

Markets in Focus

Q4 2023

# EDUCATION

K-12 SCHOOLS

Insurance Pricing &  
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# INTRODUCTION

In the September outlook on education, law firm Fisher Phillips identified the impact of the SCOTUS ruling on Affirmative Action, Artificial Intelligence, Immigration Compliance, and changes to Title IX among the most compelling issues affecting educational institutions as they kicked off another academic year.<sup>1</sup>

Add this to continued challenges around enrollment, talent recruitment, data security, sexual misconduct, and student mental health, and it should come as no surprise that school administrators who drive the strategic risk management process at their institutions have their hands full in the ever-evolving landscape of education.<sup>2</sup>

Compounding these considerations, the insurance market for school risks is undergoing significant changes and challenges. Insurance carriers know the range of risks educational institutions face that require more tailored and specialized insurance.

At the same time, insurance carriers must consider the cost pressures that impact insurance affordability, partly driven by the increased frequency and severity of natural disasters and high-profile incidents of bullying and abuse. Balancing the need for adequate coverage with the constraints of available funding is a delicate challenge, leading schools to explore more risk management strategies and loss prevention measures to control those costs.

**Insurance carriers know the range of risks educational institutions face.**





# MARKET OUTLOOK

## PROPERTY

- + Rising property values, cost of materials, and lead times are major marketplace components. Natural catastrophic losses continue to impact values and contribute to difficulties in coverage lines.
- + The reinsurance market may indicate a decline in total capital; economic solvency is improving.<sup>3</sup>

**Natural catastrophic losses continue to impact values and contribute to difficulties in coverage lines.**



## GENERAL PRICING ESTIMATES

Non-CAT exposed with favorable loss history

15% to 30% increases

CAT exposed with favorable loss history

20% to 35% increases

Property with unfavorable loss history and/or a lack of demonstrated commitment to risk improvement (unresolved recs, pattern of same issues, etc.)

15%+ increases for non-CAT

20% to 60%+ increases for CAT exposed accounts and higher depending on frequency/severity of losses



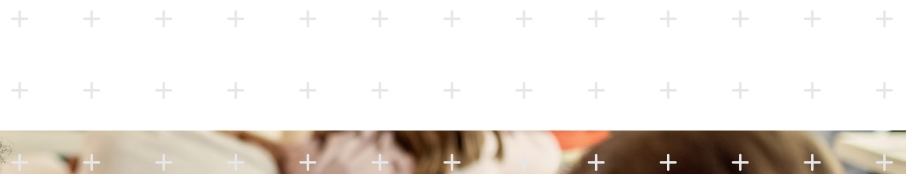
# CASUALTY

## General Liability

- + There have been subtle increases in pricing for the casualty market, even though primary general liability rates have remained stable for risks with minimal losses.
- + Insurers seek more information on past losses and the steps to protect against recurring similar losses.
- + Depending on an organization's risk profile and loss history, commercial general liability markets will likely experience increased premiums and stricter terms and conditions.

## Sexual Abuse and Molestation

- + Insurers providing general liability coverage tailored to institutions often include a distinct insuring agreement with designated limits for sexual abuse and molestation. A few carriers modify or limit coverage terms and incorporate sub-limits within the excess policy-provided limit. Underwriters are imposing rigorous standards, demanding stringent controls within institutions.
- + Leadership's commitment to making a positive impact to prevent sexual abuse in schools is key. Carriers are willing to partner with and provide solutions for preventative measures.
- + Insurers who still offer this coverage now necessitate that institutions take more extraordinary precautions to guarantee they are protecting against sexual misconduct, such as introducing rigorous policies and protocols, delivering training, upholding enforcement across all institution levels, and extending the requirement for background checks to include volunteers and outside vendors who come into contact with minors.<sup>4</sup>





## Reduced liability limits are available as carriers look to rebalance capacity and mitigate potential risks.

### Excess Liability

- + Reduced liability limits are available as carriers look to rebalance capacity and mitigate potential risks. This facilitates the need to coordinate coverage with multiple insurance carriers to attain the desired coverage limits, often increasing costs.

### Educators' Legal Liability

- + Educators' legal liability (ELL) policies generally offer coverage for the institution and its trustees, directors, and, officers. There is also an option for institutions to provide coverage for employees, volunteers, and, in some cases, students or interns performing their duties or obligations as part of the institution.
- + Depending on the policy's conditions, coverage can be extended to include coverage for employment practices liability (EPL), which offers protection against potential claims related to discrimination, hiring procedures, retaliation, workplace sexual harassment, and tenure denials in addition to educators' professional liability to cover for allegations of professional errors by educators, such as failure to educate, failure to counsel, or failure to promote.<sup>5</sup>



## GENERAL PRICING ESTIMATES

General Liability

Up 5% to 25%

Educators' legal liability with favorable loss history

Up 5% to 15%

Up 10% to 25% with poor loss history

Umbrella & Excess Liability – middle market

Up 10% to 25%+

Umbrella & Excess Liability – risk management and other complex/hazardous exposures

Up 25% to 150%

## Auto

- + Commercial auto insurance continues to increase in complexity. Standalone non-owned auto coverage also remains a challenge. However, when combining the coverage with commercial package policies, coverage can sometimes be attained within a more reachable market.

## Workers' Compensation

- + Workers' compensation rates across most regions remain unchanged or have decreased. However, other regions are seeing slight increases in premiums, possibly due to substantial wage and job growth in the U.S. labor market.<sup>6</sup>

## GENERAL PRICING ESTIMATES

Workers' Compensation	Up 5% to 10%
Auto	Up 10% to 30% Up 30%+ if large fleet and/or poor loss history

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## Cyber

- + In Q2 2023, the average cyber premium increased by 3.6%.<sup>7</sup> This is potentially an indication of stabilization in the coverage line.
- + Underwriters have continued strengthening the subjectivities for enhanced security protocols and significant underwriting detail regarding cyber practices.



# MAJOR CLAIMS IN THE SECTOR



## NEGLIGENCE

A janitor was exposed to asbestos, resulting in mesothelioma and death. His family sued. Jurors awarded \$75 million in punitive damages and \$32 million in compensatory damages.<sup>8</sup>



## LIABILITY

The plaintiff was a special education student. Another special education student locked them in the bathroom together and attempted to assault the plaintiff. Employees were unable to get into the bathroom for a few minutes. The plaintiff suffered from PTSD and received an offer of settlement for \$200,000. Jurors awarded \$2.35 million.<sup>8</sup>





# 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 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. With construction costs rising due to inflation, carriers are keen on accurate valuations.



## 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 for 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 we are experiencing.



## HIGHLIGHT CYBER SECURITY & PROACTIVE RISK MANAGEMENT

We have a team solely dedicated to helping your institution manage cyber risks, offering 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 RISK CONTROL 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.



Sources:

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## KEEP READING

PREVIOUS EDITION

GENERAL EDITION

EDUCATION RISKS IN FOCUS

EMPLOYEE BENEFITS BLOG

**FOR ANY QUESTIONS, PLEASE REACH OUT TO:**



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