

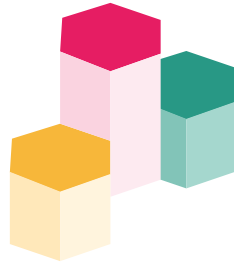
**Outlook.**

# Education

Knowledge is power: Recognizing and responding to emerging risks.

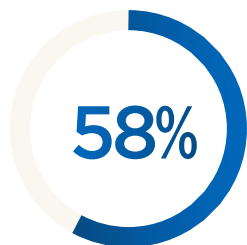


Risk & Insurance | Employee Benefits | Retirement & Private Wealth



# What to Expect in 2024

Financial challenges will continue to pressure budgets, making it difficult for educational institutions to attract and retain educators and protect against risks such as declining enrollment trends, cybersecurity and student mental health and safety. Damage to brand credibility can be detrimental to any educational institution, making crisis response critical to any risk management strategy. Institutions that invest in proactively managing exposures will move to the head of the class.



**Only 58% of educational institutions said their organization is prepared to effectively address loss of brand credibility/reputation.**

HUB International 2024 Outlook Executive Survey

## Serious exposures threaten academic mission and long-term viability.

Budgetary concerns will continue to challenge educational institutions: Declining enrollment at the collegiate level, elevated overhead costs, wavering state financial support and smaller gains on endowments will strain finances. However, increased federal funding for primary and secondary education and an uptick in headcount among private K-12 schools<sup>1</sup> offer reasons for optimism in 2024.

Enrollment numbers for higher education continue to drop, though the rate of decline has moderated. Overall college enrollment fell 0.5% between spring 2022 and spring 2023, compared with a 3.1% drop during the same time period a year prior.<sup>2</sup> Market volatility is affecting returns on endowments and inflation is increasing the costs associated with maintaining school properties.<sup>3</sup>

And upward pressure on salaries — which comprise a significant portion of educational institutions' expenditures — is adding tension to the collective bargaining process and the bottom line.

More than half of education respondents to the HUB International 2024 Outlook Executive Survey listed increased expenditures as the most significant threat to their institution's financial stability.<sup>4</sup> As a result, many are looking for ways to cut costs, including insurance spending. However, reducing coverages could leave them vulnerable and fiscally responsible for devastating losses like cyber breaches, property damage or misconduct claims.



Educational institutions can implement measures to reduce these risks — and potentially their insurance premiums. For example, increasing the frequency of staff cyber training and engaging a consultant to conduct periodic system penetration testing can both improve cybersecurity and make the organization a better risk to insurers.

A broker who specializes in the education space can provide specific risk management resources and offer strategies to improve insurability and reduce coverage costs.

1. K-12 Dive, "[K-12 federal funding sees 5.6% increase for FY 2023](#)," January 4, 2023.
2. Inside Higher Ed, "[Leveling Off at the Bottom](#)," May 24, 2023.
3. Bloomberg, "[College Endowment Investment Gains Are Being Eroded by Inflation](#)," August 10, 2023
4. Results taken from HUB's Outlook Executive Survey, which polled 900 C-Suite and VP-level executives on the issues facing them on profitability, employee vitality and organizational resilience.

# Personalized benefits will be the answer to talent questions.

A mass exodus of staff over the last few years has created fierce competition for talent across all education sectors, with ongoing educator shortages in nearly every state.<sup>5</sup> More than 80% of education respondents to HUB's 2024 Outlook Executive Survey said they were at least moderately focused on attracting and retaining talent.

With current budget challenges burdening educational institutions, increasing salaries to attract talent is not always realistic. However, forward-thinking schools will differentiate themselves by developing a comprehensive benefits strategy that includes employee wellbeing resources and alternative insurance options.

Currently, just 38% of educational institutions are currently offering lifestyle and alternative insurance options, according to survey respondents.

**41%**

of educational institutions respondents offer a benefits program customized to the unique personas of their employees.

Personalized benefits based on data analytics will deliver **quality employee experiences (QEX)** that improve recruiting and retention. A tailored benefits strategy will better meet employees' needs, improve wellbeing and strengthen the organization's culture, and are often cost-effective for the organization.

**CASE STUDY:** One of HUB's education clients used **Workforce Persona Analysis** to obtain a better picture of what their employees wanted from their benefits plans and learned that staff bonuses and fertility benefits were in demand. By changing their mix and self-funding benefits, the 1,000-employee charter school was able to save \$2 million a year — about 10% of its annual insurance spend — and use the savings to offer those asked-for benefits and bonuses.

Innovative large educational institutions are considering self-insurance and alternative risk transfer options, such as captives, in their employee benefit plan design.

5. ABC News, "[Most of the US is Dealing With a Teaching Shortage, But the Data Isn't So Simple](#)," February 11, 2023.

## As insurance premiums rise, institutions should focus on risk education.

In today's challenging insurance marketplace, educational institutions are taking a more pragmatic approach to risk and making increasingly strategic insurance decisions.

More than three-quarters of education respondents to HUB's 2024 Outlook Executive Survey cited physical abuse claims and the impact of technology among the biggest risks to educational institutions' resiliency. But only 13% reported having enough insurance to protect their operating margin, according to the survey.

Over the past decade, the average claims cost for primary general liability and educators' legal liability has more than doubled, and sexual misconduct claims comprised nearly 20% of all primary, secondary and higher education claims costs in 2020.<sup>6</sup> Abuse claims not only take a financial toll on an institution — they can also seriously damage a school's reputation and ability to carry out its academic mission.



Abuse and molestation insurance remains a significant expense, with a lack of capacity further driving up rates. Underwriters are increasingly demanding schools demonstrate that they have comprehensive and mandatory abuse and molestation training for all employees — from the senior leaders to support staff — as well as thorough abuse investigation plans and robust screening policies for workers and volunteers.

Institutions such as boarding schools may only be able to procure half of the abuse and molestation coverage they need to protect their endowment in the traditional market. With insurers increasingly adding exclusions to policies — creating coverage gaps — schools are banding together to form captives.

More educational institutions are taking a strategic approach to securing insurance, leveraging analytical data to view coverage levels against key risks to reduce their insurance spend.

**CASE STUDY:** One HUB client, a charter school, found savings by moving to a captive insurance model. By leveraging this structure, the school was able to translate the annual cost of the captive into collateral.

Minimizing risk and keeping premiums in check also require education, awareness and **crisis management response planning**. Educational institutions should discuss with their broker how to embed risk management in their financial plan — including endowment design and management — to achieve the organization's long-term goals and build resiliency.

6. United Educators, "[Large Loss Report 2022](#)," December 9, 2022.

## Develop a lesson plan to manage changing exposures.

Evolving risks will continue to be problematic for educational institutions. Technological advancements, economic instability and the increasingly litigious environment in the U.S. are changing the risk profile of educational institutions.

About half of respondents to HUB's survey say they felt prepared to address cybersecurity risks and the use of artificial intelligence (AI), but cyberattacks continue to proliferate.

Bad actors are quickly becoming adept in their use of AI software and perceive educational institutions as soft targets with multiple points of entry and a plethora of personal data to be exploited. In 2022, ransomware attackers targeted education more than any other industry sector; educational institutions are seeing cyberattacks rise 44% compared with the prior year.<sup>7</sup>

In addition, schools must also develop a plan to handle new technology, such as AI's potential impact on pedagogical integrity and future graduates' job opportunities.

Litigation over sports injuries is also on the rise. Both secondary and higher education institutions have faced an increasing number of lawsuits alleging negligence for failing to protect student-athletes from head injuries. In addition, changes caused by the budding name, image and likeness (NIL) culture in collegiate athletics present pay-to-play problems and could expose post-secondary schools to ethical considerations and financial liability.

Educational institutions are seeing cyberattacks rise

44%

compared with the prior year.



Protecting endowments is an additional concern, with more than a quarter of organizations highly concerned about the impact of bank failures and market fluctuations on this source of capital, particularly in the wake of several high-profile bank failures in early 2023 and more recent bear market predictions.

To manage these risks, educational institutions should ensure they have adequate cybersecurity protocols and insurance coverage in place, develop and follow concussion protocols for student-athletes and diversify their investments among several banks and financial institutions to protect their endowment.

An insurance broker that specializes in the education sector can help advise institutions on coverage gaps in policies, identify additional exposures and help determine the right coverage and risk management resources to address emerging risks.

7. Graphus, "[Education is Now the Top Sector for Ransomware Attacks](#)," December 15, 2022.

# Make a plan

HUB education industry insurance, risk management and employee benefits specialists will work with you to develop a tailored strategy to protect your bottom line, support the vitality of your workforce and build resiliency for 2024. Here are some initial considerations:



- ✔ **Develop a comprehensive risk plan.**  
Making enterprise risk management (ERM) a key component of your institution's culture can help you identify exposures and place your organization in the best position to respond if an incident occurs. Make sure your broker understands how to strategically approach risk and identify gaps in your educational institution's coverage.
- ✔ **Create a personalized benefits strategy.**  
Employees expect you to support their health, safety and wellbeing. Schools with a benefits strategy based on personalization and fostering **quality employee experiences (QEX)** will boost engagement, recruitment and retention, and lower risk.
- ✔ **Rely on your carrier in a crisis.**  
An incident can be devastating to an educational institution's reputation. Take advantage of your insurer's expertise if an event occurs. They may be able to assist with such areas as legal counsel, crisis management or digital forensics.
- ✔ **Be transparent with your broker.**  
Consistent communication with your broker will help you identify and mitigate issues in advance of your next renewal and position your institution in the best light. Review exposures and insurance needs at least 90 days prior to policy renewal to allow your broker to find the optimal mix of coverage for your educational institution's needs.

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# Education Industry Rate Guide – U.S.

HUB International interviews brokers and risk services consultants and analyzes survey data to bring you our proprietary rate report each quarter. Read the HUB 2024 Commercial Lines Rate Report to know what to expect in advance of your next renewal.

| Coverage                               | 2024 Education YOY Rate Outlook | Insights   |
|--|---------------------------------|--|
| <b>Commercial Auto</b>                 | +5% to 10%                      | Increases in vehicle replacement costs (both new and used), production backlogs on part replacements, labor costs and increased medical costs are driving up rates to offset loss costs. More drivers are back on the road as workers return to the office, and behind-the-wheel distractions continue to drive loss activity. The challenging economic climate has led more educational institutions to delay vehicle maintenance due to competing priorities. Institutions with favorable loss experience will achieve better outcomes.  |
| <b>General Liability</b>               | +5% to 10%                      | Social inflation remains a concern for liability underwriters due to an increase in abuse and molestation claims triggered by revival statutes favoring victims of legacy misconduct. Underwriters are requiring airtight abuse prevention, training, education, supervision and investigation protocols from new and renewal applicants. Dormitory safety measures continue to challenge institutions that do not have buildings equipped with sprinklers and hard-wired smoke detection systems. An emphasis on campus security and mental health support for students persists.   |
| <b>Workers' Compensation</b>           | -10% to Flat                    | Workers' compensation remains the most profitable line for the commercial insurance industry. Rates have remained stable over the past few years, with carriers offering competitive rates. Inflationary pressures may impact future loss costs due to increases in wages and the cost of medical services and prescription drugs.   |
| <b>Umbrella &amp; Excess Liability</b> | +15% to 25%                     | Standard markets are limiting capacity as their reinsurers press for higher rates and coverage limitations, particularly abuse and molestation. Excess liability insurers are raising attachment points and forcing some buyers to build layered and quota-share towers to secure adequate limits. Policyholders should be vigilant in their review of exclusions in umbrella and excess liability policies: They can render coverage more restrictive than the primary policies they complement.  |
| <b>Commercial Property</b>             | +10% to 20% or higher           | The property market is facing unprecedented challenges driven by natural catastrophes, including wind, flood, earthquake and wildfire losses. Reinsurers will continue to apply pressure behind the scenes. Insurers will scrutinize risk profiles with unfavorable brush mapping and/or protection classes. Carriers are decreasing capacity on per-location insured values while increasing deductibles or imposing per-location loss limits. Risk control measures remain critical in this sector. Educational institutions that defer property maintenance may face challenges. The market also remains focused on valuation. While many buyers have now "right-sized" their values, insurers continue to impose policy restrictions (coinsurance, margin, loss limits, etc.) that force insurance-to-value. |

# Education Industry Rate Guide – U.S.



| Coverage  | 2024 Rate Guide   | Insights  |
|---|---|---|
| <b>Catastrophic Perils</b>                        | +20% to 30% for lesser tiers/zones<br><br>+30% to 50% or higher for high-hazard tiers/zones | Losses in 2023 will drive rate increases in 2024. While traditional CAT perils (flood, earthquake and windstorm) remain a concern, insurers are increasingly focused on exposures such as severe and convective storms, wildfires and winter storms. Challenging occupancies are seeing large rate increases of 50% to 100% or more. Buyers in high-hazard zones will find only a few carriers in the non-admitted market entertaining new business.  |
| <b>Educators Legal &amp; Management Liability</b> | +5% to 15%  | Employment practices liability insurance (EPLI) claims remain the most frequent source of litigation against organizational leaders, with discrimination, sexual harassment and wrongful termination actions driving losses.<br><br>Fiduciary liability cases are on the rise with new regulatory changes that place additional scrutiny on retirement and benefits plan sponsors. Employee dishonesty claims lead the way within the crime segment, but computer fraud, funds transfer fraud and fraudulent impersonation (phishing) claims continue to increase as technologies and bad actors become increasingly sophisticated. |
| <b>Cyber</b>                                      | Flat to +10%  | After a market-wide, multiyear recalibration in the cyber market due to loss patterns brought by the newly remote workforce, those headwinds have finally tapered off. Despite steady reports of ransomware claims and cybercrime by proficient actors, ample market capacity and competition have tempered rate adjustments.<br><br>Underwriters are also imposing stringent eligibility requirements for cyber insurance, mandating that policyholders implement multifactor authentication (MFA), endpoint detection and response (EDR), and maintain people and process controls.   |

**NOTE:** *Rate* is typically defined as the amount of money necessary to cover losses and expenses, as well as 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 HUB, you're at the center of a vast network of experts who will help you improve your profitability, enhance the vitality of your workforce and remain resilient into the future. For more information on how to manage your insurance costs, reduce your risk and take care of your employees, talk to a HUB education advisor. We're here to help.

**\$300M**

in commercial insurance premium brokered by HUB

**4,000**

education clients

**13,000**

insurance policies managed

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