

HUB 2023

Outlook.

Education



**Institutions that learn
from experience will pass
their tests on risk.**



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Setting the Scene

Rising risk and teacher shortages.

Public and private educational institutions across all levels face financial challenges from economic uncertainty, but a critical educator shortage remains the sector's top issue. Institutions also are suffering from deferred maintenance that could spell long-term challenges to infrastructure and fiscal stability.



1. Recruiting.com, "[Proven Strategies for Increasing Teacher Retention Rates](#)," accessed October 20, 2022.

What to Expect in 2023

After more than two years of upheaval related to the COVID-19 pandemic, educational institutions will struggle to remain fully staffed and financially stable. But institutions can minimize those challenges with a fresh approach to risk management and benefits.



Inflation will hurt margins and budgets.

Soaring inflation will continue to strain budgets at educational institutions. Inflation hit a 40-year high midway through 2022,² affecting everything from supplies and maintenance to insurance and teacher salaries.

Higher interest rates and economic uncertainty also will hurt budgets, especially for private schools and institutions of higher learning with large amounts of debt. Economic conditions also will affect institutions that rely on endowment returns and charitable giving to meet budgets — and even more for institutions planning capital projects.

Many of these schools, colleges and universities will need to raise tuition and fees, but that comes at a time of declining enrollment at colleges and universities.³



The COVID-19 pandemic shifted enrollment between public, private and charter schools, and each will need to contend with rising staff salaries due to inflation and the ongoing teacher shortage.

Even before the pandemic, private school tuition had already increased at roughly twice the rate of inflation over the last 30 years.⁴ With escalating inflation, institutions will be forced to increase tuition to cover the cost of raises, which could hamper enrollment.⁵

Many of the elements affecting educational finances are beyond educators and administrators' control. However, institutions can improve risk management to reduce insurance costs and optimize insurance coverage.

2. CBS News, "[Inflation hit 9.1% in June, highest rate in more than 40 years](#)," June 13, 2022.
3. Forbes, "[New Report: The College Enrollment Decline Worsened This Spring](#)," May 26, 2022.
4. Investmentpedia.org, "[15 Big Financial Challenges Facing Private Schools in 2022](#)," May 21, 2022.
5. Fitch Ratings, "[Higher Education Tuition Hikes Insufficient to Offset Inflation Pressures](#)," July 14, 2022.



Solving education's biggest HR problem will require a new lesson plan.

K-12 education is facing a nationwide teacher shortage;⁶ conservative estimates peg teacher vacancies at more than 36,500 nationwide, with more than 163,500 positions filled by teachers who are not properly certified.⁷

Most elementary and high school teachers enter the field with high expectations, yet half will leave the profession after five years.⁸ Salaries have risen, but it's often burnout and disappointment with the job that cause turnover.

Given the difficulty of filling positions, educational institutions are rethinking benefits, so they can holistically support the physical, emotional and financial wellbeing of their staff.

Teachers and other staff also need benefits to support their out-of-classroom lives, which can improve their physical, emotional and financial wellbeing.

Personalized benefits are key. Educational institutions can use data analytics and other tools to identify individual employee needs, and the benefits that can help meet those needs.



For instance, a young teacher with no dependents may be primarily interested in help paying off student loans and financial wellness programs to prepare for the future. Likewise, a teacher with a growing family may need help finding a mortgage or caring for aging parents.

As a result, personalized benefits, including retirement plans and financial wellness programs, can generate loyalty to their employers and a connection to their profession.

6. Politico, "[The teacher shortage problem is bad. Really bad.](#)" August 15, 2022.
7. Education Week, "[How Bad Is the Teacher Shortage? What Two New Studies Say.](#)" September 6, 2022.
8. Recruiting.com, "[Proven Strategies for Increasing Teacher Retention Rates.](#)" accessed October 6, 2022.



Confronting student abuse insurance claims and cybercrime.

Cybercrime and student abuse pose an existential threat to educational institutions' long-term viability as operating entities — making risk management and insurance essential tools for ensuring resiliency.

Claims and litigation related to physical and sexual abuse of students have plagued all sectors of education and will continue to do so in 2023. Abuse claims in K-12 schools have risen, and colleges and universities have paid billions to settle allegations of widespread sexual abuse.

These high-dollar claims have led insurers to reduce capacity for abuse and misconduct coverage or exclude it altogether on general liability policies.

Risk management is crucial to preventing and mitigating abuse. Schools need mandatory child protection training for every staff member, as well as background and reference checks. They also should have a reporting and communication plan in place to effectively handle allegations and limit reputational harm.

In 2021, nearly two-thirds of institutions of higher education were the subject of a ransomware attack.

And unfortunately, cyberattacks against educational institutions will continue and likely rise. The amount of personal information that schools maintain on students and employees — and the number of entry points bad actors can access — also remains a growing concern. More than half of K-12 schools and nearly two-thirds of higher education institutions reported ransomware attacks in 2021.⁹

As schools increasingly rely on technology, proper cybersecurity risk management has become essential for obtaining cyber insurance, which is expected to rise 20% or more for all institutions.

9. Cybersecurity Dive, "[Ransomware attacks surge in education sector](#)," July 14, 2022.



A hidden crisis in plain sight.

For years, there has been a “quiet epidemic” of deferred maintenance in education due to poor long-term planning; school closures during the COVID-19 pandemic only made the problem worse. Increasing construction costs and budget constraints haven’t helped matters.

Public K-12 schools face a shortfall of \$46 billion to keep school facilities functioning,¹⁰ though, prior to the pandemic, more than half reported a need to update or replace multiple building systems.¹¹

Facing budget constraints, many schools do not set aside adequate reserves for desperately needed facility upgrades or maintenance projects. Lower charitable giving and underperforming endowments have further strained schools’ bottom lines.

With deferred maintenance piling up, institutions and school districts will ultimately pay higher construction costs in the future. They’ll also have to pay more for property insurance on eroding facilities.

School administrations can avert the crisis through implementing long-term capital planning for facilities. After conducting a facilities audit and developing an engineering report, they must determine an annual contribution to a facilities maintenance reserve (ideally 3% of replacement



value) and determine investment strategies to ensure that reserves keep up with inflation.

Devising a strong risk management and insurance strategy is crucial — without such strategies, it’s unlikely any school will be able to avoid exorbitant maintenance expenses in the future.

10. Gordian, *Falling Behind: Aging Facilities and Deferred Maintenance in American Schools*, accessed October 13, 2021.

11. U.S. Government Accountability Office, *School Districts Frequently Identified Multiple Building Systems Needing Updates or Replacement*, June 2020.



Make a plan

HUB education insurance specialists will work with you to develop a tailored strategy that will protect the bottom line, support your workforce and build resiliency for 2023. Here are some initial considerations:



✔ **It's all about your people.**
To attract educators and guard against burnout, schools need to do a better job of supporting employee health, safety and wellbeing. Give them the ability to [personalize their benefits](#) — including their retirement plans — and improve retention.

✔ **Assess everything.**
Talk to your broker to determine the right balance of risk and insurance coverage — but before that, it's essential to work with your broker on a top-to-bottom risk assessment.

✔ **Determine your maintenance needs.**
Determine what plant and equipment need repairs or replacement first, and then take immediate action. Ensure your maintenance reserve is fully funded. Be able to show carriers that buildings and equipment are in top shape for 2023.

✔ **Be transparent with your broker.**
Let your broker know what changes you've made so there are no surprises at renewal. Review exposures and insurance needs at least 90 days prior to policy renewal, so your broker can identify the best options. Also, review the retirement plan with your plan administrator to help increase its value and keep fees low.



Be Prepared

HUB International analyzes proprietary national survey data and interviews commercial insurance brokers and risk services consultants to create an annual rate outlook for Education.

We expect rate increases for nearly all lines of coverages in Education, as the result of carriers trying to account for increased losses.

On the next page is HUB's 2023 rate outlook for several insurance coverages in Education. This will help you discuss your institution's exposure with your insurance broker in advance of your next renewal.



Education Industry Rate Outlook – U.S.

Coverage	2023 Education Rate Outlook	Insights
General Liability and Umbrella/Excess	↑ 20% or higher	Expect close scrutiny of risk management protocols for exposure to sexual abuse and molestation for General Liability and Umbrella policies. Carriers are extremely cautious and market capacity is limited.
Workers' Compensation	↑ Flat to 5%	Rates are relatively stable. However, it's important to adopt best practices for onboarding and training to keep accidents at bay, especially when it comes to less experienced staff. Rates remain relatively stable.
Property & Casualty	↑ 10% to 20%	Underwriters are concerned about deferred maintenance and deterioration of facilities. Carriers will review annual maintenance expenditures before determining if they will issue coverage. Increased underwriting scrutiny on insurance to value (ITV) is driving increases in premiums. Areas prone to wildfires, flooding and windstorms will see the highest rate increases.
Cyber	↑ 20% to 40% or higher	Rates are easing for operations that have not had significant exposure changes or claims and have proper cybersecurity controls. Operations lacking multi-factor authentication (MFA), endpoint detection and response (EDR), and offline backups will have difficult renewals.
Employee Benefits	↑ 6% to 9% Medical Insurance	High-cost specialty medications and increased utilization of prescription drugs, are driving higher medical costs and insurance.
Retirement Plans (403(b) / 457(b) / 401(a)) and Financial Wellness	<p>↓ Advisors and third-party administrators fees:</p> <p>↑ Advanced plan features and employee support costs:</p>	<p>Schools are enhancing their retirement plan offerings to attract and retain staff with additional retirement savings options and financial education. Competition is driving lower fees for advisors and third-party administrators.</p> <p>Demand for advanced plan features and extra employee support is driving costs upwards.</p>

NOTE: Rate is typically defined as the amount of money necessary to cover losses, expenses, and provide an insurance company with a profit for a unit of exposure. **Exposure** refers to a business' or individual's susceptibility to various risks encountered daily. Carriers evaluate the level of risk an insured faces in calculating insurance premiums.

HUB Education

When you partner with us, you're at the center of a vast network of experts who will help you reach your goals. For more information on how to manage your insurance costs, reduce your risk and take care of your employees, talk to a HUB education insurance specialist.

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