

# 2024 OFFICE OF RISK MANAGEMENT ANNUAL REPORT



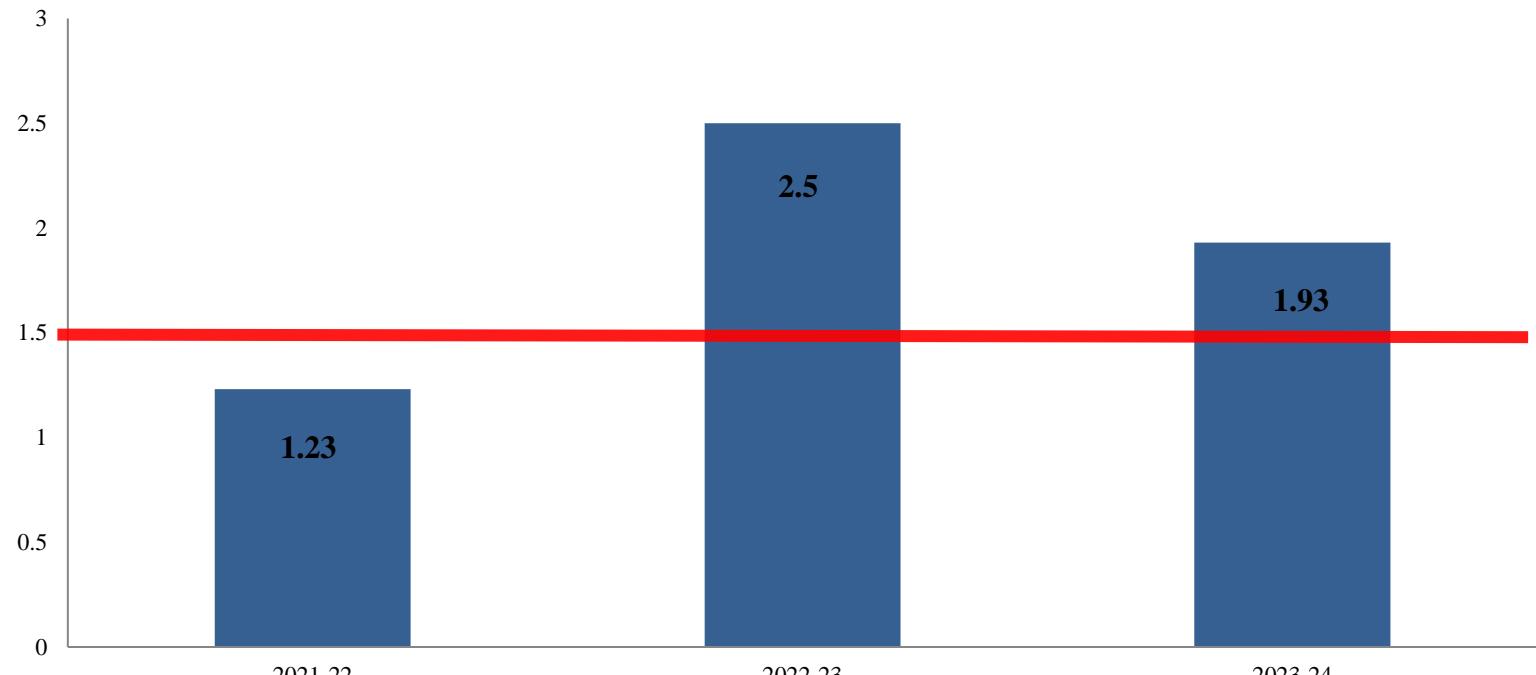
PRESENTED BY OFFICE OF RISK MANAGEMENT AND OFFICE OF LEGAL COUNSEL

# 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

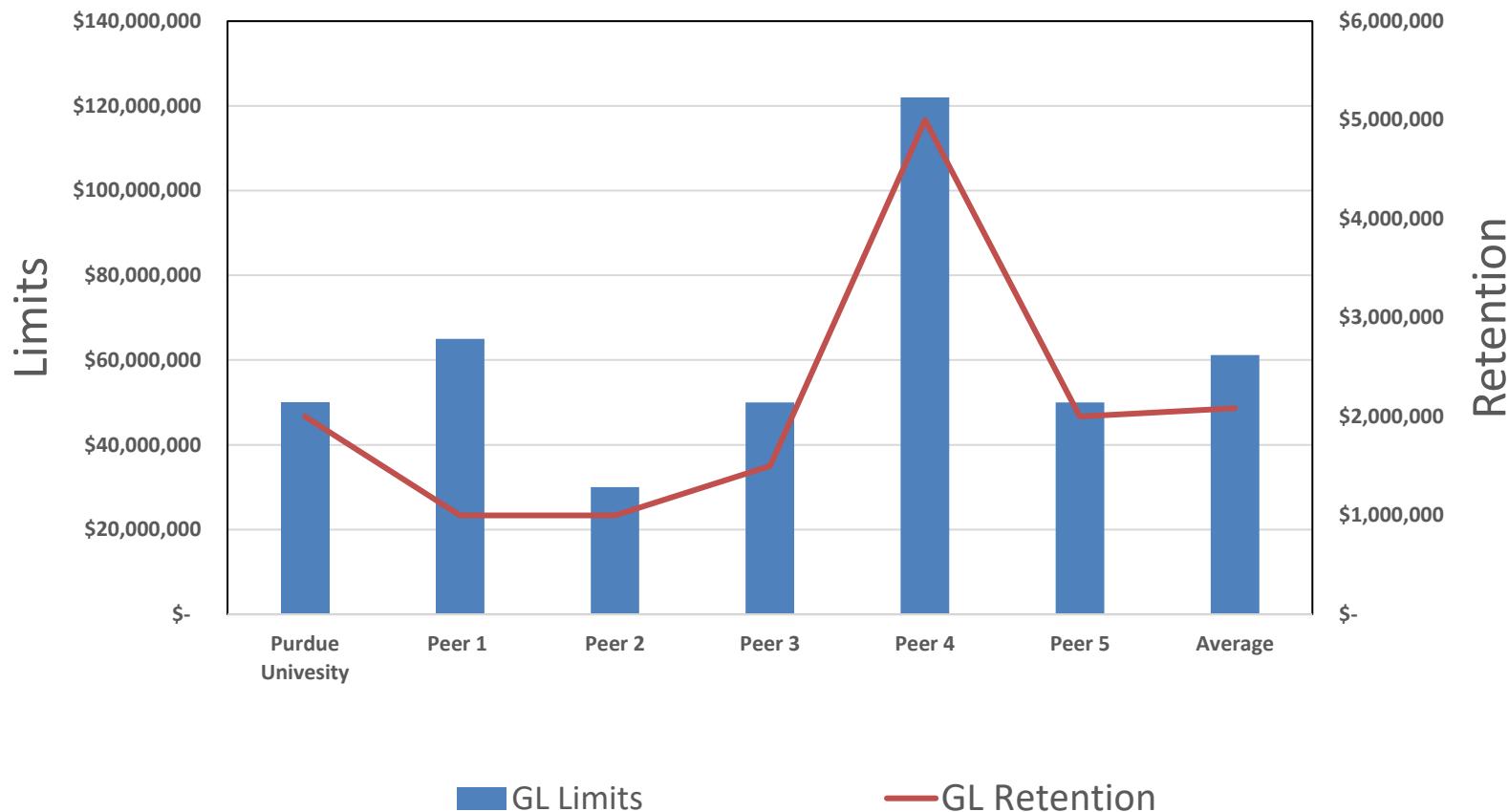


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# **APPENDIX FOR QUESTIONS**

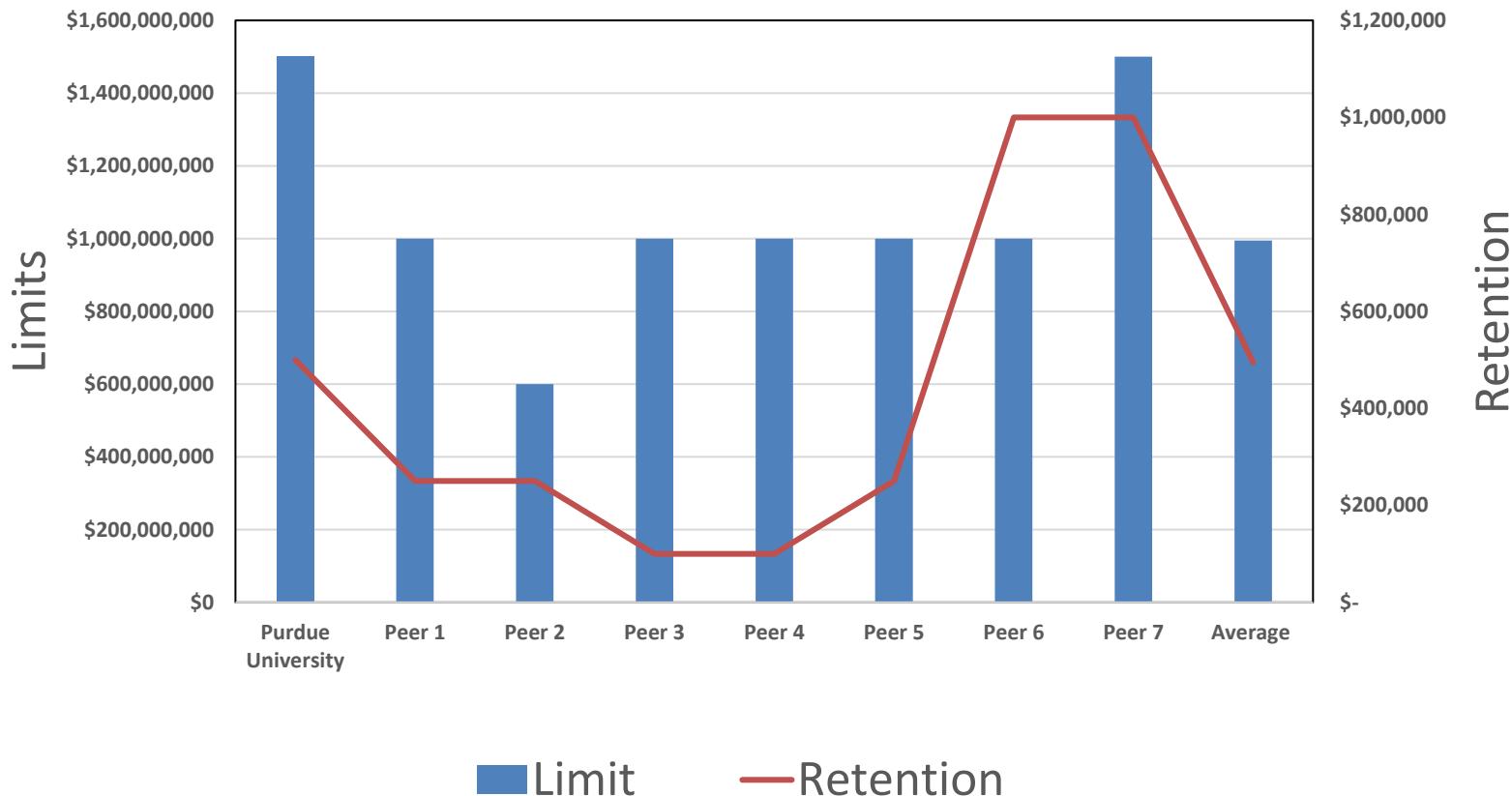
# PEER LIABILITY BENCHMARKING

## General Liability

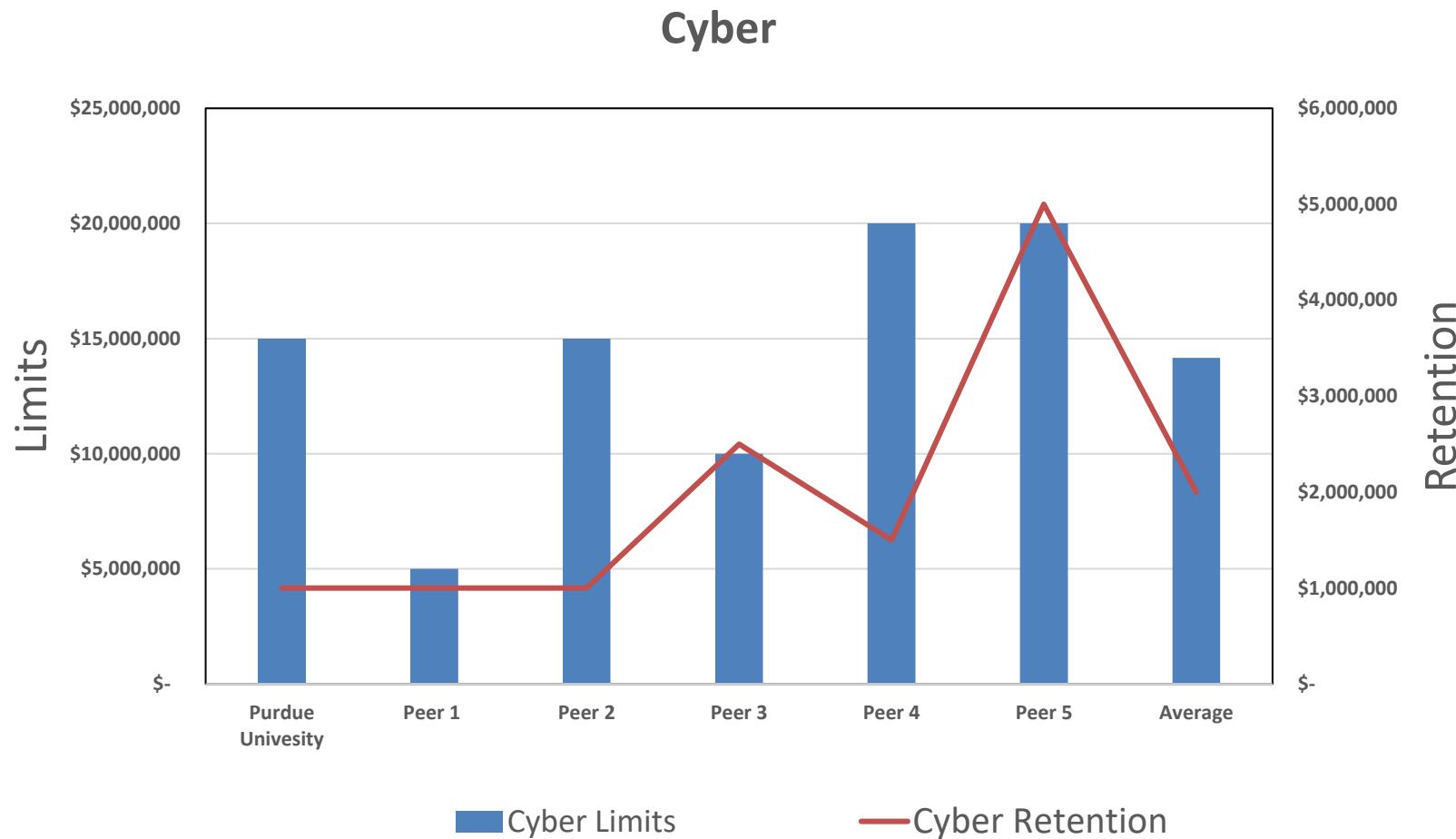


# PEER PROPERTY BENCHMARK

## Property

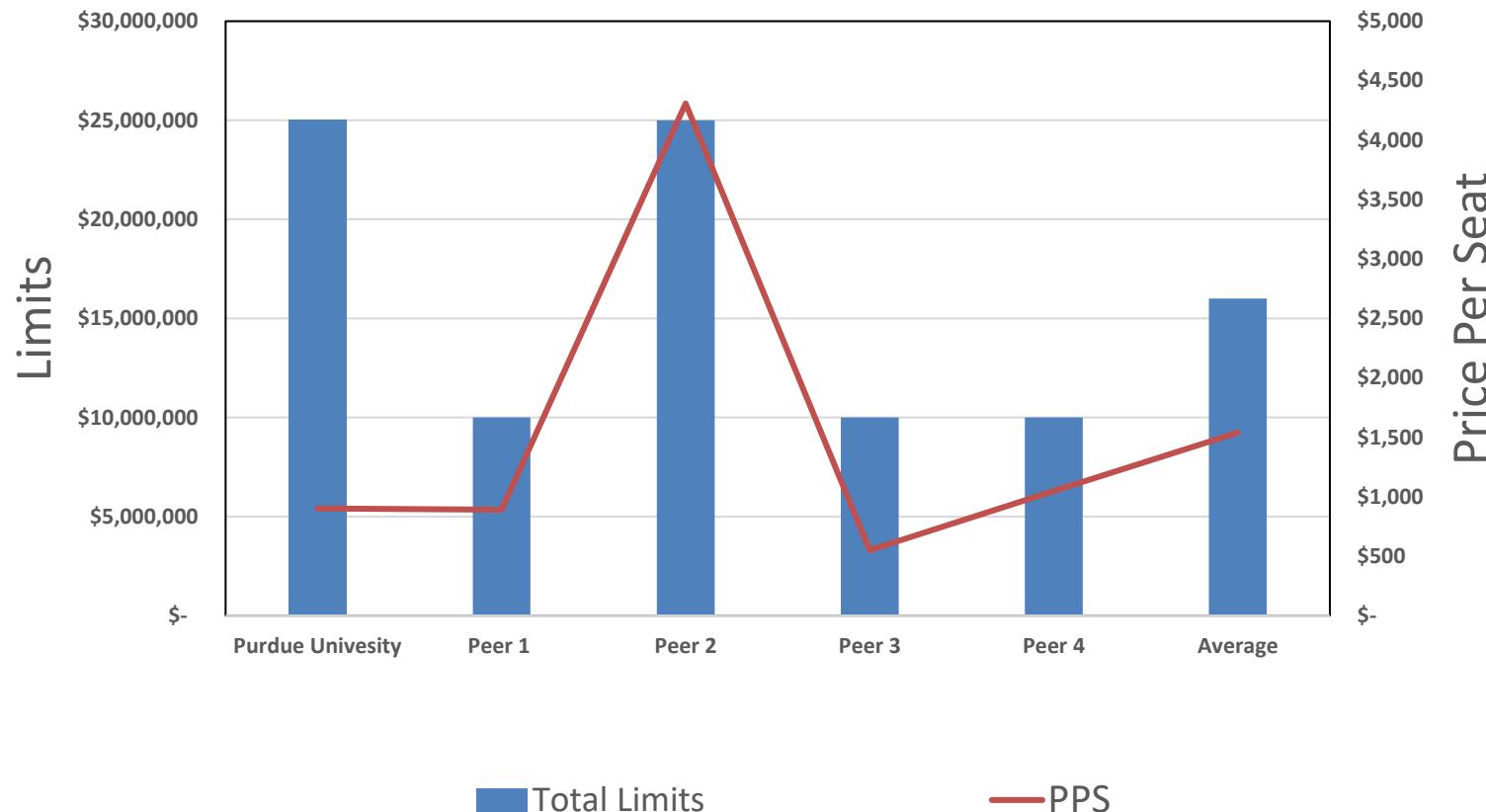


# PEER CYBER BENCHMARK

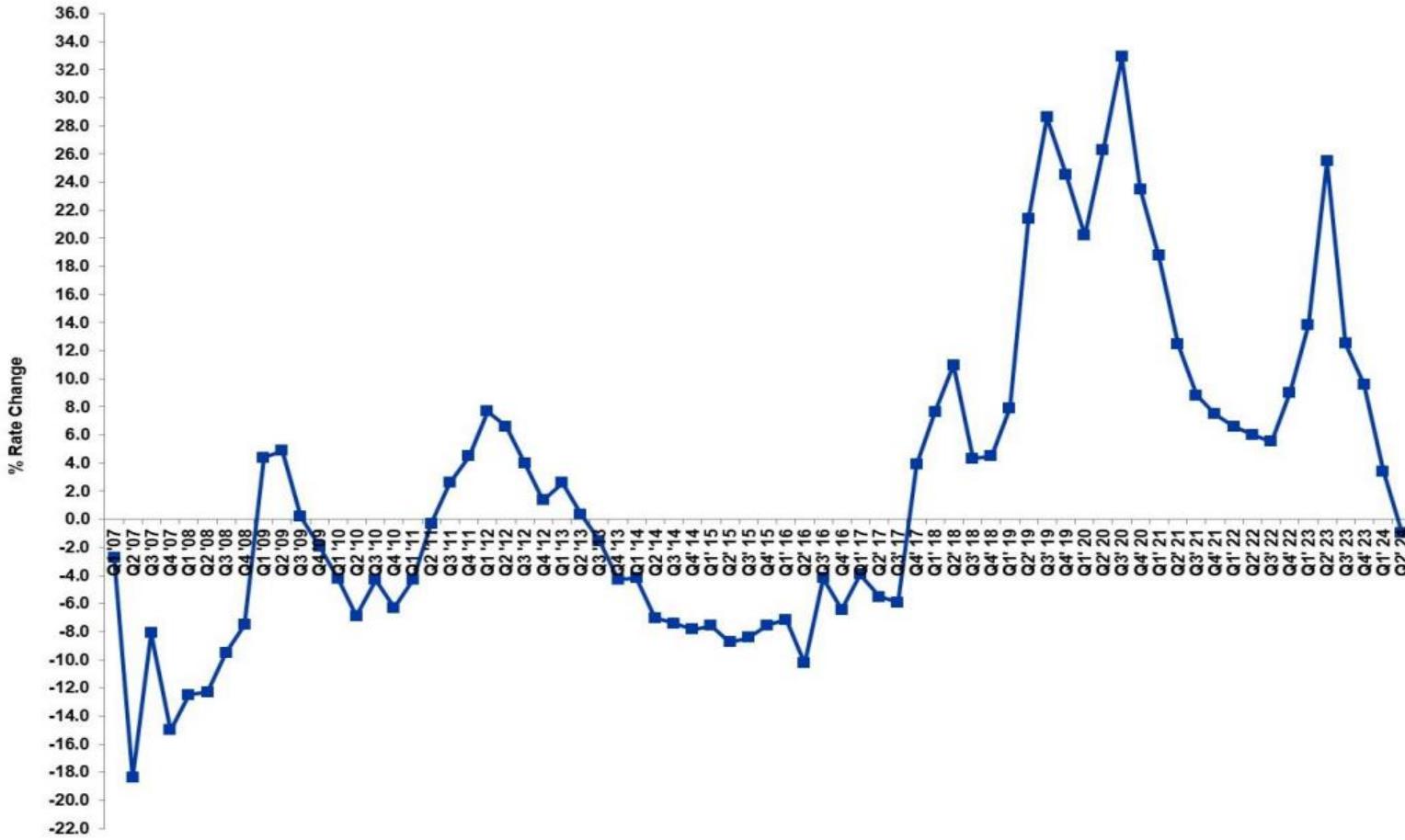


# PEER AVIATION BENCHMARK

## Aviation Liability

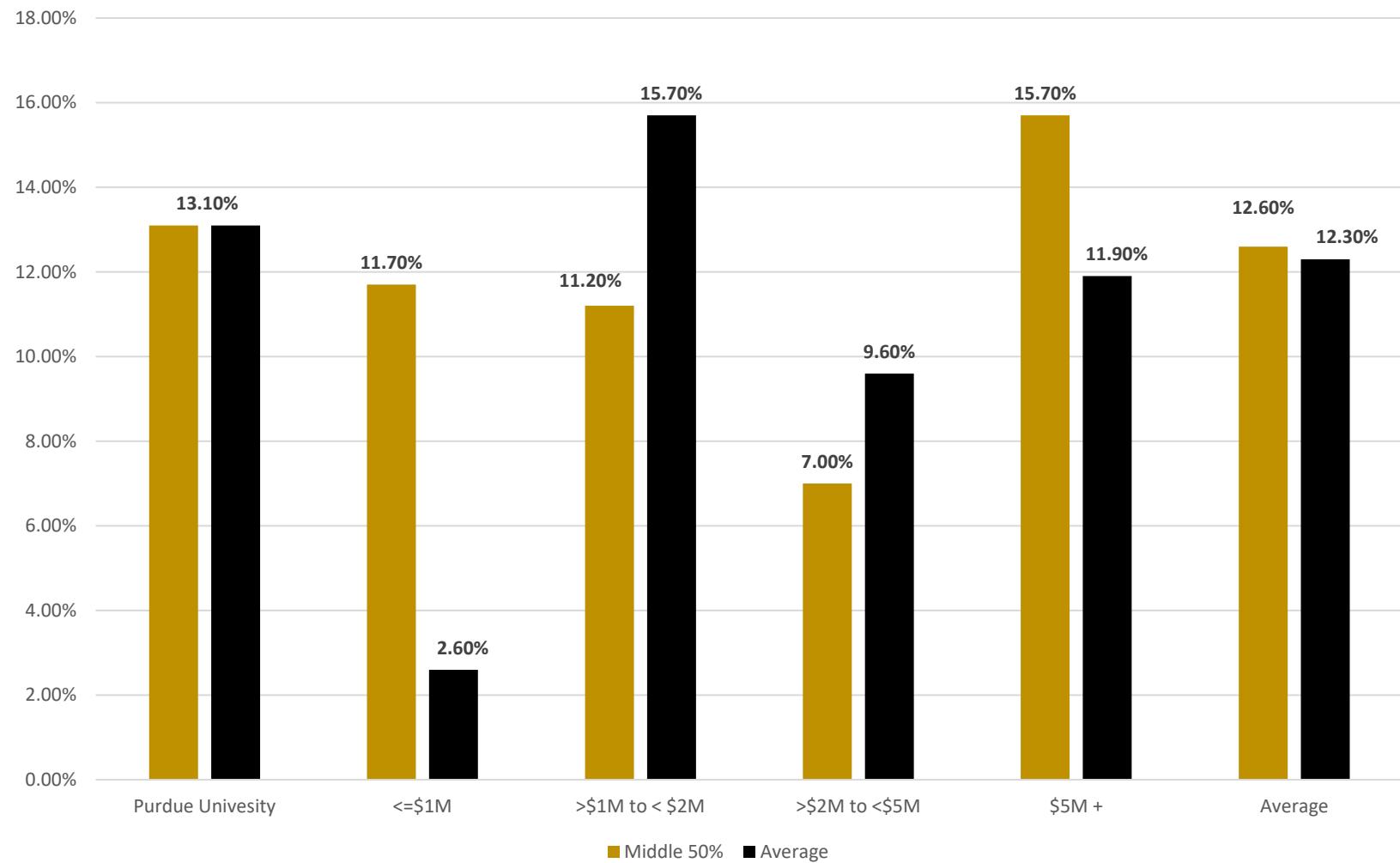


# 2024 INDUSTRY BENCHMARK PROPERTY Q2



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)

