

2024 OFFICE OF RISK MANAGEMENT ANNUAL REPORT



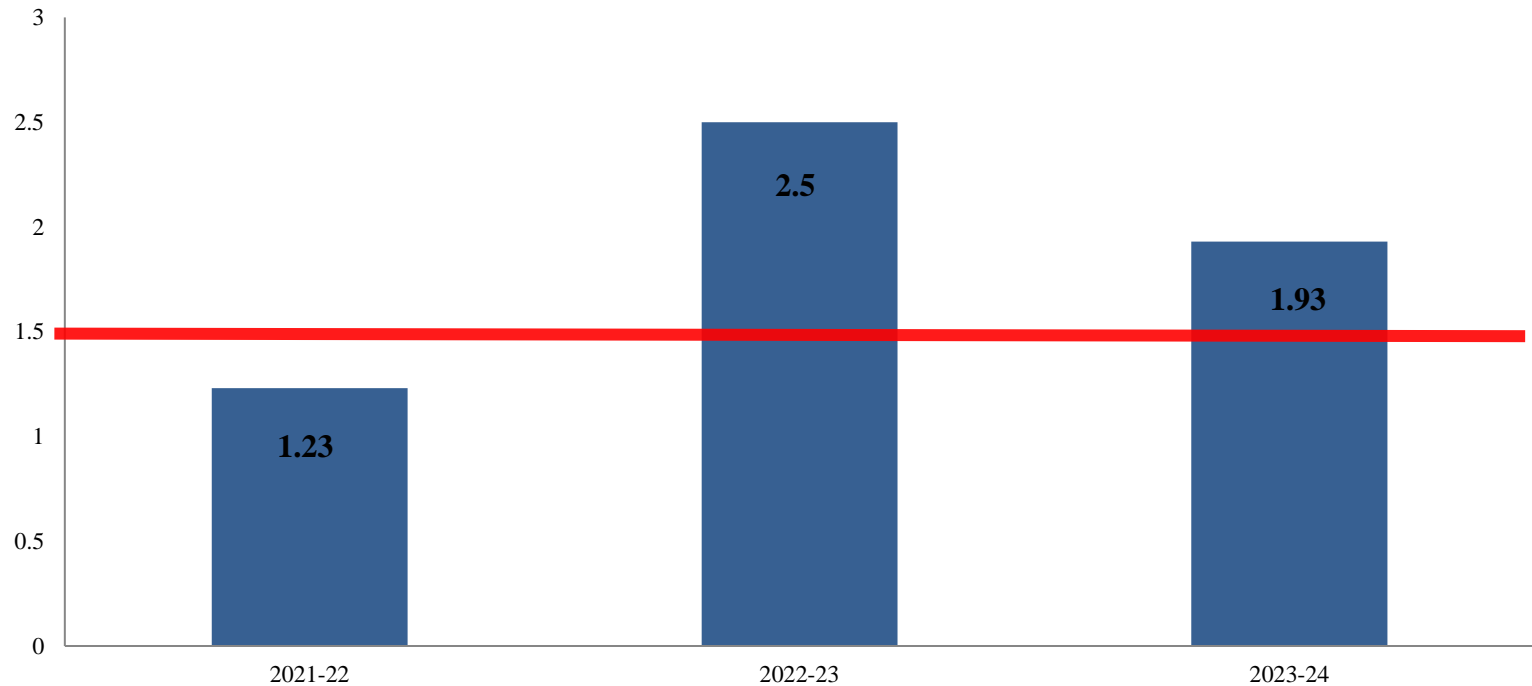
PRESENTED BY OFFICE OF RISK MANAGEMENT AND OFFICE OF LEGAL COUNSEL

OBJECTIVES:

- Fund financial health 2024
- Insurance market conditions
- Insurance renewal highlights 2024-25
- Risk financing analytics and loss modeling
- Benchmarking data (*see Appendix*)

FUND FINANCIAL HEALTH

Viability Ratio as of September 30, 2024



Fund Balance: \$11.8 M - Fund Obligations: 6.4 M

Unobligated Fund Balance: \$5.4 M

INSURANCE MARKET UPDATE

- Property rates continue an upward trajectory due to increased exposure to natural disasters, rising construction costs, aging infrastructure, inflation and supply chain issues. Rates increasing from 5 to 10%.
- Casualty risk market for higher ed sector continues to become more expensive and complex, with rates increasing in the 10% to 30% range. Drivers remain same as in recent years: adverse jury verdicts; costs associated with harassment, discrimination claims.
- Pricing for cyber insurance is expected to remain stable through 2024 due to ample capacity and a competitive market environment. Flat to reduced rates expected.

INSURANCE MARKET UPDATE

- Aviation market is still relatively unstable with rates increasing in the 15% to 25% range. This is due to supply chain issues, rising repair costs associated with inflation, and increased reinsurance treaty costs.

RESULTS OF 2024-25 RENEWAL PROCESS

Property

- ☐ Underwriter FM
- ☐ Rate increase 1.5%
- ☐ Power plant deductible increase to \$1M
- ☐ Industry cumulative 4-year average increase 27%
- ☐ Purdue cumulative 4-year average increase 18%

Liability

- ☐ Program structure remains, United Educators as primary. Excess changes were necessary. Now Ironshore, Lexington, Vantage, and Westchester
- ☐ No material changes in coverage
- ☐ Premium increase 13% on average between primary and excess layers

RESULTS OF 2024-25 RENEWAL PROCESS

Cyber

- ☐ Insured with Beazley and Starr
- ☐ Premium decrease of 5% on both primary and excess layers
- ☐ Coverage remained substantially the same

RESULTS OF 2024-25 RENEWAL PROCESS

Aviation

- ☐ Insured with Starr
- ☐ No rate increase year over year
 - Multi year rate guarantee is in place contingent upon maintaining loss ratio below agreed amount
- ☐ No material coverage changes

RISK FINANCING ANALYTICS AND LOSS MODELING

- Goal: assess the efficiency and effectiveness of the current risk financing program
 - Retentions
 - Policy limits
 - Normal losses
 - Catastrophic losses

- Major exposures considered.
 - General liability
 - Auto liability
 - Educators' legal liability
 - Cyber
 - Property

ANALYTIC RESULTS

- Partnered with the consulting branch of AON Risk Services utilizing their proprietary analytics model
- Analytical Highlights
 - Loss exposure at the 95 percentile or 1 in 20-year loss expectancy
 - General liability: \$2 M
 - Educators' liability \$7 M
 - Auto: \$5 M
 - Cyber: \$7 M
 - Property: \$11 M
 - Loss exposure at the extreme catastrophic level 1 in 50,000 years, also referred to as black swan losses
 - General liability: \$36 M
 - Educators' liability: \$136 M
 - Auto: \$98 M
 - Cyber: \$23 M
 - Property: \$2.3 B

FINDINGS

- Current program is performing well
- Current program structure is reducing volatility
- Current program is providing value
- Policy limits are adequate over 99.6% of the time, sufficient to cover losses in the 1 in 250-year frequency range. This is in line with industry best practices for policy limit selection.
 - Exception is cyber, which is at 97% or sufficient to cover losses at the 1 in 42-year range
 - See first Recommendation on next slide
- Loss reserving practices associated with retained losses is adequate

RECOMMENDATIONS

- Consider increasing cyber limits next renewal if the market maintains the same pricing value
- Continue to monitor opportunities for alternative risk financing models

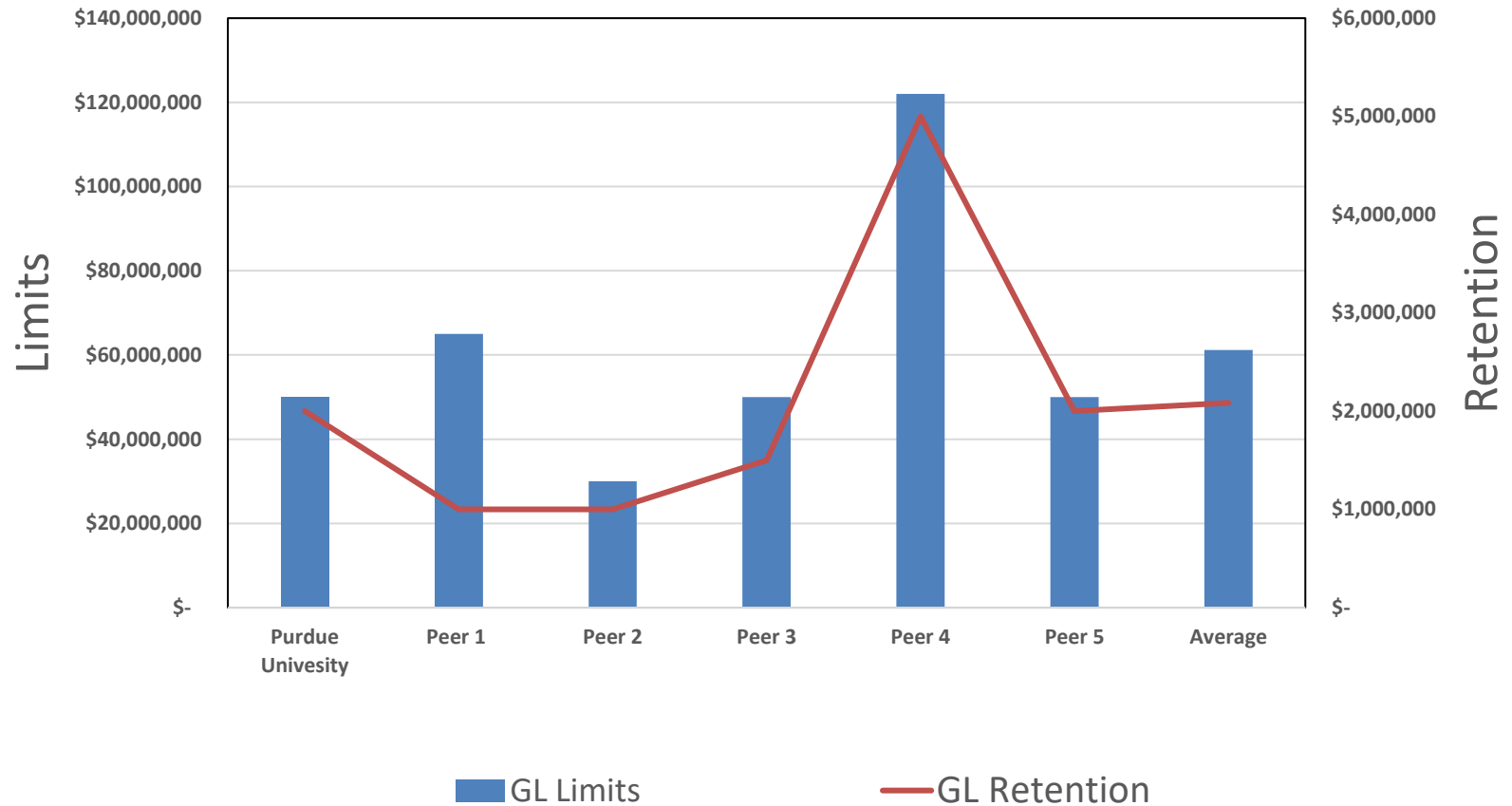


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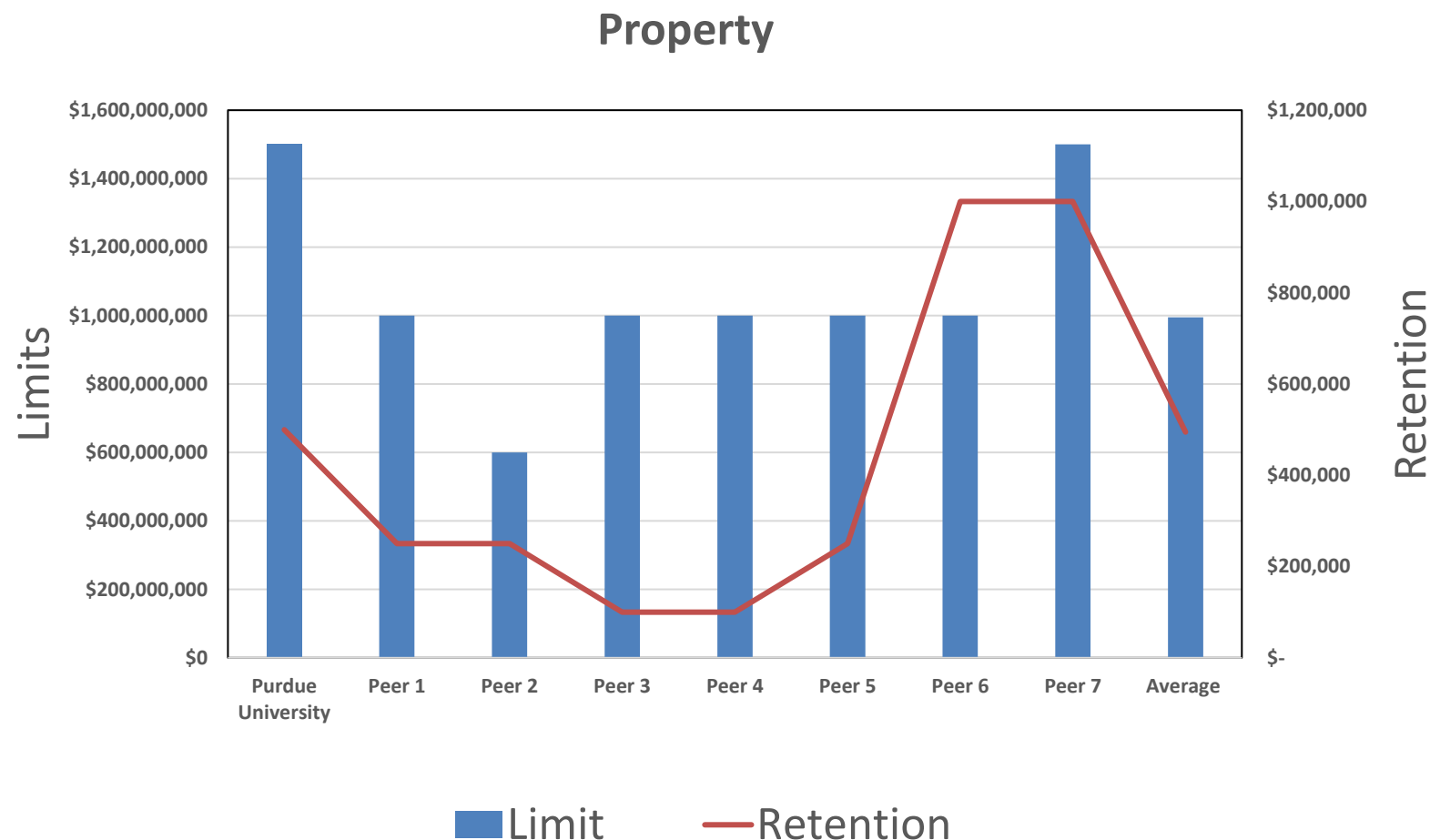
APPENDIX FOR QUESTIONS

PEER LIABILITY BENCHMARKING

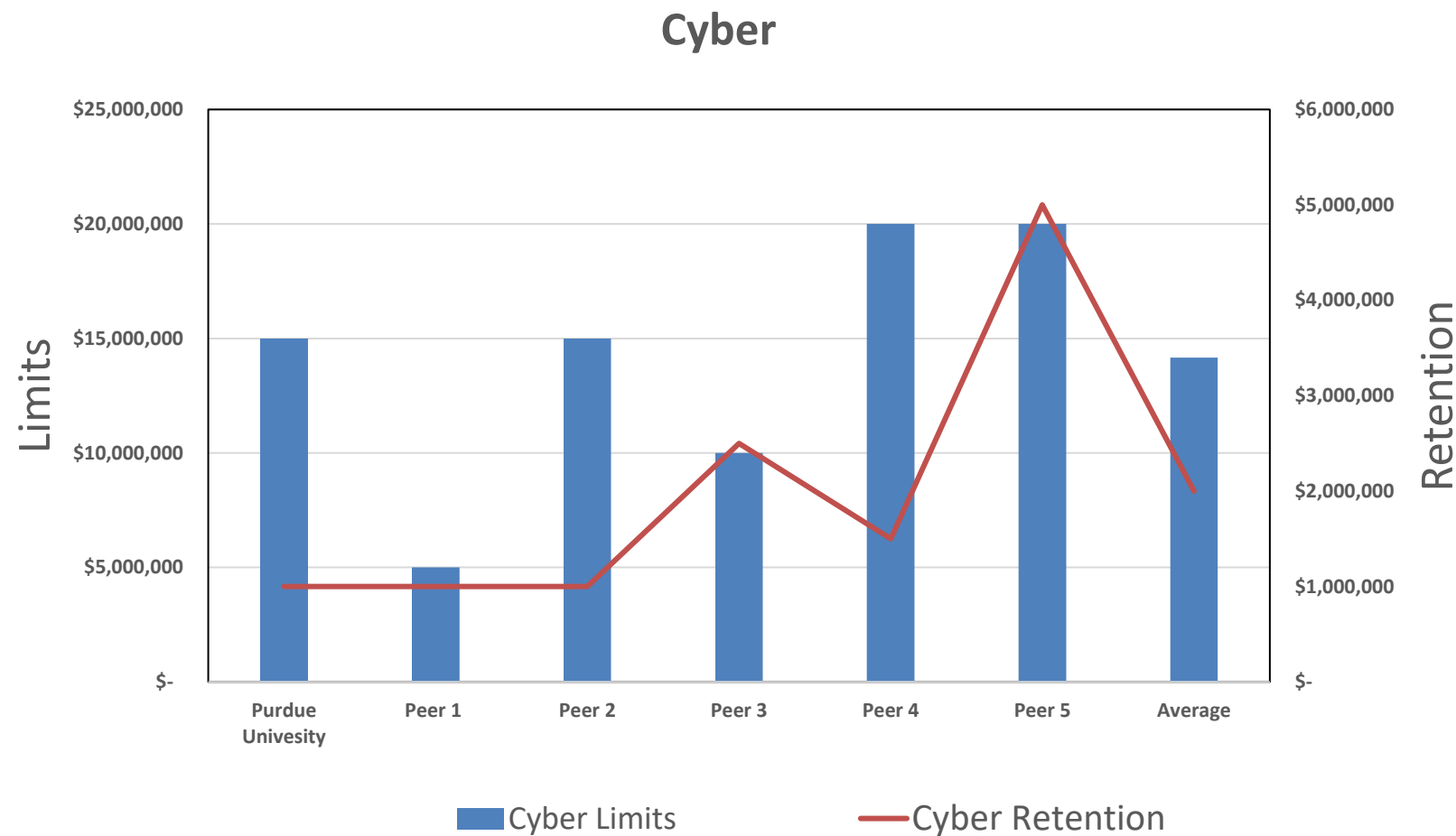
General Liability



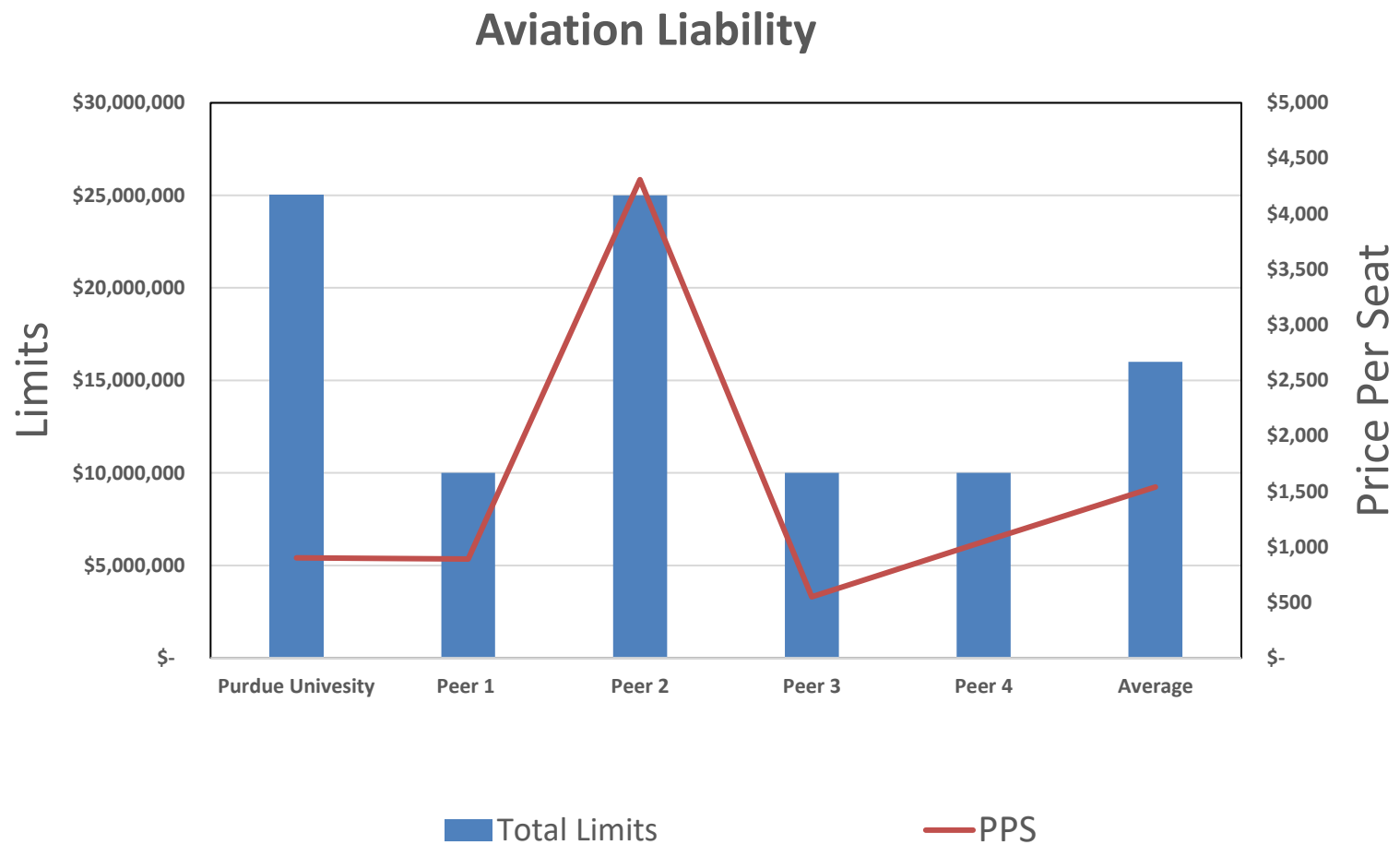
PEER PROPERTY BENCHMARK



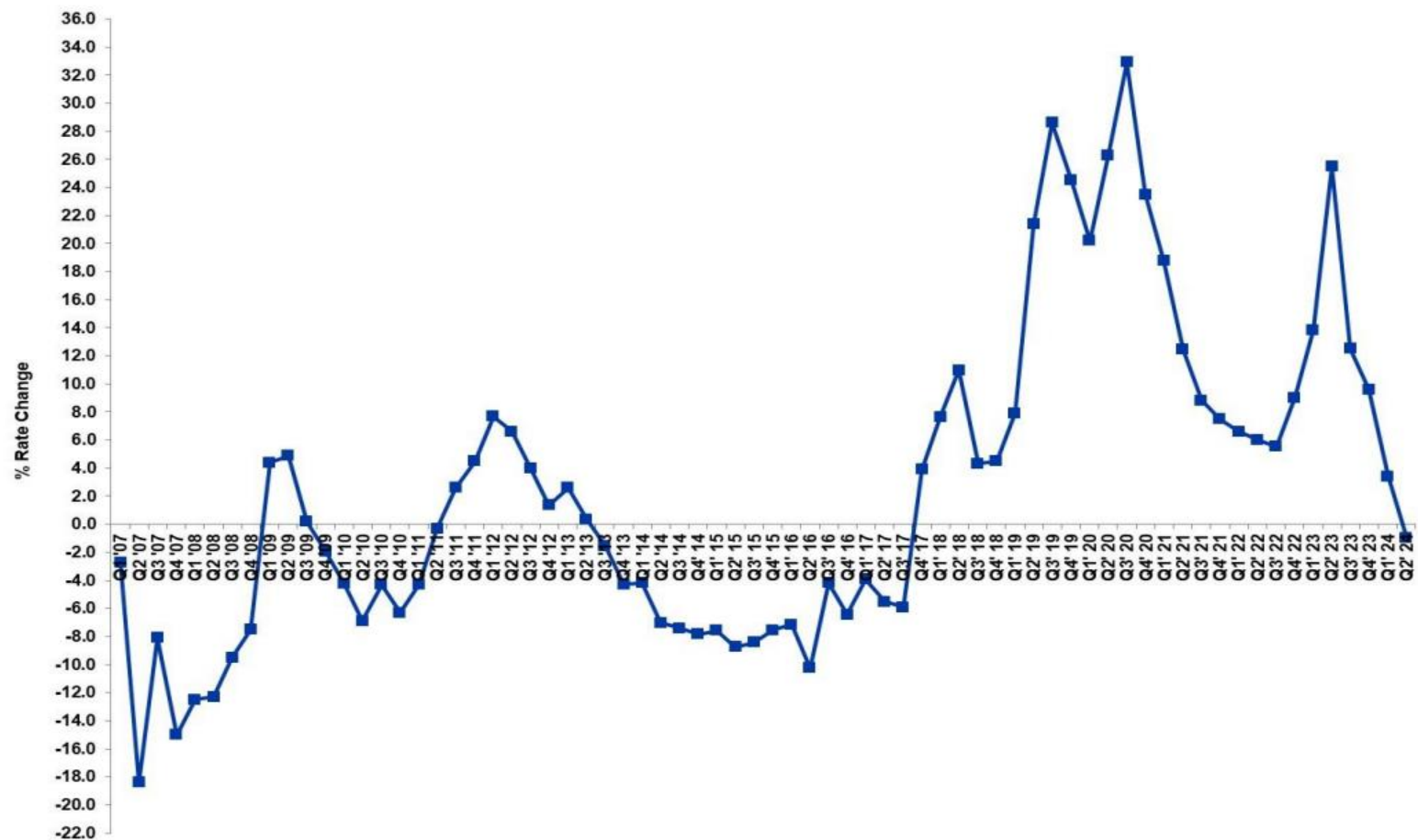
PEER CYBER BENCHMARK



PEER AVIATION BENCHMARK

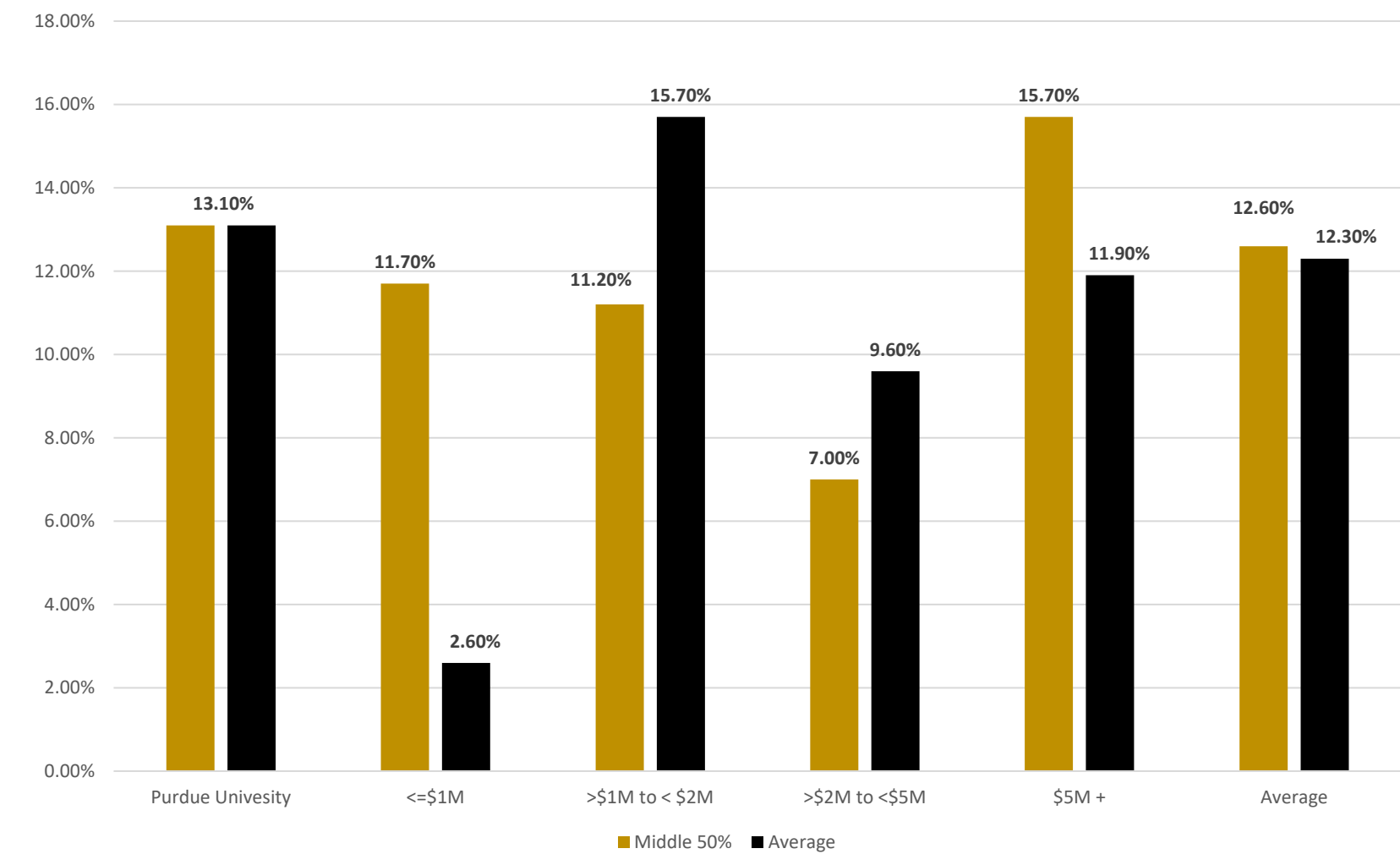


2024 INDUSTRY BENCHMARK PROPERTY Q2



Source: Aon Data

INDUSTRY BENCHMARK LIABILITY Q2



INDUSTRY BENCHMARK CYBER RATE

2020–2024 Cyber Premium Changes by Quarter
Average Year-over-Year Change (Same Clients)

