

CACUBO Webinar  
December 2023

Nichole Johnson  
*Managing Director, Higher Ed Practice,  
Gallagher Benefit Services*

Stacie Kroll  
*Managing Director, Higher Ed Practice,  
Gallagher Global Brokerage*

# Top Insurance Trends & Risks for 2024



CACUBO



Insurance | Risk Management | Consulting

- This webinar is part of our monthly webinar series to bring programming of interest to our members.
- The webinar is eligible for CPE. If you are interested in receiving CPE credit for this webinar, please e-mail me (Marty Mickey) at [mmickey@nl.edu](mailto:mmickey@nl.edu) now. During the webinar, there will be four check-in questions for you to answer. **In order to receive CPE, you must answer three of these questions.**
- Copies of the slides for this presentation and a recording of the webinar will be available on the CACUBO website in a couple of days.
- We will send out a survey afterwards to solicit thoughts and topics for future webinars. If you would be willing to present in a future webinar, please e-mail me at [mmickey@nl.edu](mailto:mmickey@nl.edu).
- Save space on your calendars for the 2024 CACUBO Annual Conference which is September 29-October 1 in Indianapolis. Great networking and CPE opportunities. Concurrent session proposals are now being accepted at <https://cacubo.memberclicks.net/am-concurrent-session-proposal-topics>.
- Our next webinar will be January 25 on Grant Accounting.

# 2024 Trends Report

## Agenda

1

### Employee Benefits –

Understand the employee benefits insurance market and trends

2

### Property & Casualty –

Understand the property, casualty, cyber, and management liability insurance market conditions

3

### Strategic Planning

Gain real insights to support strategic planning and drive more favorable renewals



# About Gallagher

A global snapshot.

**Family Run**  
Founded in 1927

**850+**  
Offices in  
68 Countries

**\$6.9B**  
Total Adjusted  
Brokerage & Risk  
Management  
Revenues (2021)



**150+**  
Countries  
Served

**2023** WORLD'S MOST  
**ETHICAL**  
**COMPANIES**<sup>TM</sup>  
**ETHISPHERE**  
**13-TIME HONOREE**

**39,000+**  
Employees Worldwide

**Global Reach Local Presence**  
Shared values  
Passion of excellence  
Promises delivered



# Employee Benefit Trends



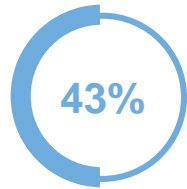
# Question #1!

**What is your top total rewards priority for 2024?**

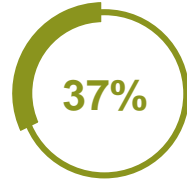
- a) Compensation
- b) Employee wellbeing
- c) Training & development
- d) Employee benefits package
- e) Paid time off

# Top Strategic Priorities

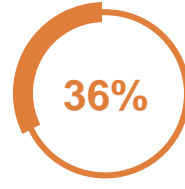
What are your top strategic priorities for attracting, retaining and engaging talent in 2023?



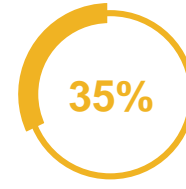
**Conducting  
Compensation  
Analyses**



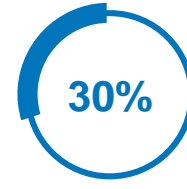
**Improving  
Employee  
Total Wellbeing**



**Revamping  
Training &  
Development  
Initiatives**



**Improving Employee  
Appreciation  
& Recognition**



**Preparing Future  
Leaders**

- 27% Optimizing Benefit Costs
- 27% Enhancing Diversity, Equity & Inclusion Initiatives
- 20% Fostering a Psychologically and Physically Healthy Working Environment
- 19% Improving Hybrid Work Approaches
- 14% Enhancing Paid Time Off Policies

# 5 Trends to Watch

## When considering how to improve employees' physical and emotional wellbeing

1

Employers prioritize medical benefits to recruit, retain talent.

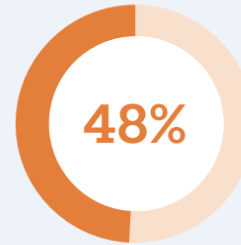


Employers enhanced their medical benefits in 2023

Rising health plan premiums haven't deterred many employers from enhancing their medical benefits, even as they prepare for continued cost increases. In fact, employers' attention to medical benefits is up 6 points from 2022.

2

Specialty drug benefits struggle to gain traction.



Of employers either don't know or don't use tactics to manage the use and costs of specialty drug benefits

New approvals for weight loss drugs, gene therapies and biosimilars are on the minds of employers as they keep an eye on the specialty pharmacy pipeline. Most likely, their use of additional measures for managing specialty drugs will accelerate.



# 5 Trends to Watch

## When considering how to improve employees' physical and emotional wellbeing

3

### Voluntary benefits and financial security are closely aligned.

TOP AREAS OF VOLUNTARY BENEFITS GROWTH SINCE 2019

↑ 17 points

Hospital indemnity insurance

↑ 9 points

Critical illness insurance

↑ 9 points

Pet insurance

Voluntary benefits are increasingly viewed as a way to help support employees' financial security needs and lifestyle preferences. A few particular benefits have become more widely available in the last five years, including hospital indemnity, critical illness and pet insurance.

4

### The focus on emotional wellbeing in the workplace continues its upward trend.

MORE THAN  
7 in 10

Employers increased the importance of emotional wellbeing in 2023

Pervasive concerns about the impact of stress and burnout on employees, and ultimately their organizations, has likely influenced the growing focus on emotional wellbeing in the workplace.

# 5 Trends to Watch

When considering how to improve employees' physical and emotional wellbeing

5

## Absence management policies are becoming more inclusive.

### INCLUSIVE APPROACHES TO ABSENCE MANAGEMENT

Paid bereavement

87%

Vacation or PTO carryover

81%

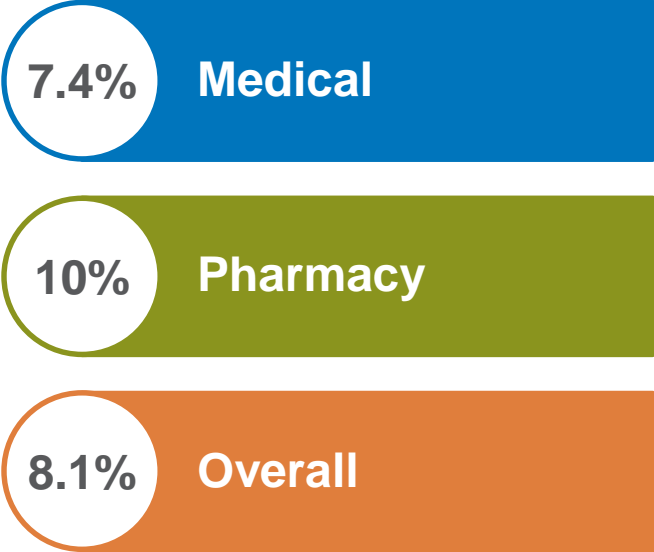
Paid new child or parent bonding leave

41%

Employers are updating their approaches to absence management—taking into account important aspects of their people's lives outside of work and supporting more flexible and restorative paid time off (PTO) and other leave policies.

Source: Gallagher 2023 Benefits Strategy & Benchmarking Survey

# Healthcare costs are anticipated to rise faster than prior year



**14.2%**  
**Specialty  
Drug Trend**



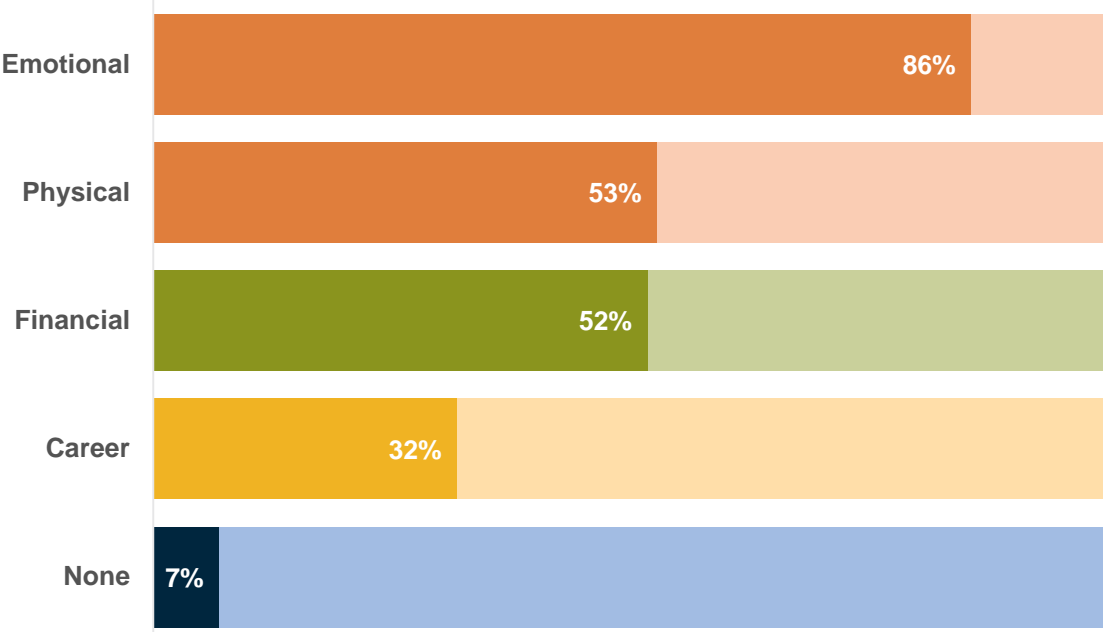
Source: Gallagher Actuarial Trends Forecast, Q2 2023 (medium level of member cost sharing)

# Many top employers are considering cost transparency tools to help their employees navigate healthcare cost increases

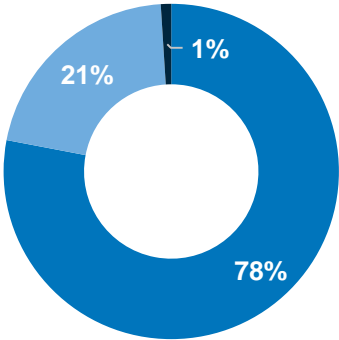


Source: Gallagher, "Best-in-class Benchmarking Analysis - Midsize Employers", January 2023

# Dimensions of employee wellbeing that have become more important since 2020



OUR LEADERS ARE CONCERNED ABOUT IMPACT OF STRESS AND BURNOUT ON ORGANIZATION



- Agree
- Neutral
- Disagree

Sources: *Benefits Strategy & Benchmarking Survey*, April 2022; *Gallagher 2023 State of the Sector report*

# Top organizational initiatives specific to family planning and reproductive care

## FAMILY PLANNING BENEFITS

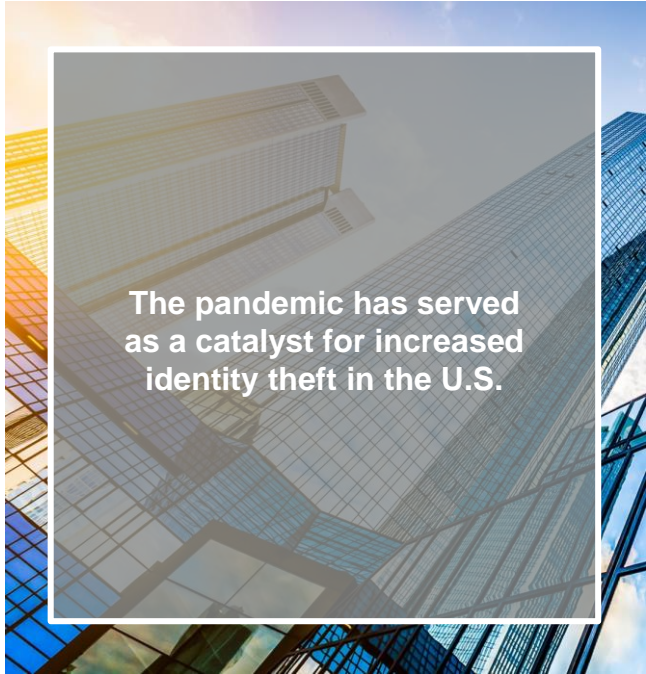
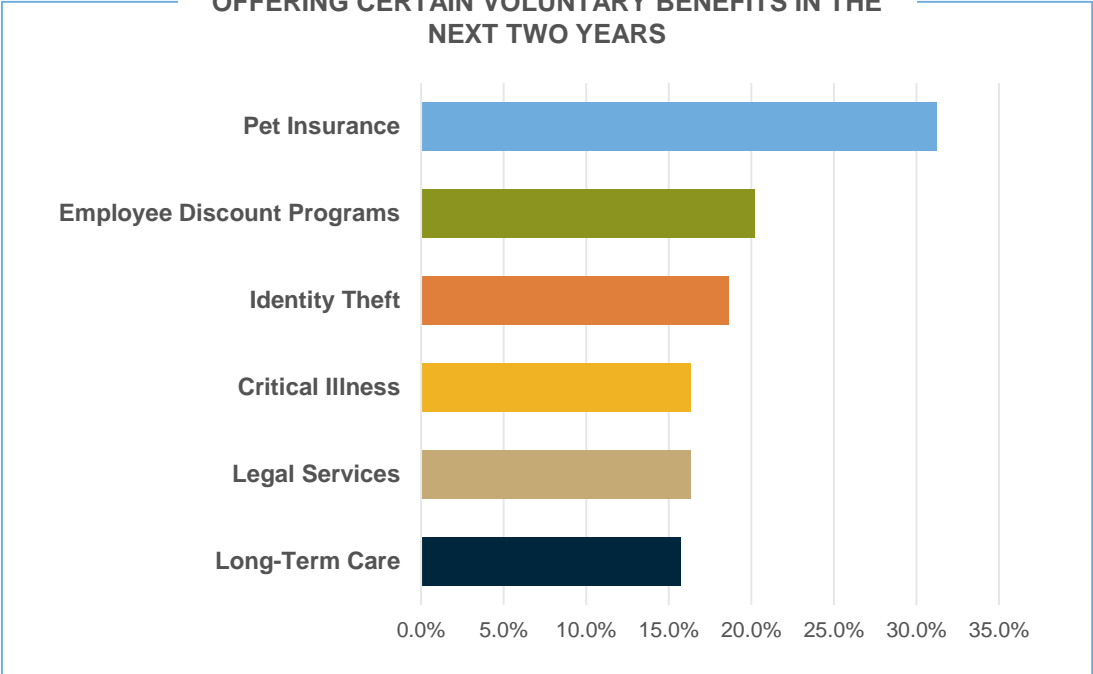
Actions the organization is taking specific to family planning and reproductive care following the Dobbs vs. Jackson Women's Health Organization ruling

- 1 Continuing to communicate existing coverage of family planning benefits
- 2 Reviewing parental bonding leave policies for inclusion of adoption surrogacy and/or foster care
- 3 Measuring employee feedback on the importance of reproductive and family planning benefits



# Voluntary Benefits

PERCENTAGE OF EMPLOYERS LOOKING TO BEGIN OFFERING CERTAIN VOLUNTARY BENEFITS IN THE NEXT TWO YEARS



Sources:  
*Gallagher Benefits Strategy & Benchmarking Survey, 2022*  
*BusinessWire*

# Benefits Planning Market Trends

What benefits is your organization considering to strengthen its ability to attract and retain talent?

	Currently Apply	Considering	Not Considering
Expanding mental health coverage	47%	43%	10%
Enhancing Voluntary Benefits	48%	37%	15%
Implementing support for reproductive care and family planning	15%	32%	53%
Implementing medical travel benefits	5%	14%	81%
Implementing leave for caregivers	27%	35%	38%
Offering Lifestyle Spending Accounts	10%	28%	62%
Increasing PTO	24%	34%	42%
Offering Individual Coverage HRAs (ICHRAs)	27%	15%	58%
Implementing concierge/employee navigation services	25%	14%	61%
Lowering the cost of medical coverage	25%	38%	37%



# Address Rising Healthcare Costs

Assess the following to better predict your renewal and curb rising costs

- Healthcare (medical, prescription, and stop loss) inflationary trends
- Unique workforce demographics (high pre-retirees, low Gen Z) and common health concerns
- Your member claims/utilization and how that compares to trend
- Loss ratios (budget vs spend) on a monthly or quarterly basis (if self-funded)
- Cost drivers (i.e. Musculoskeletal, Circulatory, Digestive, Neoplasms, Nervous System, Mental Health)
- Point solutions and programs that will directly impact and lower claims
- Plan design and/or employee contribution changes (and employee preferences towards either)
- Bundled or un-bundled approach to Rx and/or stop loss (if self-funded)

# Question #2!

**Of the items seen on the screen here, how many are you addressing today?**

- a) None
- b) 1-2
- c) 3-4
- d) 5-6
- e) 7-8

- Healthcare inflationary trends
- Unique workforce demographics
- Your member claims/utilization
- Loss ratios
- Cost drivers
- Point solutions
- Plan design and/or employee contribution changes
- Bundled or un-bundled Rx and/or stop loss

# Property & Casualty Trends

# Property Market

# Property Marketplace Conditions Cause & Effect

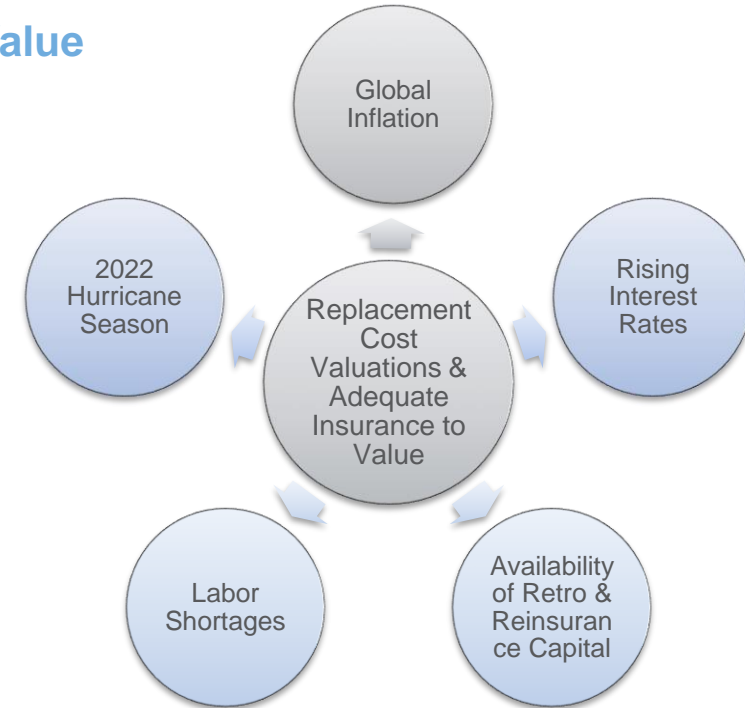
## Key Market Drivers 2023 - Inflation and Insurance to Value

### Inflation and Valuation

- Persistently high inflation has driven up replacement costs. Insurers need more reinsurance capacity to cover the same exact risks they did one year ago.
- Loss Costs increasing. Supply chain challenges impacting downtime and business income losses.
- Demand for capacity increases as values increase

### Increase in Frequency and Severity of Losses

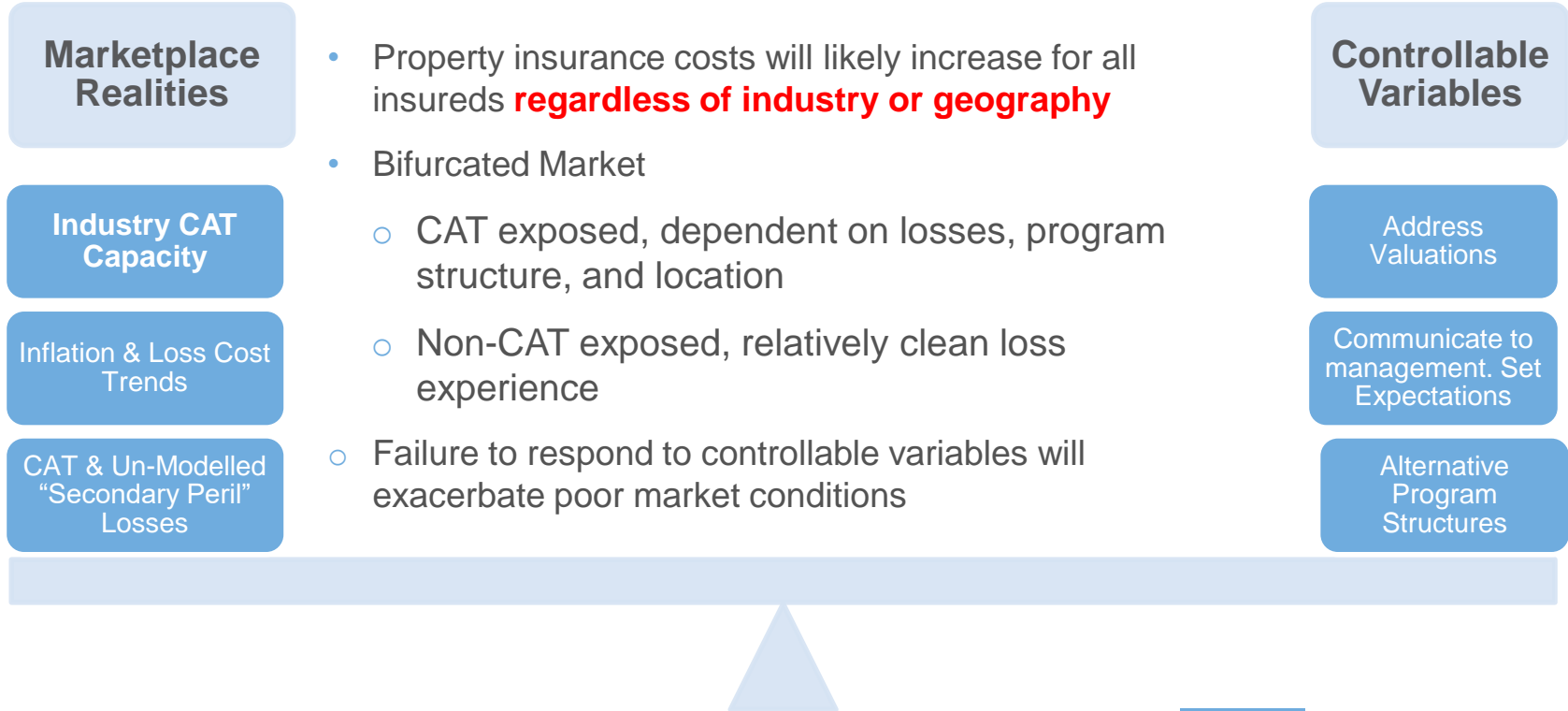
- Increase in the magnitude of weather-related losses, wide-ranging impact, not just traditional CAT areas. More will be absorbed by primary insurers, impacting results
- Global Insured Losses from Natural Disasters topped \$130B in 2022 – **5th costliest year** on record



# State of the Property Market



## Warning – Severe Market Conditions Ahead



# Marketplace Conditions Cause & Effect

## Prepare for Changing Terms and Conditions

- **Limits** - Are the same limits going to be offered?
  - What's an appropriate limit? Does a lower limit still protect you?
  - Reduction in capacity not just affecting CAT-exposed accounts
- **CAT Limits** - Anticipate a reduction in limits offered
  - Named Windstorm, Flood, Non-critical Earthquake sublimits
- **Deductibles** – Moving to higher % or from flat to % - Financial impact on your institutions
- **Terms and conditions** –
  - Occurrence Limit of Liability, Freeze/Landscaping limitations, additional property covered exclusions



# Question #3!

**What changes have you seen in your property program over the last couple of years?**

- a) Increase in deductibles
- b) Decrease in limits offered
- c) Increase in property values
- d) Increase in premium
- e) All of the above



# Keys to a Success Property Renewal

## Focus Attention on Controllable Variables

### Increase in Data Provided to Improve Outcome

- Underwriters require better quality data
  - Commercial insurers receive as many as 100 million submissions annually.
- Additional data such as inspections, property condition assessments, deferred maintenance, capital expenditures (new v. renovation), roof age and replacement schedule and favorable carrier engineering reports are more important than ever
- Outstanding/completed recommendations reports and impact of completed recommendation, if not addressed, explain why
- Pre-Loss Mitigation Efforts/Post-loss Response
- Lessons learned from past claims



# Keys to a Successful Property Renewal

## Focus Attention on Controllable Variables

### Scrutiny of submitted replacement cost values

- Narrative on how valuations are addressed.
  - Adequate ITV – 3rd party appraisal is the most reliable route to confirm replacement cost valuations. Proactive value increases – **you CANNOT go to market with static values**
  - More carriers are looking for Business Income Worksheets or methodology
- Downside
  - Restrictive terms & Conditions - State values Clause, OLLE, Coinsurance, Margin Clause
  - Increased premium or rate applied - Underwriters will rate based on what their valuation tools suggest
  - Submission declination
  - Decrease of capacity offered



# Casualty Market Update

# Compounding Factors

## Casualty Market Drivers

### Social Inflation factors

- Rise in **Third Party Litigation Funding (TPLF)** had lead to increased claim costs. Per a study by Swiss Re, TPLF is emerging as a significant contributor to large legal claims and is a key driver of social inflation. This has mirrored the growth in the use of litigation finance over the past decade. There has been a subsequent increase in US liability insurance claims concentrated on large verdicts and large commercial defendants.
- Law firms' use of litigation funding has increased strongly in recent years to 36% of firms in 2017, up from only 7% in 2013
- In auto liability and general liability, there is a trend of accelerating severity in average awards: for awards greater than \$1M from 2010 to 2019, the share of verdicts that result in awards greater than \$5M has risen from 29% to 37% for general liability, and from 22% to 29% for auto liability cases.
- Expansion of concept of liability and overall settlements/judgement decisions by judges and juries going after large companies' "**deep pockets.**"
- Rising **sexual abuse claims** following the "Me Too" movement coupled with judicial law changes, such as the child Fair Labor Standards Act.
- Increasing **active shooter** and general standalone terrorism related incidents.
- **Increasing auto claims** in both frequency and severity due to a decrease in oil prices, increased cell phone and marijuana use while driving, and an increase in overall tech advancement of vehicles.
- Increases in both frequency and severity of **wildfires.**
- Increase in **carelessness of construction workers** leading to construction liability losses.

# Keys to a Success Casualty Renewal

## Planning, Preparation and Execution

- Identify and prioritize the key objectives of your renewal strategy, prepare and plan in advance.
- Engage key stakeholders in the planning & strategy discussions. Communicate early and often.
- Promote differentiation of risk with quality submission data backed up by context around risk control strategies and claims management to mitigate exposure underwriters are most concerned about
- Engage brokers analytics team to model and evaluate if alternative structures and options are appropriate
- If appropriate, meet with your carrier partners in advance of your renewal, potentially off cycle.

# Keys to a Success Casualty Renewal

## Submission Quality Control

- Description of Operations – If Multiple Entities, Provide Description of Operations for Each Entity
- 10 Years of Data:
  - Ground Up, Un-Capped Loss Data for GL and AL
    - Breakout Paid / Reserves / Defense Expenses
    - Large loss description with lessons learned narrative
  - Revenue
  - Payroll
  - Total Auto Count
- Year Over Year of Auto Fleet Broken out by Type
  - PPT / Light Trucks / Medium Trucks / Heavy Trucks / Extra Heavy Trucks / Tractors
  - Include Vehicle Radius and Mileage
- Employee Concentration – Deeper dive into maximum/minimum employee count per location
- Schedule of Underlying with Policy Limits, Carrier, Treatment of Defense, applicable SIR
- Risk Management Quality Controls
  - IE, Claims management, Crisis/Accident Avoidance Protocols, Employee Handbooks, Vehicle Telematics
  - Sample contracts

# Management Liability Market Update

# Prevailing Management Liability Issues

## Across all industries....

- ESG – both on the side of organizations not paying too much attention to the matter and then also some claims arising from “green washing” where organizations claim to have strong ESG, but they in fact do not and are merely standing up bogus ESG as a marketing ploy.
- DE&I – we have seen some “reverse discrimination” claims arise from individual alleging they were terminated in order to stand up DE&I employment stats. One recent case resulted in a \$10M single plaintiff judgement, although subsequently reduced.
- The regulatory environment is pretty heated right now and we are seeing a lot of regulator demand letters. We have also seen a significant amount of regulatory scrutiny of mergers and acquisitions, with many deals being delayed for long periods of time while they get through regulatory approval. This is happening with great regularity in healthcare related deals.
- M&A activity continues at a brisk pace, even with elevated interest rates. That’s has created more “deal” litigation. The M&A frenzy of the past several years may well result in an increase in bankruptcies due to some overleveraging.
- Labor matters are a huge issue. Pay inequity issues as well as strikes seem to be more and more common. The cost of managing through strikes can be quite severe and a few of my clients have experienced major financial crisis due to strikes.
- Intellectual property and patent infringement concerns.



# Educators Legal Liability (ELL)

## Market Conditions Update

- We are continuing to see limited carrier capacity/appetite for Primary ELL coverage.
- There is an increase in carrier capacity/appetite for Excess ELL coverage, which creates carrier competition and ultimately results in reduced increases in premium throughout an ELL tower.
- Carriers continue to have the following underwriting concerns:
  - Antitrust & COVID-19 Claims – Class Action Lawsuits
  - Title IX – Including retaliation claims spawned from Bodily Injury claims
  - Sexual Harassment – “Me Too” movement
  - Third-Party – Discrimination and harassment (i.e. students)
  - Financials – Too much or too little
  - Headline & Political Risk – Media focus on Higher Education is at an all-time high
  - High wage earners and reverse discrimination claims

# Question #4!

**Of the underwriting concerns identified, which of these risks are on the minds of your senior leadership team (President, Cabinet, Board of Trustees)?**

- a) Class action lawsuits
- b) Title IX/Sexual Harassment
- c) Financial sustainability
- d) Headline & Political Risk – Reputational Risk
- e) None of the above

# Fiduciary Liability

## Market Conditions Update

- Primary Fiduciary Liability carriers are continuing to increase Excessive Fee and Mass/Class Action Retentions. Some carriers are still sub-limiting this coverage as well.
- We are continuing to see limited carrier capacity/appetite for Higher Education Institutions.
- Excessive Fee claims are at never before seen levels across all industry sectors, including Higher Education:
  - Overall, cases filed annually from 2020-2023 are higher than any other year since cases inception in 2006.
  - Every 403(b)/401(k) plan is at risk regardless of size or industry. Plans with less than \$100M in Plan Assets have been targeted.
  - Average defense costs range from \$250K to over \$10M, and dismissal rates are low – averaging 33%
- Thorough submissions (with Excessive Fee Questionnaires) are continuing to be required to appropriately market renewals. Underwriters need good, current data to consider offering terms. One of the main questions underwriters will ask is “has the organization done an RFP or audit of the fees for their plans?” Be prepared to respond to that question.

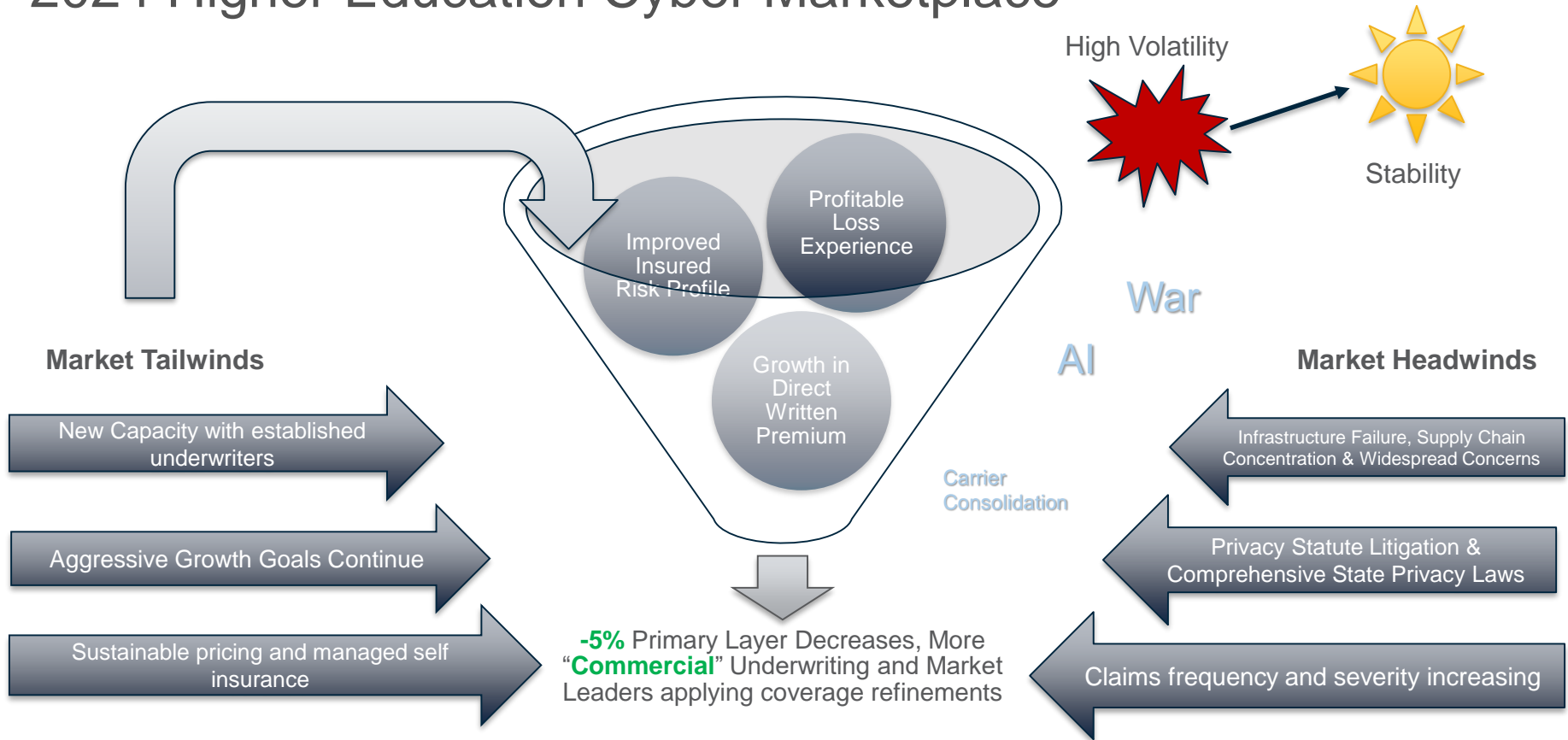
# Keys to a successful renewal

## Plan the work, work the plan.

- Determine early what the renewal plan will be, allowing ample time for the successful execution of the plan.
- Consider widely marketing renewals unless incumbent carriers provide exceptionally strong renewal commitments very early.
- Use all available competition in the management liability market. There is a healthy amount of good new capacity interested in writing business.
- In order to properly market renewals all applications must be completed with no missing information, including all required additional underwriting materials. A professional submission leads to better renewal results.
- Provide a written narrative on any significant open litigation.

# Cyber Market Update

# 2024 Higher Education Cyber Marketplace



# 2023 Higher Education Cyber Marketplace



# 2024 **Critical** Priority Cyber Underwriting Concerns



## Identity Access Management

- Advanced MFA (contextual, hardware, app based) in front of email, remote access, privileged access and critical applications

## Endpoint Protection

- Preferably Managed Endpoint Detection & Response (MDR) on all managed endpoints/servers/cloud assets in blocking mode

## Data Backups

- Maintain segmented, encrypted, offline or immutable backups of critical data, with separate credentials for access protected by MFA, and test recovery at least annually.

## Patching, Vulnerability Management & Attack Service Monitoring

- Underwriters are finally acknowledging the challenges of monitoring a cloud, multi-cloud, on premises, micro-application integrated digital environment and we're hearing more conversations about the need for tools that automate data & asset discovery, create and update asset/data inventories, cloud security configuration checks. Continuous vulnerability scanning and automated patching is no longer enough because underwriters acknowledge that you need to know what's in your environment and where's it's located in order to scan/remediate/enforce policies.

## Cybersecurity Awareness & Phishing Training & Incident Response Planning and Testing

- Train all new employees upon hire and retrain annually for all users. Conduct quarterly phishing campaigns on all users.

## Web Tracking

- Perform a entity wide review of the use of web tracking technologies (i.e. Meta Pixel and Google Analytics) on owned websites and social media feeds
- Update Privacy Policy with disclosures on data collected, used and shared through these adtech tools



## Lessons Learned from the Depths of the 'Hard' Market

Non-  
Disclosure  
Agreements

Purchased  
vs Deployed

Office Hours

Thoughtful  
Oversharing

Underwriter  
Fatigue

Avoid  
Headlines





# Thank you!

**Nichole Johnson**

Managing Director, Higher Ed  
Gallagher Benefit Services  
[Nichole\\_Johnson@ajg.com](mailto:Nichole_Johnson@ajg.com)

**Stacie Kroll**

Managing Director, Higher Ed  
Gallagher Global Brokerage  
[Stacie\\_Kroll@ajg.com](mailto:Stacie_Kroll@ajg.com)



**Gallagher**

Insurance | Risk Management | Consulting