbers.

EVOLVING REGULATIONS

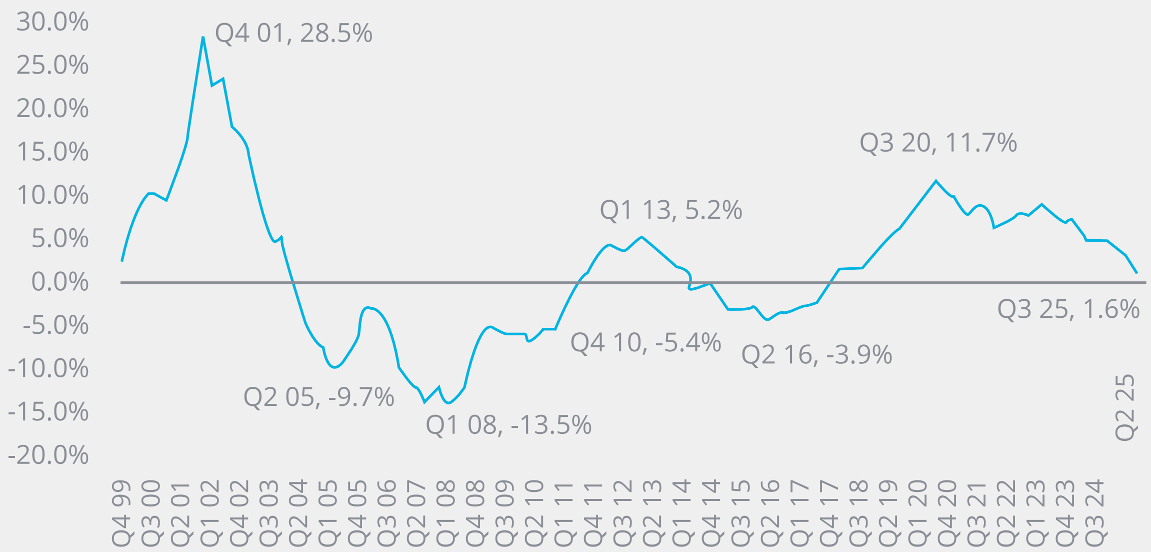
The regulatory landscape for educational institutions is shifting in contradictory directions. For K-12 private schools, some states are relaxing restrictions and expanding school choice programs through vouchers and tax credits. However, these programs create enrollment and financial uncertainty for both private and public schools, as funding follows students in unpredictable patterns.

Simultaneously, curriculum scrutiny is intensifying for both K-12 and higher education institutions. Schools face increased oversight regarding what is taught and how educational content is delivered, creating potential compliance challenges and liability exposures. The U.S. Department of Education continues outsourcing program management to other agencies, potentially creating additional administrative complexity and compliance requirements for educational institutions.[6]

These regulatory shifts compound existing challenges as schools must adapt to changing requirements while managing financial constraints, enrollment volatility, and operational pressures. The divergent regulatory trends—deregulation in some areas, increased scrutiny in others—create uncertainty that affects institutional planning and risk management strategies.

MARKET OUTLOOK

AVERAGE PREMIUM CHANGE, Q4 1999-Q3 2025



Source: CIAB Commercial Property/Casualty Market Index Q3 2025[7]

PROPERTY

While property insurance across many industries is experiencing a softer market, this is not the case in education. The standard market remains challenging, with carriers looking at location and loss history. Many school properties are likely undervalued, which could also lead to higher premiums even if rates fall or remain unchanged.

+ Though rates have plateaued, schools are not realizing a softening in the standard market for rates or terms and conditions, and could expect increases of 6% or higher.
+ Schools currently covered in a shared layered program could realize decreased rates with the expansion of new capacity.
+ Property values could be undervalued by as much as 50%.
+ Replacement and construction costs are likely to increase, especially as properties are reevaluated.
+ Even with a quiet Q3 for catastrophic events, carriers are still looking at location and loss history as a key consideration in determining rates.

CASUALTY

Social inflation continues to be a significant burden. Enrollment and staffing issues will drive rates, especially when carriers consider business income and liability. Technology is driving change and creating risks, especially with third-party exposures.

General Liability

+ Teacher retention is an issue, as the replacement costs can reach $20,000. Some schools are hiring non-certified teachers or substitutes as replacements, which can raise liability concerns.

+ Social inflation remains a factor driving up litigation costs.

+ Long tail coverages, whether employment-related or abuse-related, are the driving factors for rates on the liability lines. Few, if any, carriers anticipate a reduction in rate for liability.

Excess Liability

+ Umbrella continues to see the highest rate increases among casualty coverages. Driven by a persistently challenging legal environment with large settlements and nuclear and thermonuclear verdicts.

+ Rate moderation is anticipated in Q1-Q2 2026, particularly on shared and layered programs, as additional capacity enters the market; stabilization expected by Q3 2026.

+ E&S marketplace continues to play a critical role for high-hazard and litigation-exposed risks, offering flexible capacity where standard markets remain cautious.

+ The excess market remains challenged, with carriers reducing limit capacity in response to sustained high claims costs.

Auto

+ Upward rate pressure expected to continue into 2026, driven by rising repair costs, medical inflation, and overall severity trends.
+ Social inflation and increased accident frequency are contributing to sustained loss cost escalation, particularly for commercial fleets and high-mileage exposures.
+ Advanced vehicle technology and higher parts costs are pushing physical damage claims upward, despite improvements in safety features.
+ E&S marketplace auto premiums grew by 29.1% in the first half of 2025.
+ Carrier underwriting discipline remains strong, with tighter controls on driver safety programs and telematics adoption influencing pricing and terms.

Workers' Compensation

+ Market conditions remain generally soft nationwide, but California is an exception, with hardening trends and rate increases across most classifications.
+ WCIRB has proposed an 8.7% increase in advisory pure premium rates effective September 1, 2025, signaling upward pressure on California pricing into 2026.
+ Carrier participation in California continues to shrink, with some insurers withdrawing due to profitability concerns and litigation trends.
+ At audit, insurers are closely scrutinizing class codes and payroll allocations for accuracy, reflecting heightened underwriting discipline.

Cyber

There is increased competition in this space, but rates have risen as well. Technology-related risks are under greater scrutiny, particularly third-party risks. The MOVEit breach continues to haunt the industry. As AI becomes more deeply embedded into operations and classrooms, ethical concerns such as bias, privacy, and security are emerging.

+ Competition in this line has increased over the last decade, with nearly 20 new carriers entering the market.
+ Even with increased capacity, rates in this line have outpaced inflation over the past 10 years.
+ Educational institutions remain a top target for cyberattacks.
+ Insurers are focused on contractual language around third-party exposures, particularly vendor responsibilities and risk transfers.
+ Risks now extend beyond IT to include operational technologies (OT), IoT devices, and cloud-connected assets, which demand greater specificity in policy endorsements, conditions, and exclusions.

MARKET FORECAST

As we look ahead, market conditions continue to evolve across multiple lines of coverage. While pressures such as social inflation persist, their impact varies by coverage and individual risk profile. Enrollment and staffing challenges are influencing liability, workers' compensation, and business income exposures. At the same time, ongoing technology advancements, though largely beneficial, are introducing new areas of exposure, particularly related to third-party vendors and data security, requiring carriers to adapt underwriting approaches. Property rate expectations remain mixed, with outcomes ranging from modest decreases to more noticeable increases depending on location, values, and catastrophe exposure. Liability lines, including general liability and educator's legal liability, are expected to see continued, though measured, upward rate adjustments. Understanding these trends supports thoughtful planning, budgeting, and risk-management decisions in the year ahead.

ANTICIPATED RATE ADJUSTMENTS

Property Standard	4% to 30%+
Property E&S (CAT)	-5% to 5%
General Liability (GL)	8% to 25%
Educator's Legal Liability (ELL)	8% to 30%
Excess Liability	8% to 20%
Automobile	8% to 15%
Workers' Compensation (WC)	-5% to 5%

Sources:

1 Schaeffer, Katherine. (2024, June 6). *U.S. public, private, and charter schools in 5 charts. Pew Research Center*. https://www.pewresearch.org/short-reads/2024/06/06/us-public-private-and-charter-schools-in-5-charts/#:~:text=Private%20school%20students%20have%20consistently%20made%20up,peak%20of%20almost%205.8%20million%20in%202015.

2 Riser-Kositsky, Maya. (2025, April 16). *The U.S. Private School Market: An Explainer*. EdWeek. https://marketbrief.edweek.org/education-market/the-u-s-private-school-market-an-explainer/2025/04

3 Gleason, Connor. (n/a). *This Year's Challenges & Opportunities for Private Schools*. Finalsite. https://www.finalsite.com/blog/p/~board/b/post/opportunities-for-private-school-trends

4 Learning Policy Institute. (2025, July 16). *An Overview of Teacher Shortages: 2025*. Learning Policy Institute. https://learningpolicyinstitute.org/product/overview-teacher-shortages-2025-factsheet

5 Gleason, Connor. (n/a).

6 Arundel, Kara. (2025, November 18). *Education Department outsources program management to other agencies*. K-12 Dive. https://www.k12dive.com/news/education-department-outsources-program-management-interagency-agreements/805819/

7 Vasile, N. and West, Z. (2025, November 17). *Soft market clear in Q3 2025, Commercial Property/Casualty Market Index Q3 2025*. Council of Insurance Agents and Brokers. https://www.ciab.com/resources/soft-market-clear-in-q3-2025-according-to-the-council-of-insurance-agents-brokers-quarterly-p-c-market-survey/

GUIDANCE

BEGIN THE RENEWAL PROCESS EARLY

Partner with your broker early to prepare for any changes to increase greater renewal success.

REFINE YOUR STATEMENT OF VALUES

It is important to review, update, and confirm your statement of values (SOV). Ensure your SOV reflects accurate property details and updates. This is crucial as property insurance constitutes a significant portion of your premium. Carriers are keen on accurate valuations, with construction costs rising due to inflation.

PARTNER WITH INDUSTRY EXPERTS

It is crucial to work with your broker's industry experts, who understand the nuances of risk for educational-based institutions and the market when placing the specific risk. Collaborating with a team that can best represent your institution and partner with you is more critical than ever in this disciplined market.

HIGHLIGHT CYBER SECURITY & PROACTIVE RISK MANAGEMENT

We have a team solely dedicated to helping your institution manage cyber risks. We offer expert assistance, including coverage analysis, financial loss exposure benchmarking, contract language review, in-depth cyber threat analysis, and strategic development of comprehensive, high-value cyber insurance programs.

ENGAGE LOSS CONTROL & CLAIMS TEAMS

Engage loss control teams before a claim begins by establishing robust loss control and risk mitigation with the help of your broker. We collaborate with you to understand your financial goals and operational challenges so we can help you identify, develop, and deliver risk control solutions that strategically mesh with your objectives and round out your risk management strategies to complement your insurance program.

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KEEP READING

MARKETS IN FOCUS

INSURANCE INSIGHTS

HR INSIGHTS

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