Markets in Focus

EDUCATION

Insurance Pricing & Market Update

INTRODUCTION

Both K-12 and higher education institutions are set to face further challenges from the U.S. Supreme Court after cases over the last three years have challenged the education landscape.[1] At the same time, private and public institutions continue to look for ways to balance budgets while looking to find funding for programs and amenities to attract students. Schools are increasingly letting go of faculty and staff as they make cuts to programs with low enrollment as a way to shore up budget gaps and continually rising costs.[2] Graduate school is an area where colleges are finding revenue sources. Between 2000 and 2020, median annual tuition and fees for graduate programs rose from $3,000 to $10,000. A growth rate of 233%, CEW researchers found.[3]

Community colleges are "showing signs of rebounding" following the operating and financial challenges of the pandemic as enrollment has rebounded to pre-pandemic levels and average state appropriations per FTE has increased 19.1%.[4] In 2022, college enrollment rates increased for students who were within a year of graduating high school. These rates are up for nearly every demographic, except for low-poverty districts, though those districts still had a higher percentage of enrollment compared to students from high-poverty districts.[5] This trend follows an increase in enrollment by the same metric in 2021 compared to 2020.

MARKET OUTLOOK

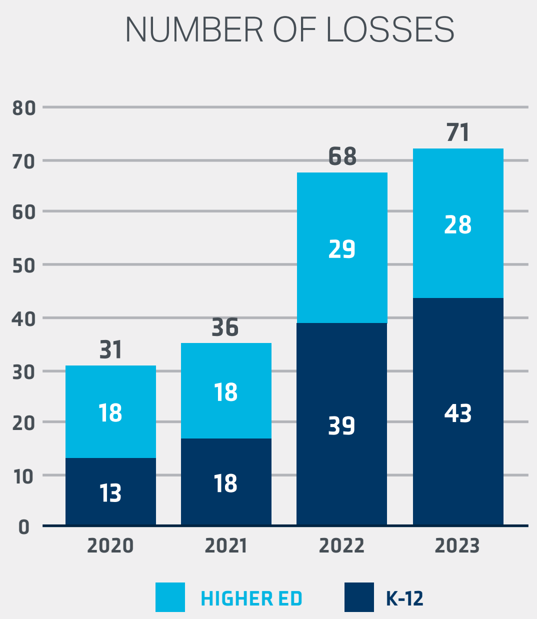
PROPERTY

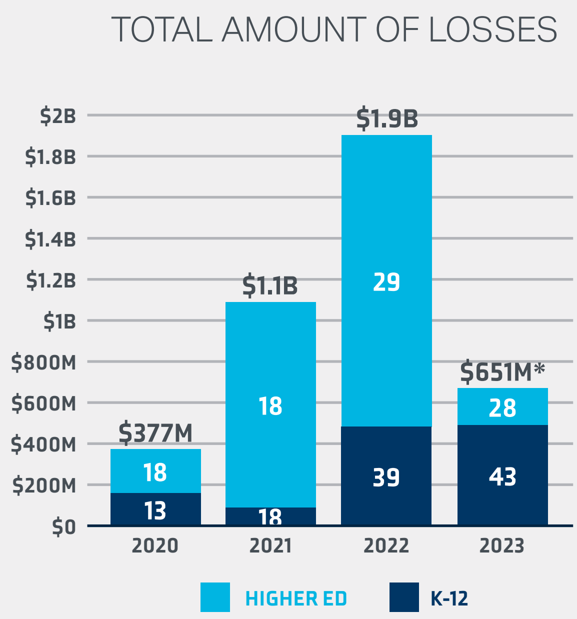
- Property markets remain strongly impacted by named storms, resulting in coverage limitations and added deductibles.
- Reinsurance market performance is strong as a result of due to increase losses.
- Direct writers have a limited approach and are evaluating the reinsurance marketplace to make broad stroke changes to their business strategies.
- Accounts with exposure to catastrophe events will continue to encounter challenges as insurers maintain their risk management. Despite the influx of new capacity into the market, fully comprehending the implications and market dynamics remains premature.[6]
- Renewal outcomes will vary based on geography, occupancy, and loss records, resulting in a diverse and segmented market.
- Buildings that are well maintained and outside of wildfire zones are poised to have better renewal success.

CASUALTY

General Liability

+ Rate increases are likely due to higher liability exposures such as rising litigation risks and worker-related claims.
+ Renewal premiums will rise due to expected rates increases and inflationary pressures.
+ High profile claims are increasing due to policy and procedure being presented to the public eye. Strong review of policy and procedure will help to alleviate any contradictions to an institutions mission statement.





Source: United Educators. Large Loss Reports from 2021-2024 shows large losses rising at k-12 and higher ed schools. Large Loss Report 2024. January 12, 2024.

*Higher ed and K-12 losses might not match the total because loss figures are rounded to the nearest million.

Excess Liability

+ Market remains stable with newer entrants in the market adjusting rates due to early claims.[7]
+ Primary layers are available with few carriers. The ability to build up with additional layers of limits are contingent on program availability.

Auto

+ The auto insurance sector faces significant challenges, particularly from nuclear verdicts and escalating medical costs.
+ Nuclear verdicts remain prevalent in auto accident cases, contributing to the constrained availability of standalone auto insurance markets.
+ Auto premiums increased by 8.5%, a lower increase than the previous quarter.[10]
+ A slower projected growth in private auto premiums is expected to lower the annual growth rate of direct premiums in the U.S. property and casualty industry to mid-single digits between 2025 and 2028.[8]
+ Enhanced underwriting practices are anticipated to rapidly mitigate the substantial personal auto rate increases implemented over the past three years.
+ Fitch reports that successive substantial hikes in auto premium rates have significantly contributed to recent improvements in underwriting performance.
+ CPI data indicates that motor vehicle insurance costs increased by 50% over the three years from July 2021 to July 2024.[9]

Workers' Compensation

+ The average workers' compensation premiums dropped 1.4%, according to CIAB.[10]
+ Workers' compensation premiums have continued to decrease, and insurer profitability is on the rise as safety becomes a greater focus. This results in overall growth and can increase coverage availability.
+ In the past year, lost time claim frequency decreased by 8%, continuing a long-term trend driven by improved workplace safety measures. These advancements, supported by evolving safety technologies, have contributed to consistent annual rate decreases across most U.S. states.[7]

MARKET FORECAST

As institutions prepare their 2025 budgets, understanding anticipated insurance premium changes is essential for effective financial planning. This forecast provides guidance on budgeting for insurance premiums based on 5-year loss ratios, with specific attention to lines of coverage expected to experience the most significant rate increases. Key considerations include rising property values, increased claims in general liability, and adjustments in exposures such as property, enrollment, and payroll. Proactively incorporating these insights into your budget will help manage financial expectations and minimize unexpected losses.

2025 Budget Forecast for Insurance Premiums

+ Institutions with 5-year loss ratios under 40% (any paid amounts, expenses, and reserves divided by premium) should budget for 8-12% overall premium increases. ***This does not include exposure changes.***

+ Institutions with 5-year loss ratios of 40% to 60% should budget for 10-20%.

+ Institutions with 5-year loss ratios above 60% should budget for overall premium increase above 12% and up depending on type of losses. ***This does not include exposure changes.***

The following lines of coverage will generate the largest premium increases:

+ General liability, particularly for sexual abuse and molestation coverage, educators' legal liability, and excess liability, are likely to see higher rate hikes than other insurance lines. Insurers face ongoing challenges in maintaining profitability for these coverages due to nuclear jury verdicts and rising claim frequency.

+ Property values will continue to increase by 4% or more to account for inflation in labor and materials costs. However, double-digit value hikes are expected to be less frequent in 2024, though this coverage line will still have the most substantial impact on overall premium increases.

+ Exposure adjustments—including increases in property values, enrollment shifts, and changes in staffing or payroll—are assessed before rates are applied. These exposure adjustments can have a significant effect on year-over-year premiums and should be included in budget projections.

MAJOR CLAIMS IN THE SECTOR

+ PREDATORY & DECEPTIVE TUITION TACTICS

$28.5 million settlement: A federal court approved the class-action lawsuit settlement between for-profit Walden University and doctoral students. The lawsuit, filed in 2022 by students in the doctorate of business administration program, alleged Walden overcharged roughly 830 Black and female students through concerted targeting, deception, and exploitation and “deliberately hid the true cost” of the program by downplaying how many credits it required. The case against Walden centered on the capstone phase of the university’s business doctorate, which plaintiffs described as predatory, alleging that it intentionally dragged on while costs to students piled up.[11]

+ SEXUAL MOLESTATION

$135 million verdict: A jury awarded a total of $135 million to two former students at the Moreno Valley Unified School District who were molested by a teacher in the 1990s. The jury in the civil case found the school was 90% responsible for damages due to negligence, totaling $121 million. Former teacher, Thomas Lee West, was held responsible for the remaining 10%. West is currently serving 52 years to life for his conviction in this case.[12]

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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

GENERAL EDITION

EDUCATION RISKS IN FOCUS

INSURANCE INSIGHTS

HR INSIGHTS

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