CACUBO Webinar
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Top Insurance Trends & Risks for 2024
• 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 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.
• 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

150+ Countries Served

Global Reach Local Presence
Shared values
Passion of excellence
Promises delivered

850+ Offices in 68 Countries

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

39,000+ Employees Worldwide
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?

- 43% Conducting Compensation Analyses
- 37% Improving Employee Total Wellbeing
- 36% Revamping Training & Development Initiatives
- 35% Improving Employee Appreciation & Recognition
- 30% 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

Source: Gallagher Q3 Workforce Trends Pulse Survey: October, 2022
5 Trends to Watch

When considering how to improve employees' physical and emotional wellbeing

1. Employers prioritize medical benefits to recruit, retain talent.
   
   NEARLY 2 in 5 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.
   
   48% 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.

Source: Gallagher 2023 Benefits Strategy & Benchmarking Survey
5 Trends to Watch

When considering how to improve employees’ physical and emotional wellbeing

Voluntary benefits and financial security are closely aligned.

3. TOP AREAS OF VOLUNTARY BENEFITS GROWTH SINCE 2019
   - Hospital indemnity insurance: +17 points
   - Critical illness insurance: +9 points
   - Pet insurance: +9 points

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.

Source: Gallagher 2023 Benefits Strategy & Benchmarking Survey
5 Trends to Watch

When considering how to improve employees' physical and emotional wellbeing

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

7.4% Medical

10% Pharmacy

8.1% Overall

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

- Emotional: 86%
- Physical: 53%
- Financial: 52%
- Career: 32%
- None: 7%

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

Source: Gallagher Q3 Workforce Trends Pulse Survey: October, 2022

48% Employers with no current initiatives to change family planning and reproductive care benefits
The pandemic has served as a catalyst for increased identity theft in the U.S.

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?

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

*2023 Organizational Wellbeing Poll #1: March, 2023*
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
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 Realities

• Property insurance costs will likely increase for all insureds regardless of industry or geography

• Bifurcated Market
  o CAT exposed, dependent on losses, program structure, and location
  o Non-CAT exposed, relatively clean loss experience
  o Failure to respond to controllable variables will exacerbate poor market conditions

Controllable Variables

Industry CAT Capacity

Inflation & Loss Cost Trends

CAT & Un-Modelled “Secondary Peril” Losses

Address Valuations

Communicate to management. Set Expectations

Alternative Program Structures
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.
  o 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
  o More carriers are looking for Business Income Worksheets or methodology

• Downside
  o Restrictive terms & Conditions - State values Clause, OLLE, Coinsurance, Margin Clause
  o Increased premium or rate applied - Underwriters will rate based on what their valuation tools suggest
  o Submission declination
  o 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.

*Sources vary including Swiss Re*
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:
  o Ground Up, Un-Capped Loss Data for GL and AL
    o Breakout Paid / Reserves / Defense Expenses
    o Large loss description with lessons learned narrative
  o Revenue
  o Payroll
  o Total Auto Count
• Year Over Year of Auto Fleet Broken out by Type
  o PPT / Light Trucks / Medium Trucks / Heavy Trucks / Extra Heavy Trucks / Tractors
  o 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
  o IE, Claims management, Crisis/Accident Avoidance Protocols, Employee Handbooks, Vehicle Telematics
  o 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 bankruptcyes 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:
  o Antitrust & COVID-19 Claims – Class Action Lawsuits
  o Title IX – Including retaliation claims spawned from Bodily Injury claims
  o Sexual Harassment – “Me Too” movement
  o Third-Party – Discrimination and harassment (i.e. students)
  o Financials – Too much or too little
  o Headline & Political Risk – Media focus on Higher Education is at an all-time high
  o 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:
  o Overall, cases filed annually from 2020-2023 are higher than any other year since cases incepted in 2006.
  o 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.
  o 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

Market Tailwinds

- New Capacity with established underwriters
- Aggressive Growth Goals Continue
- Sustainable pricing and managed self insurance

Market Headwinds

- Infrastructure Failure, Supply Chain Concentration & Widespread Concerns
- Privacy Statute Litigation & Comprehensive State Privacy Laws
- Claims frequency and severity increasing

Primary Layer Decreases, More "Commercial" Underwriting and Market Leaders applying coverage refinements

Improved Insured Risk Profile

Profitable Loss Experience

Growth in Direct Written Premium

High Volatility

Stability

War

AI

Carrier Consolidation

Improved Insured Risk Profile

Profitable Loss Experience

Growth in Direct Written Premium

-5% Primary Layer Decreases, More "Commercial" Underwriting and Market Leaders applying coverage refinements

38
2023 Higher Education Cyber Marketplace

More remove to improve
Less Capacity
High Frequency of Claims
Networks more complex | Leadership Decentralized
Tools Purchased, Not Deployed
Higher Visibility

Rates Increases Less Severe
More Capacity
Outside of Professional Services, Healthcare and FI – less frequent claims
Leadership Centralized | Networks more uniform
Tools Purchased & Deployed

Higher Education Cyber

All Industry Cyber
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 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!

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