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2020 US EDUCATION INSURANCE MARKET UPDATE WEBCAST

March 10, 2020

Jean Demchak, Paul Sherbine, Mark Turkalo, David Letzelter, Ken Simek

MARSH & McLENNAN COMPANIES

Marsh Panel Overview

Jean Demchak, Managing Director Global Education and Public Entity Practice Leader

Jean has a career-long focus on higher education and the public entity sector, with over 35 years of industry experience. She has been with Marsh for over 30 years and is the senior relationship officer for all education and public sector accounts. Jean is responsible for identifying and responding to the emerging issues facing schools and public entity clients and developing and customizing specialized services to meet their needs. She serves as liaison to the marketplace as well as key organizations in the higher education industry.

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Agenda

- Introduction/panel overview.
- Market information resources/insurer financial review.
- Litigation Trends for Education
- Casualty market, including professional liability update:
  - Higher education.
  - Primary and secondary schools.
- Property market update.
- Employee benefit market update.
- Q&A.

Marsh Panel Overview

Paul Sherbine, Managing Director
Market Information Group

As leader of Marsh's Market Information Group, Paul is responsible for the analysis of the insurers that Marsh clients use worldwide. He helps clients assess the relative strengths or weaknesses of various insurers when structuring their programs. In addition, he makes oral and written presentations to clients on the importance and methodology of insurer financial analysis.

Paul has been the featured speaker to industry trade groups and other interested parties on Marsh's Market Information Group and the financial standing of the insurance industry in general. Prior to joining Marsh in 1986, Paul was a financial analyst with A.M. Best Company.

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Marsh Panel Overview

Mark Turkalo, Senior Vice President
Education and Public Entity Placement Leader

Mark is a senior placement specialist in charge of placing all new and renewal business for the education sector, including public and independent K-12 schools, vocational and technical schools, community and state colleges, and private and public higher education institutions.

Mark's responsibilities include insurance risk evaluations for Marsh's education clients and determination of the best possible risk transfer mechanisms. His background includes the placement of public entity specialty industry programs. Prior to joining Marsh in 1993, Mark worked as an underwriter for 10 years, specializing in national accounts, cash flow programs, captives, and other risk financing techniques.

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Marsh Panel Overview

David Letzelter, Managing Director
US Property Practice, Pittsburgh Leader

As a senior property advisor, David provides clients with advice on program design, marketing, and strategy as well as guidance on technical aspects of large-limit property programs.

Among David's areas of expertise is finding solutions for clients in higher education on layered and quota share programs, captive use, and alternative risk finance. In addition, his consultation with colleges and universities represents more than $120 billion in insured values.

David joined Marsh in 1996 and currently also serves as the property practice leader for the Marsh's Pittsburgh office.

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Marsh Panel Overview

Ken Simek, Partner
Mercer Consulting

Ken is a partner in Mercer's Chicago office and has been with Mercer for more than 20 years. He has more than 25 years of substantial consulting and engagement management experience in human resources strategy, compensation strategy and design, benefits strategy, benefits administration and process, human resources technologies, and benefits outsourcing.

As leader of Mercer's higher education industry practice, Ken is responsible for coordinating, managing, and leading client and market strategy and consulting services for all of Mercer's more than 400 higher education clients. Ken also spearheads a private university networking group consisting of 10 institutions that meets throughout the year to analyze issues and share information.

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2019 Year-End Results

Paul Sherbine

2019 Year-End US Results

- Combined ratio of 98.2%.
- 4.2% increase in net premiums to $643 billion.
- Underwriting gains of $7.9 billion, reversing loss of $3 billion reported in 2018.
- Policyholders’ surplus rose 12% to $858 billion from year-end 2018.
- Net income of $66 billion, up 12% from prior year period.
- Catastrophes added 4.4 points to combined ratio in 2019, down from 5.7 points in 2018.
- Net investment income increased 2.1% to $58 billion from $57 billion in 2018.
- Favorable loss reserve development lowered combined ratio by 1.3 points, down from 1.8 points in 2018.

Source: AM Best

2019 Year-End Sector Analysis

- Personal lines:
  - 3.2% increase in net premiums.
  - Combined ratio fell1.8 points from 2018 to 97%.
  - Catastrophe losses added 4.4 points to combined ratio, down from 6.2 points in 2018.
- Commercial lines:
  - 5.5% increase in net premiums.
  - Combined ratio flat at 99.7%.
  - Catastrophe losses added 4.2 points to combined ratio, down from 4.9 points in 2018.
- Reinsurance lines:
  - 4.9% increase in net premiums.
  - Combined ratio down 6.8 points to 98%.
  - Catastrophe losses added 5 points as opposed to 6.1 points in 2018.

Source: AM Best

2019 Year-End Results: A.M. Best Analysis

- 2019 premium increases due primarily from rate increases as opposed to lower offshore reinsurance cessions.
- Expenses increased but at a lower rate.
- Property lines played a key role in improved underwriting results, with CAT losses down $6.8 billion to $28 billion.
- Casualty lines (excluding workers' compensation) also had NPW growth.
- A reduction in favorable reserve development and increasing loss trends dampened casualty results.
- A.M. Best expects continued deterioration in casualty lines in 2020.
- Auto, workers' compensation, medical professional, inland marine, and excess casualty posted higher combined ratios, with excess casualty's rising by 6 points to 107%.

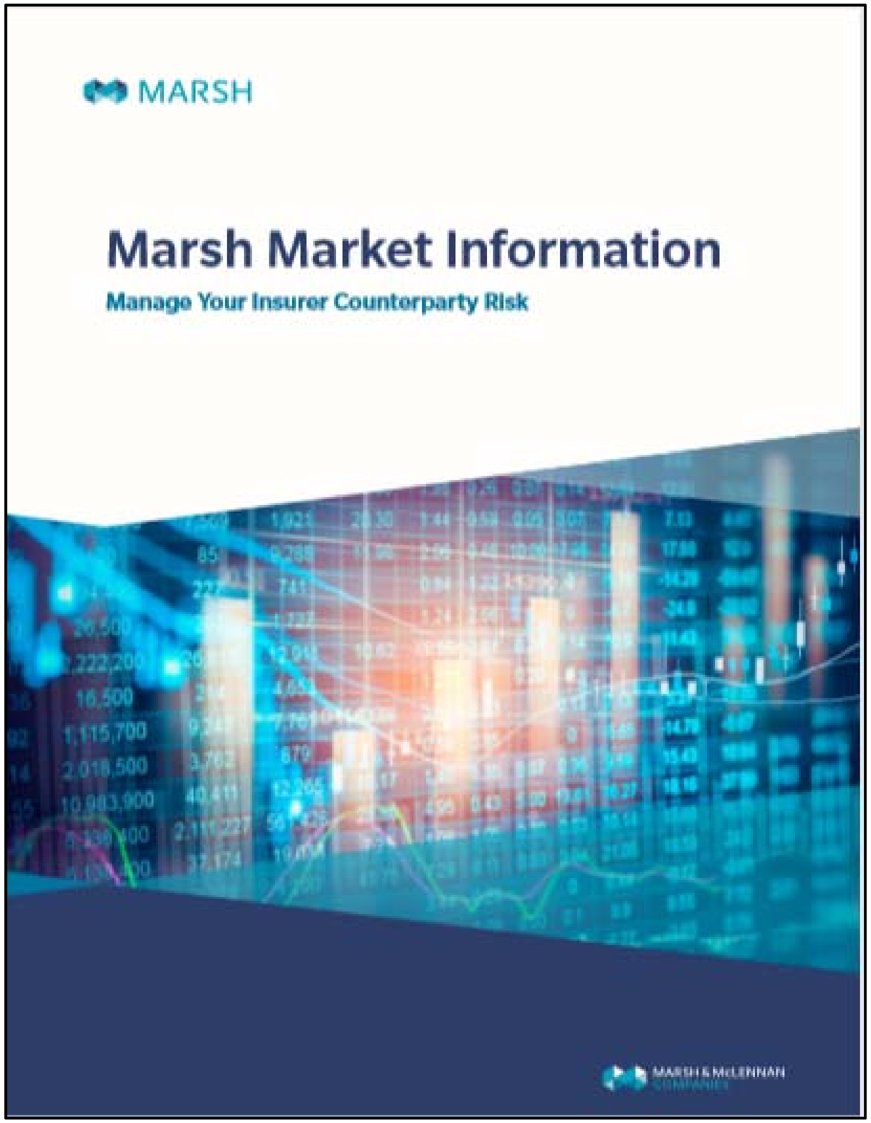
Year-End Results: Insurer Takeaways

- Allianz: Continued US casualty reserve shortfalls.
  - AGCS CEO and CUO removed.
- AIG: CAT losses down year-over-year with new reinsurance strategy.
  - Large reduction in limits across lines.
  - Combined ratio below 100% for the year for first time in many years.
- Argo: Second quarter adverse reserve development.
  - Best rating lowered to A-; negative outlook.
  - SEC investigation continues.
- AXA XL: Losses resulted in CEO being removed in 2020.
- Axis: Typhoon losses and credit losses resulted in combined ratio of 103%.
- Chubb: $4.5 billion net income, 90.6% combined ratio.
- CNA: Income up 23% on flat combined ratio of 96.7%.

Year End Results: Insurer Takeaways

- Hartford: $2 billion net income, 97% combined ratio.
- Liberty Mutual $299 million fourth quarter loss due to more than $500 million in adverse loss reserve development.
  - Purchases adverse reserve cover from Berkshire Hathaway.
- Munich Re: $3 billion net income, 101% combined ratio.
- Swiss Re: Corporate Solutions loss of $441 million.
  - US excess book closed.
- Travelers: $2.6 billion net income, combined ratio 96.5%.
- United Educators: $30 million net income, combined ratio 100%
- W. R. Berkley: $682 million net income, 94% combined ratio.
- Zurich: $4 billion net income, 96% combined ratio.

Marsh Market Information Brochure



Litigation Trends for Education

Jean Demchak

Words to remember…..

Keep me safe….your duty is…

Known or should have known

Failure to disclose knowledge
of prior offenses

Protected perpetrator, did you??

Take action

Numbers to remember…..

$43,395,000

$162.5 Million

$234.1 Million

$14 Million

$4.7 Million

Higher Education Claim Awards Greater Than $250K
UE Large Loss Report – 2020 New Categories

Category of Claim	HE/ K-12	K-12	Higher Education
Defamation, libel & copyright	2/1	9.2 Million	44.7 Million
Labor	1/0	0	620K
Cyber Security	1/0	0	4.7 Million
Unlawful Search	1/0	275K	0
Retirement Plans	1/0	0	14 Million
Accidents	0/2	60.45 Million	0
Anti-trust Collusion	1/0	0	54.5 Million
Recruiting	2/0	0	2.8 Million
Other	1/0	0	2.5 Million

Casualty Education Market Update 2020

Mark Turkalo

Education Segments

- Colleges and universities:
  - Public.
  - Private.
  - Doctoral research institutions.
  - Consortia.
- Primary and secondary:
  - Public K-12 school districts.
  - Independent schools.
- Other educational services:
  - For-profit institutions.
  - Education-related human/social services.
  - Charter schools.
  - Vocational schools.
  - Technical schools.

Higher Education

- Overall market capacity is decreasing and reunderwriting is increasing.
- We position carriers on coverage, consistency, price, and service.
  - Focus on all core exposures in primary and excess layers.
- Major concern is the growing frequency and severity of claims:

Assaults.	Greek life (hazing).
Auto.	Registered student organizations.
Athletics (SAML & TBI).	Special events – fundraising.
Clinics.	Off-campus-related exposures.
Discrimination.	Sexual molestation and harassment.
Drowning.	Title IX
International travel.	Workplace violence.
Law enforcement.	Wrongful death claims.

Higher Education

- Internship/externship programs.
- Student volunteers.
- EMTs and professional services (financial, legal, architecture, engineering programs).
- Student professional coverage.
  - Not always included in umbrella.
- Greater underwriting focus on risk management protocol on SAML and TBI/chronic traumatic encephalopathy (CTE) exposures.
  - Occurrence vs. claims made?
- What is the new “cost of capacity”?

Impacting Underwriting Risks

- Active shooter.
- Clinics maintained by the institution.
- Opioid epidemic and overdose.
- Crisis response:
  - Triggers differ among carriers.
  - Number of days to report.
- Coronavirus outbreak.
- Reviver statutes — expanding the tail.
- Jury awards increasing.
- Third-party litigation funding — investing in plaintiff lawsuits/trials.
- SAML questionnaires:
  - Exclusions/endorsements.
- Traumatic brain injury — warrantee applications.

Impacting Underwriting Risks (Continued)

- TBI/CTE: What is the future?
  - Chubb, Lexington, Navigators, Starr, and Great American requiring minimum attachments and/or excluding TBI on excess.
  - Creating a standalone facility with $100 million tower?
- Study abroad — more litigious legal environment and compliance.
- Transportation service providers — MVR reviews.
- Business interruption from violent/malicious act and other indirect physical loss events — coronavirus, Ebola, bedbugs, foodborne illness, etc.
- Defense costs now greater than indemnity.
- “Nuclear” awards.
- Social inflation.

United Educators Reunderwriting its Entire Book

- Treaty reinsurers are applying pressure.
- Capacity remains at $40 Million for GLX and ELL.
- Implemented a new SAML application effective May 1 2019.
- SAML endorsement: affirmative/conditional/exclusion.
- Prior definition of sexual molestation replaced by new definition of sexual abuse (which includes child molestation and serial sexual misconduct).
  - Serial sexual misconduct includes any wrongful sexual conduct with more than one victim committed by a non-student perpetrator.
- Reporting Officer definition adds: Title IX coordinator, athletic director, and campus infirmary medical director.
- TBI app remains the same with warranty for 2020, but...

Difficulty in Overall Casualty Market Could Last for Years

- Large capacity blocks becoming nearly uninsurable due to the impact of frequency and severity.
  - Reinsurance pricing going up.
  - Cannot be solved by price alone.
- Every quarter brings more recognition and with it pricing and risk selection modifications.
  - Med mal carriers beginning to exclude SAML.
  - Monoline auto coverage is vanishing; 15-passenger vans are increasing.
- Senior management and underwriters becoming more aware of trends.
- Solutions:
  - Marsh Education Plus+ form.
  - SAML wrap.
  - Global capacity.

Market Coverage Concerns and Options

- **Active shooter/deadly weapons protection.**
- **Crisis response coverage.**
- **Coronavirus: communicable disease endorsements.**
- **Human subject research** exposures which present a “grey” area between pure clinical trials and basic GL coverage.
- **Professional internship/externship** coverage requirements for interns/externs for workers’ compensation related to contract requirements under affiliation agreements should be reviewed closely.
- Marketing to new carriers?
  - More questions, details, requirements will be needed. SAML? TBI?
- Benchmarking:
  - Experience, exposure, expiring rate: expectations.
- Quota share concepts.
- More underwriters, stronger support.

Key Market Coverage and Exposure Issues

- Alcohol/binge drinking.
- Active shooter.
- Agricultural products.
- Athletic participants — TBI and CTE.
- Autonomous vehicles.
- Campus construction risk.
- Background screenings.
- Campus violence, crisis communications, and disaster planning.
- Cyber security.
- E-Risk (cyber/network security liability).
- Daycare centers on campus.
- Drones — UAV.
- Environmental.
- Health care clinics — contracts.
- Law enforcement — contracts.
- Minors on campus.
- Pandemic/coronavirus.
- Protests on campus.
- Off-campus housing.
- Opioids.
- Reputational risk.
- 15-passenger vans and fleet safety.
- Sanctuary campuses.
- Sporting events.
- Student rights (FERPA).
- Summer camps.
- Tuition reimbursement.

Insurance/Reinsurance Marketplace — 2019

- AIG/Lexington
- Allianz
- Allied World
- Apollo/Aspen
- Arch
- AXIS
- Beazley
- Berkshire
- Berkley
- Brit
- Chubb
- Church Mutual
- CNA
- Colony
- Crum & Forster
- Endurance
- Everest
- Genesis
- Great American
- GuideOne
- Hanover
- Hartford/Navigators
- Hiscox
- Liberty/Ironshore/LIU
- Markel
- Midlands
- Midwest Employers
- Munich Re
- Old Republic
- OneBeacon
- Philadelphia
- PMA
- QBE
- RSUI
- Safety National
- Scor Re
- Sentry
- Starstone
- Swiss Re
- Travelers
- United Educators
- Westchester
- Wright Specialty (Markel)
- XL/Catlin/AXA
- Zurich
- American Alternative (Glatfelter)

Insurance/Reinsurance Marketplace – 2020

- **AIG/Lexington** – no TBI/CTE
- **Allianz**
- **Allied World** – out of the market
- **Apollo/Aspen**
- **Arch** – out of the market
- **AXIS** – out of the market
- **Beazley** – SAML $10M
- **Berkshire**
- **Berkley** – no SAML or TBI
- **Brit** – $5M capacity for D1
- **Chubb** – no SAML or TBI
- **Church Mutual**
- **CNA**
- **Colony**
- **Convex** – London
- **Crum & Forster**
- **Endurance**/Sompo – out of market, no SAML or TBI
- **Everest**
- **Genesis** – will not compete with UE
- **Great American** – no SAML
- **GuideOne**
- **Hamilton Re** – Bermuda
- **Hanover**
- **Hartford/Navigators** – no SAML or TBI
- **Hiscox**
- **Liberty/Ironshore** – cutting capacity
- **Markel** – no SAML or TBI
- **Midlands** – now part of SNCC. SAML $5 million
- **Midwest Employers**
- **Munich Re** – struggles with D1 sports, privates, and SAML
- **Old Republic** – $2.5 million capacity for D1
- **OneBeacon**
- **Philadelphia** – shortening excess limits on SAML
- **PMA**
- **QBE**
- **RSUI**
- **Safety National** – purchased Midlands
- **Scor Re** – no SAML or TBI
- **Sentry**
- **Starstone** – no SAML or TBI
- **Swiss Re** – only reinsurance
- **Travelers**
- **United Educators** – new SAML app
- **Westchester**
- **Wright Specialty (Markel)**
- **AXA XL** – reunderwriting SAML and TBI
- **Zurich**
- **American Alternative (Glatfelter)** – part of AIG

Higher Education Market Guidance*

- General liability.
- Automobile liability.
- Educators legal liability.
- Workers' compensation.
- Excess workers' compensation.
- Lead umbrella.
- Excess umbrella.
- Internships and professional liability.

*Note: Marsh renewal strategy meeting with clients will include more details on market guidance.

Primary and Secondary Education

- Market remains erratic and capacity is being reduced.
- Usage of captives and alternative risk solutions increasing.
- Integrated programs and pools dominate public K-12.
- Reinsurance takes a bigger hit on rate.
- Guaranteed cost options available.
- Capacity available up to $10 million.
- More markets to achieve the same results, with an increase in premium.
- Budget restrictions, reduction in staff = varying results.
- Overall poor underwriting experience = volatility.

Primary and Secondary Education Market Guidance*

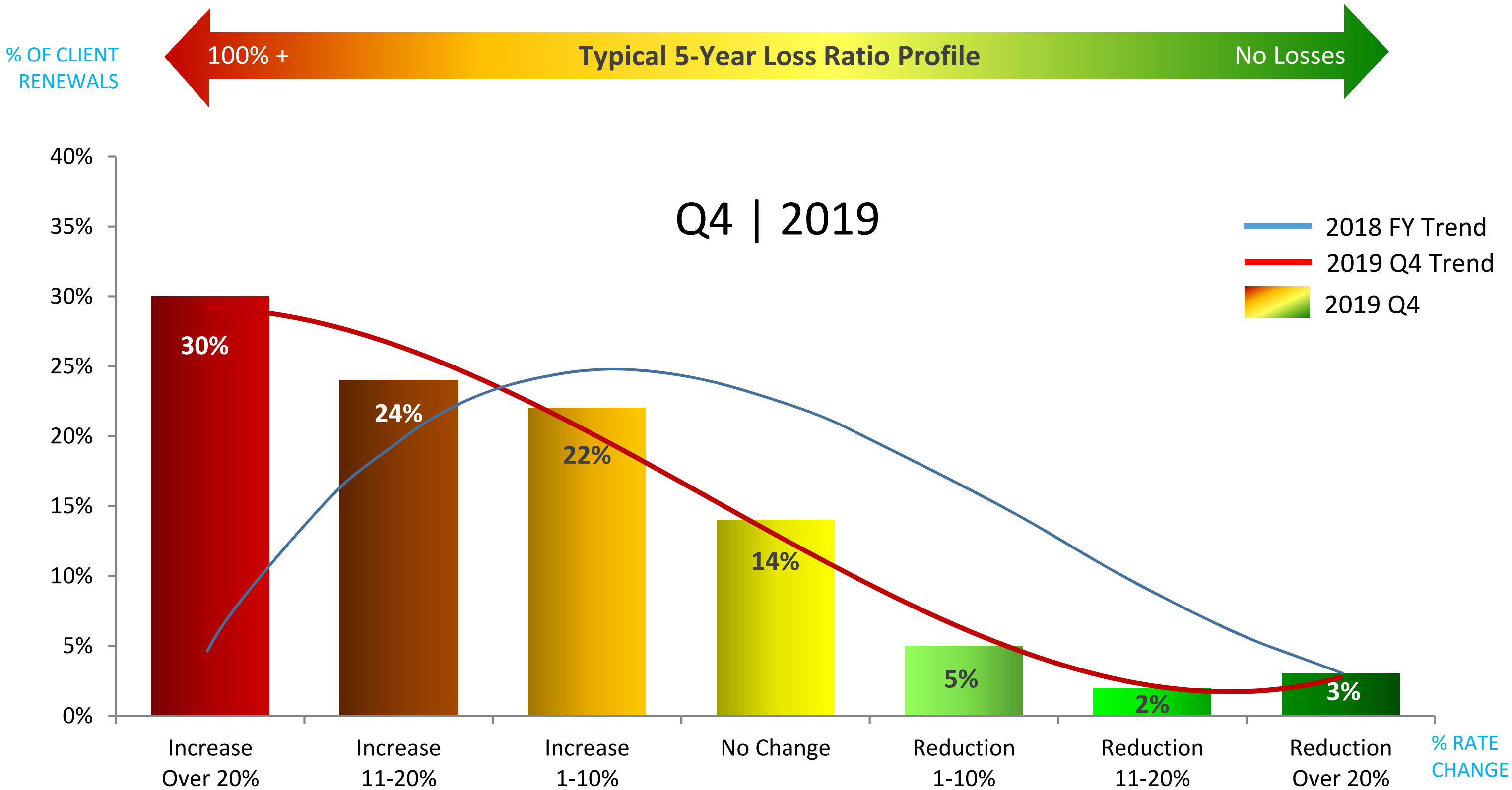
Rates Guidance:	Key Points / Conclusion:
• General liability. • Automobile liability. • School board legal liability. • Lead umbrella. • Excess umbrella.	• Higher retentions may be needed. • Become acquainted with alternative forms and coverage. • Balance the value drivers between coverage, capacity, and price.

*Note: Marsh renewal strategy meeting with clients will include more details on market guidance.

Property Education Market Update

David Letzelter

Marsh US Property Rate Change Benchmarking



Q4 HIGHLIGHTS

- 54% of programs experienced a rate increase greater than 10%.
- 76% of companies saw rate increases in the second quarter. 14% of companies had no change in rate for their Q4 renewal.
- Only 10% of companies saw rate decreases at renewal.
- Average rate changes:
  - All companies: +18.3%
  - Non-CAT: +17.0%
  - Medium-CAT +18.7%
  - High-CAT: +19.6%
- Coverage for terrorism was purchased by 63% of clients.

The data excludes renewals with increased deductibles or less limit from expiring. Data excludes rate changes greater than +250% or less than -60%.

Significant INCREASE Examples

- Buyers with adverse loss history.
- Large shared and layered programs requiring many insurers.
- Traditionally challenging risks — frame habitational, hospitality, food processing, metals/mining, energy, and chemicals.

Nominal Change Examples

- Insureds with favored occupancies and historical pricing adequacy.
- Placements with minimal CAT exposure.
- Quota-share and layered programs with a surplus capacity competing on them.

Significant DECREASE Examples

- Single insurer placements with multiple insurers quoting.
- Programs that have not been marketed in many years.
- Special situations —large loss coming off the five-year record; large increase in values.

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Market Shift — Q2 2017 to Q4 2019

Q2 | 2017
Pre-HIM

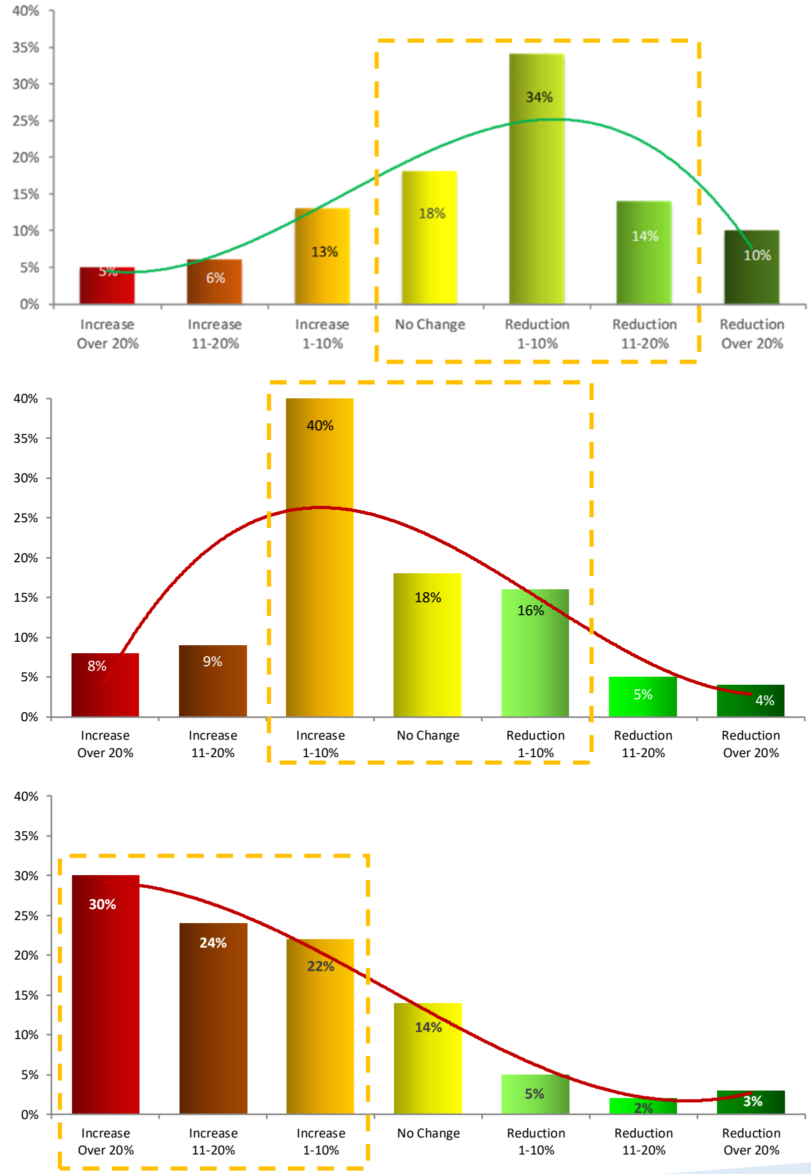
58% of renewals seeing rate decreases at renewal.

Q4 | 2018
One year after HIM

74% of renewals seeing small increases or decreases.

Q4 | 2019
Most recent results

76% of renewals seeing rate increases, with the majority in double digits.



US PROPERTY RATE CHANGE BENCHMARKING
Quarterly Rate Changes, Q4 2016 to Q4 2019

This information includes broad commentary about the property insurance market. Underwriters consider each risk on its own unique merits. Factors that may affect an insured's specific outcome include the competiveness of the current rate, account size, scope of marketing effort, risk quality, data quality, geographic considerations, and intangible considerations, such as insurer relationships. The data excludes renewals with increased deductibles or lower limits than expiring.

Global Insured Losses

Significant Global Insured Losses – 2011 to 2019

SOURCE: PRESS RELEASES, PCS, PERILS, GC EMEA BUSINESS INTELLIGENCE

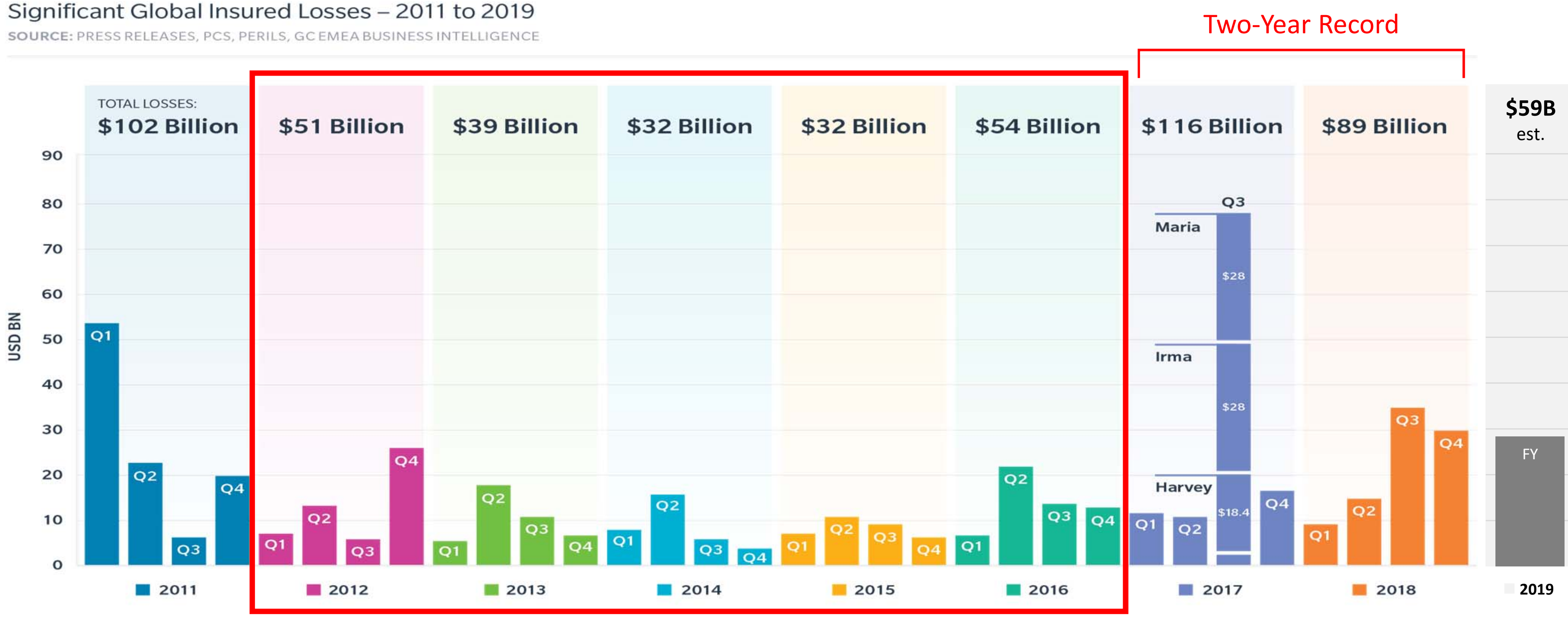


FIGURE: SIGNIFICANT INSURED LOSSES (EST. LOSSES > $100M – 2011 TO Q2 2019)

	Global Insured Losses (annual average)
2012 to 2016 (benign)	$41.6 billion
2011 to 2018 (long-term)	$64.4 billion
2017 and 2018 (HIM/wildfires)	$102.5 billion

Hypothetical Underwriting History

HIM Hurricanes Q3 ↓ (2017)

	Target	2013	2014	2015	2016	2017	2018	Average
Fire losses	$0.36	$0.36	$0.36	$0.36	$0.36	$0.43	$0.43	$0.38
Natural catastrophe losses	$0.30	$0.18	$0.15	$0.15	$0.25	$0.54	$0.41	$0.28
Reinsurance expense	$0.18	$0.18	$0.18	$0.18	$0.18	$0.18	$0.18	$0.18
Client acquisition cost and overhead	$0.12	$0.12	$0.12	$0.12	$0.12	$0.12	$0.12	$0.12
Total expenses	**$0.96**	**$0.84**	**$0.81**	**$0.81**	**$0.91**	**$1.27**	**$1.14**	**$0.96**
Rate change	**0%**	**-3%**	**-4%**	**-5%**	**-6%**	**-4%**	**5%**	**-3%**
Annual premium	$1.00	$0.97	$0.93	$0.88	$0.83	$0.80	$0.84	$0.88
Underwriting profit	$0.04	$0.13	$0.12	$0.08	($0.08)	($0.47)	($0.30)	($0.09)
Rate change needed to hit premium target		3%	7%	13%	20%	25%	19%	
Rate change needed to hit $0.04 profit target		-	-	-	14%	64%	41%	

Positive Variance   Negative Variance

- From 2013 to 2016, benign CAT losses were funding rate decreases seen by many insureds.
- Despite total expenses being below target, by 2016 rate decreases had already eroded any underwriting profit.
- While average natural catastrophe expenses were below target even after the record period of 2017-18, the program was still in the red from an underwriting perspective.

Combined Ratios of Leading Property Insurers

	Combined Ratio			
	2017	2018	2019	Average
AIG	117.3%	111.4%	99.8%	109.5%
Allianz	114.4%	114.3%	112.3%	113.7%
AXA XL	96.3%	97.0%	95.1% (6 mos.)	96.1%
Chubb	94.7%	90.6%	90.6%	92.0%
FM Global*	139.6%	140.1%	N/A	139.8%
Liberty Mutual	105.6%	99.2%	102.5% (9 mos.)	102.4%
Lloyd's**	114.0%	104.5%	N/A	109.3%
Swiss Re Corp. Solutions	139.6%	127.2%	107.8%	124.9%
Travelers	99.0%	98.3%	96.5%	98.0%
Zurich	98.0%	98.5%	96.4%	97.7%

Property only

Source: Marsh Market Information Group, AIG, Allianz, Chubb, Liberty Mutual, Swiss Re, Travelers, Zurich
* Includes impact of membership credit
** Source: A.M. Best

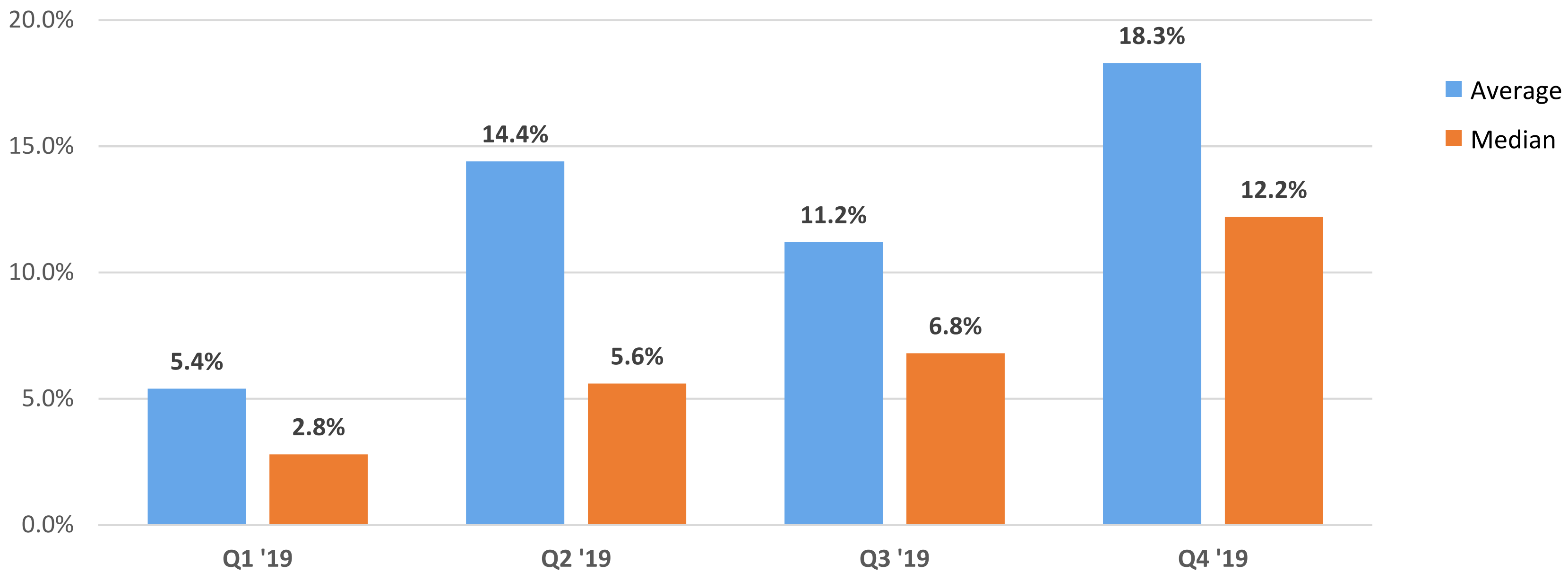
Current Property Market Conditions

- Post-HIM and California wildfires.
  - In 2018, rate changes were typically low- to mid-single digit increases.
- The market we expected in 2018 arrived a year late.
- Many 2019 renewals experienced meaningful and — in certain cases — extraordinary rate increases.
  - About 25% of programs saw rate increases of more than 20% in the final three quarters of 2019.
- Tale of many markets.
  - Loss-impacted programs.
  - Occupancy-challenged placements.
  - Loss control/risk quality affected.
  - CAT-exposed deals.
  - Loss-free, single insurer transactions.
- Persistent market deterioration in each quarter since Q4 2017.

Current Property Market Conditions

- Outcomes vary by insureds' specific characteristics, including:
  - Occupancy.
  - Loss history.
  - Risk quality.
  - Loss control efforts.
  - Marketing history.
- Key themes.
  - Mandate to improve underwriting results/no top-line focus.
  - Underwriters flooded with submissions.
  - Resetting line sizes.
  - Insurers are "spreading their bets."
  - Tightening coverage, reducing limits/sublimits, and increasing retentions.
  - Inflexible underwriting, with some walking away or saying no.
  - Some programs with holes.

2019 Property Rate Change by Quarter



Methodology: Rate changes outside of -60% to 250% are excluded, all other renewals are included.

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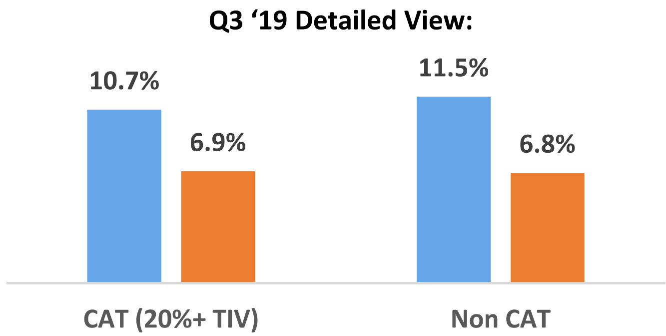
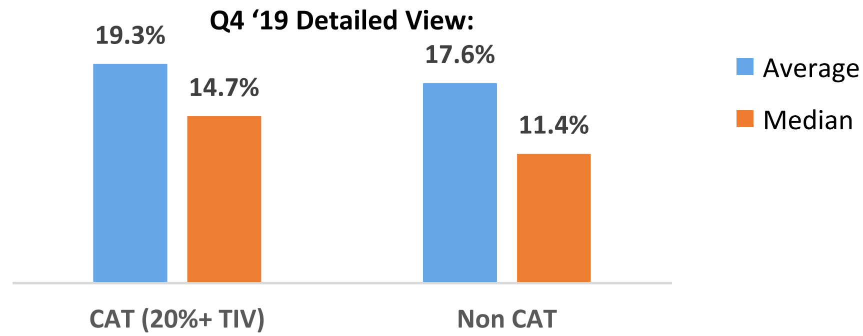
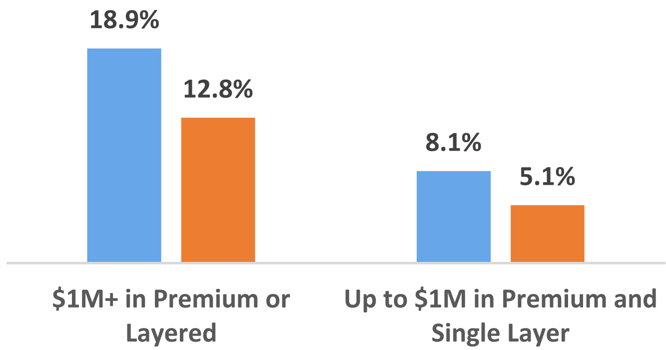
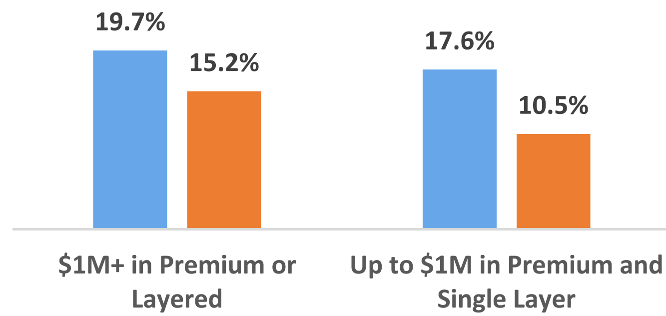
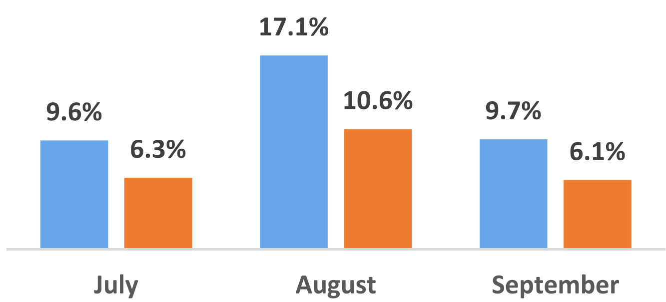
Rate Change Detail View

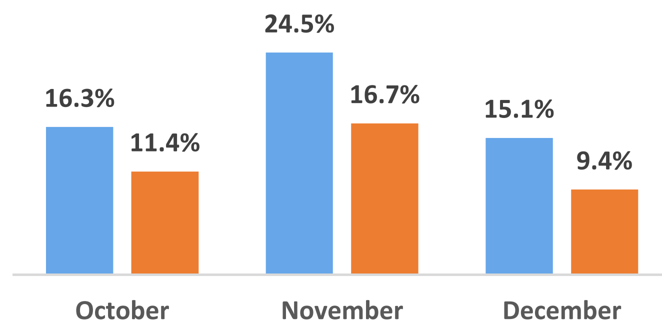








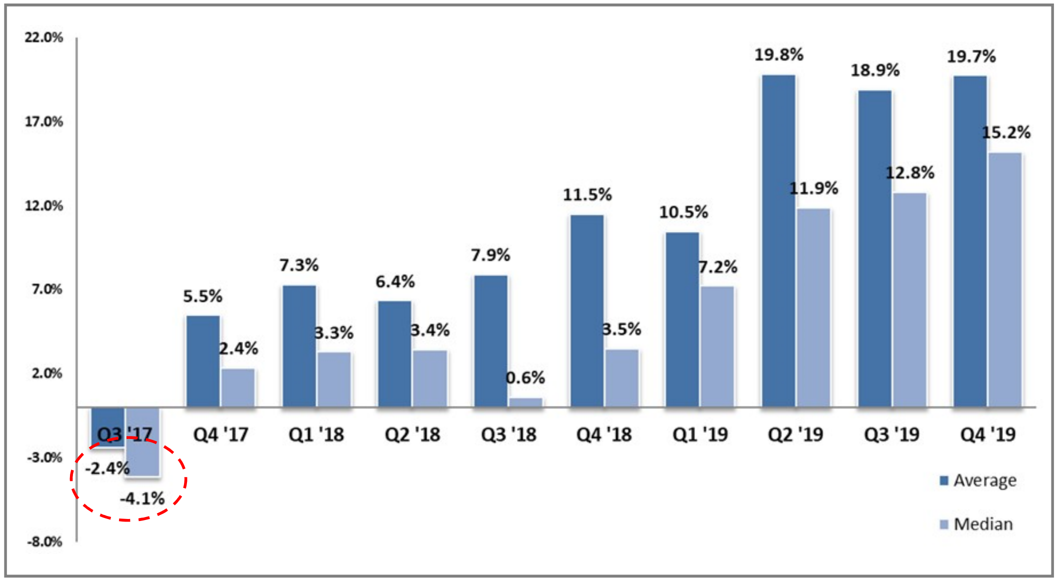




Rate Change by Size

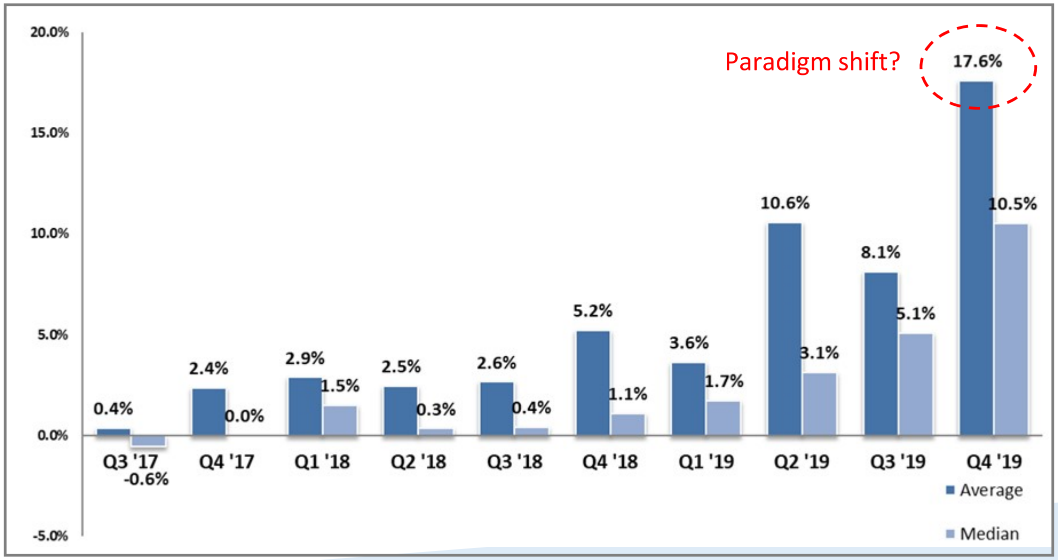
LARGE PROGRAMS

Rate changes for $1M+ in premium or layered programs

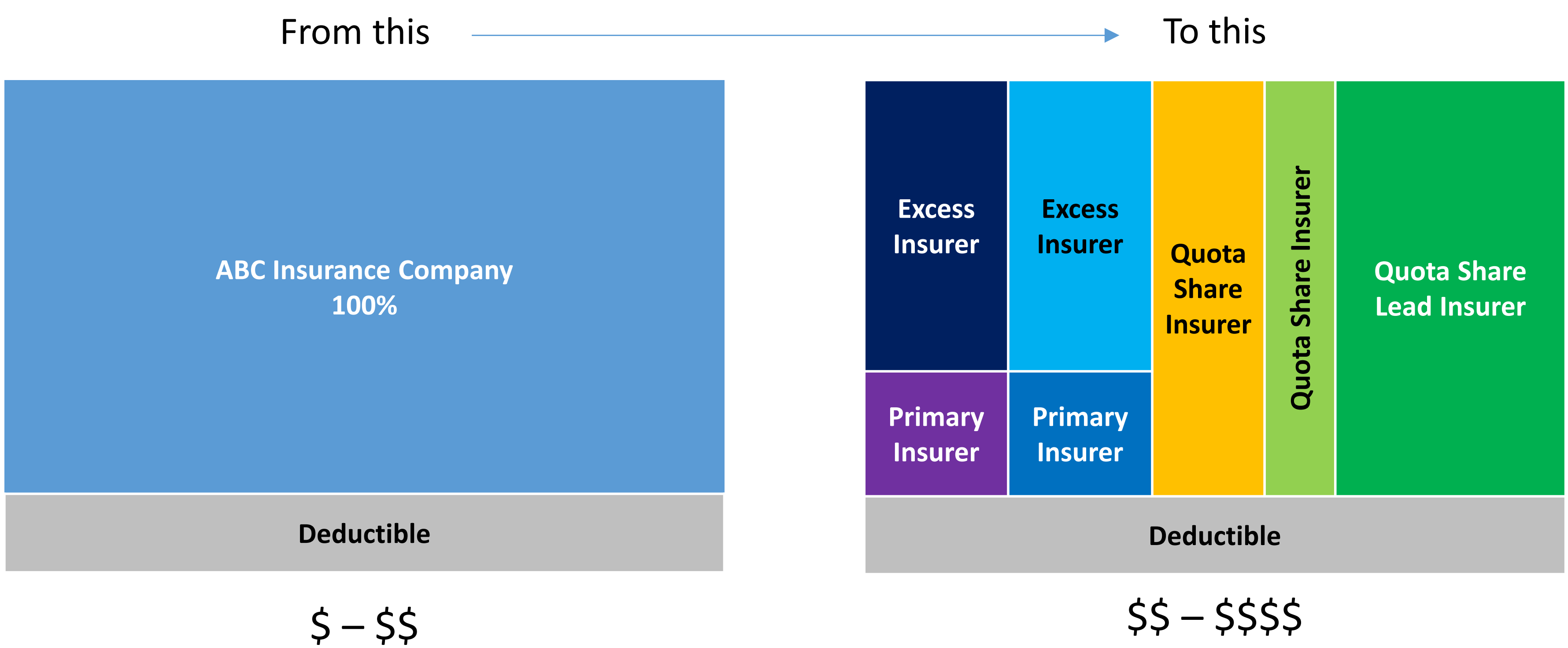


SMALL PROGRAMS

Rate changes for up to $1M in premium and single-layer programs



Sample Challenging Renewal Outcome



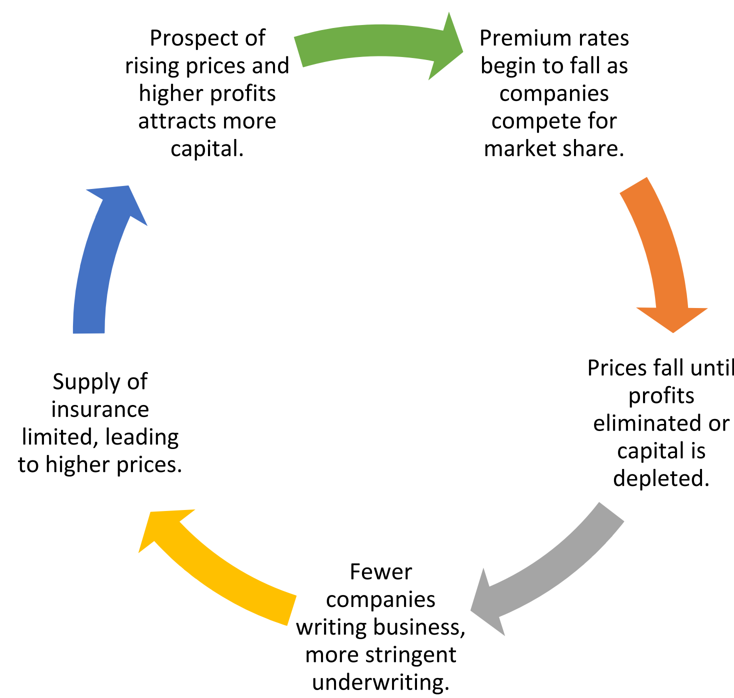
Why Now? And How Long Will This Last?

- Poor underwriting results.
- Diminishing bond market returns.
- Corporate tax rate change.
- Facultative reinsurance pricing up.
- Large capacity players changing appetite.

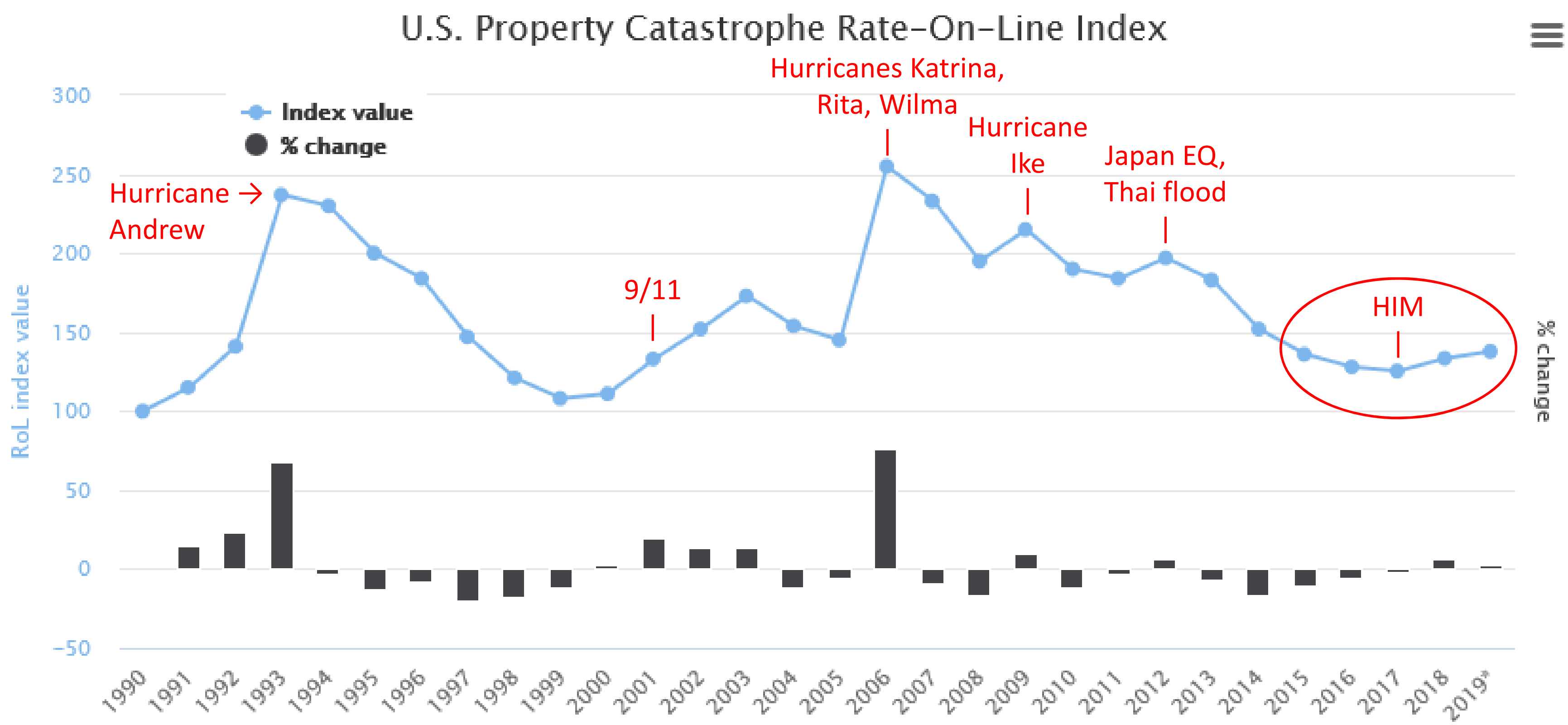
Stabilizing factors:

- Insurers well capitalized but reluctant to deploy capacity.
- 2019 catastrophe losses were in line with historical averages, but attritional loss activity continues to be problematic for some.
- Alternative capacity remains plentiful and able to be deployed when pricing meets certain metrics.
- Some markets have conveyed increased growth goals in 2020.

The Market Cycle



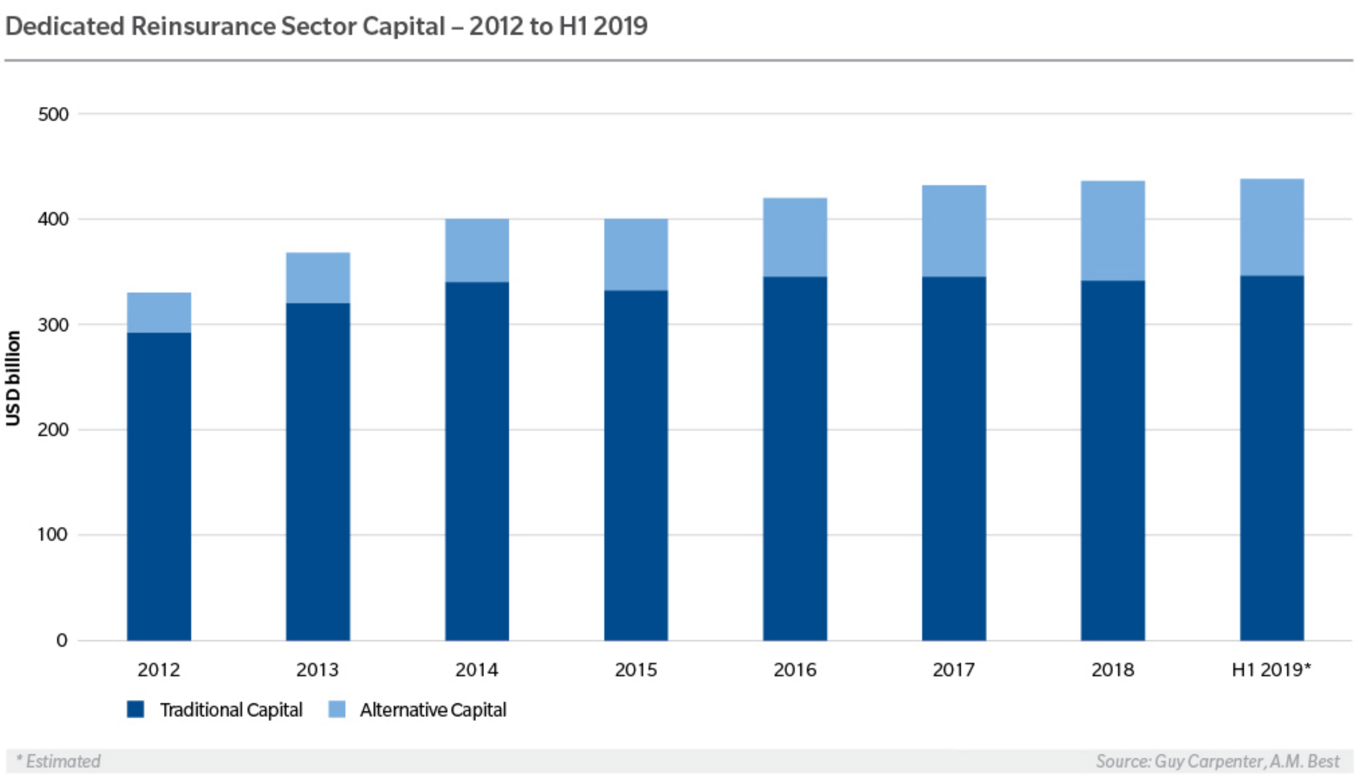
Reinsurance Market



Source: Guy Carpenter

- Note the relative flatness from 2013 to 2018 and the modest rate increase arising from HIM in comparison to reinsurers' reaction after Hurricanes Andrew, Katrina, Rita, and Wilma. Why?

Reinsurance Market



- Answer: Growth of alternative capital in the reinsurance sector created additional competition and depressed rate changes from HIM.

Key Markets for Higher Education Property

- AIG.
- Alternus.*
- Arch.
- AXA XL.
- Chubb.
- CNA.
- FM Global.**
- Hartford.
- Liberty Mutual.
- Lloyd’s.
- Sompo.
- Starr.
- Travelers.**
- Swiss Re.
- Zurich.

* Exclusive to Marsh.
** 100% of program or layer only.

Emerging Themes

- Aging infrastructure/underinvestment.
- Underreporting of values.
- Deductibles not keeping up with inflation.
- Growth in attritional loss cost.
- Risk improvement activity.
- Underwriters pushing for more of the same in 2020.
- TRIPRA extended long-term.
- NFIP extended to Sept. 30, 2020.

Potential Hot Buttons

- Severe AALs.
- Builders risk.
- Flood.
- Contingent business interruption (CBI) for certain segments.
- Facultative reinsurance.
- Cyber.
- Retention depending on loss history.
- % deductibles for tornado/hail exposures.
- Property replacement cost and business interruption valuations.

Recommendations

- Start early.
- Communicate often.
- Develop and tell your story.
- Poor data = poor outcome.
  - Scrub losses where appropriate.
  - No COPE, no hope.
  - Enhance data where possible.
- Strategy.
  - Marketing.
  - CAT modeling.
  - Standalone purchases: fine arts, terrorism.
  - Retention analysis.
  - Re-layer.

Benefits
Insights

Ken Simek, Mercer

Benefits Insights – Top Stories in 2019

Health benefit cost growth was a moderate **3%**

Health benefit cost tops **$13,000** per employee

Prescription drug cost decreased slightly, but continues to drive overall health benefit cost

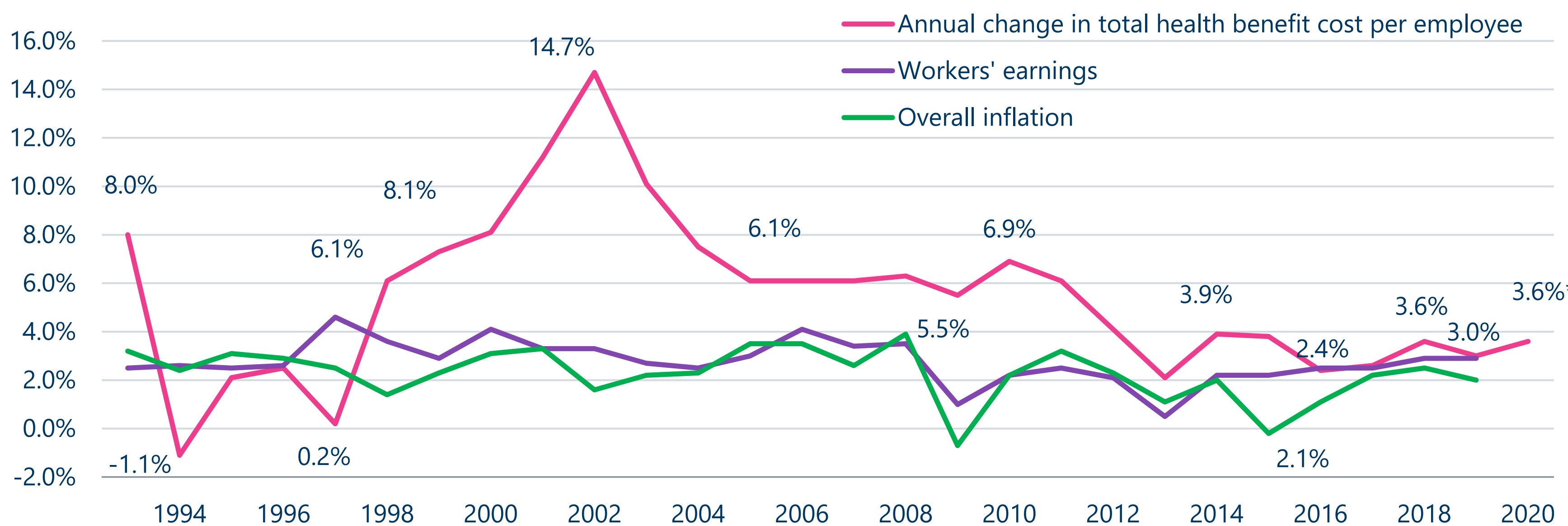
Big claims are getting **BIGGER** – and more frequent

Sharp increases in PPO Deductibles among small employers

Most employers offer a **choice** of medical plans

Health benefit cost tops $13,000 per employee in 2019 as growth continues to outpace CPI

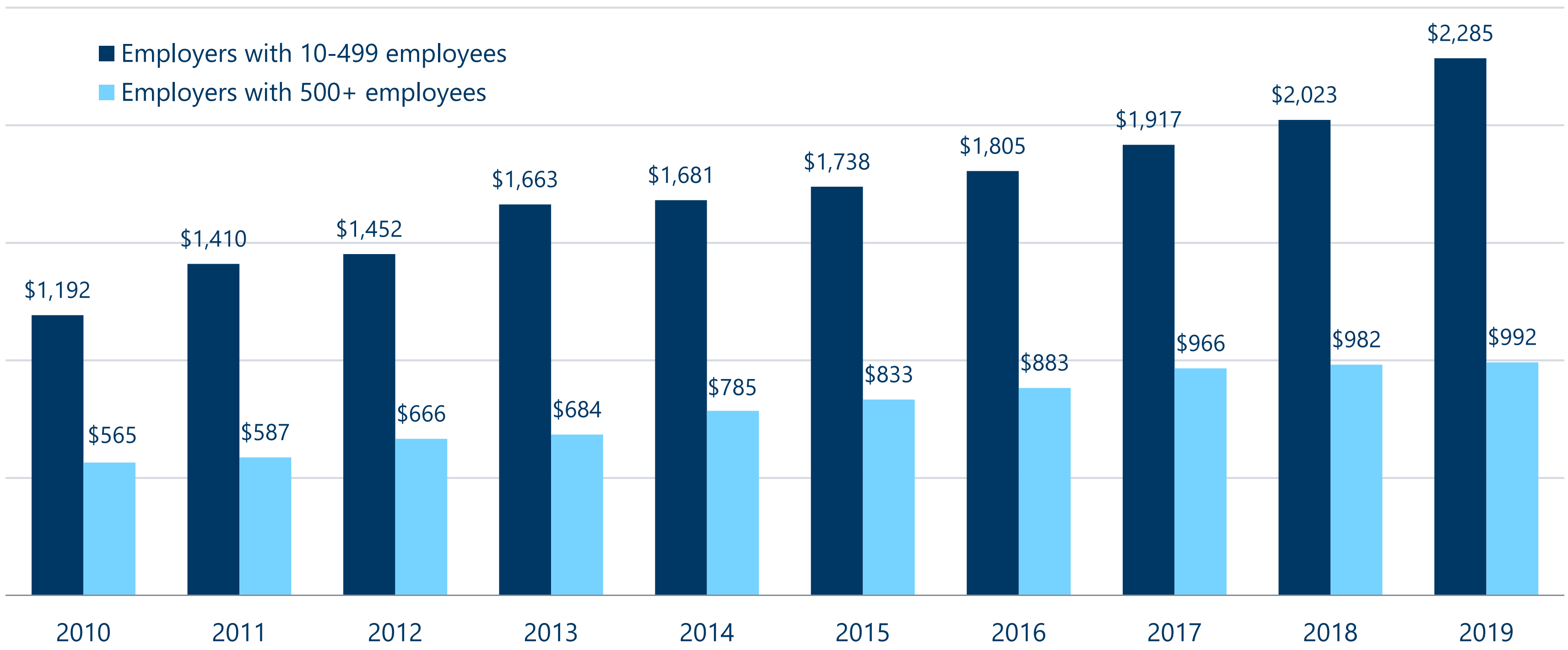
Change in total health benefit cost per employee compared to CPI, workers' earnings, among all employers



*Projected
Source: Mercer's National Survey of Employer-Sponsored Health Plans; Bureau of Labor Statistics, Consumer Price Index, U.S. City Average of Annual Inflation (April to April); Bureau of Labor Statistics, Seasonally Adjusted Weekly Earnings from the Current Employment Statistics Survey (April to April).

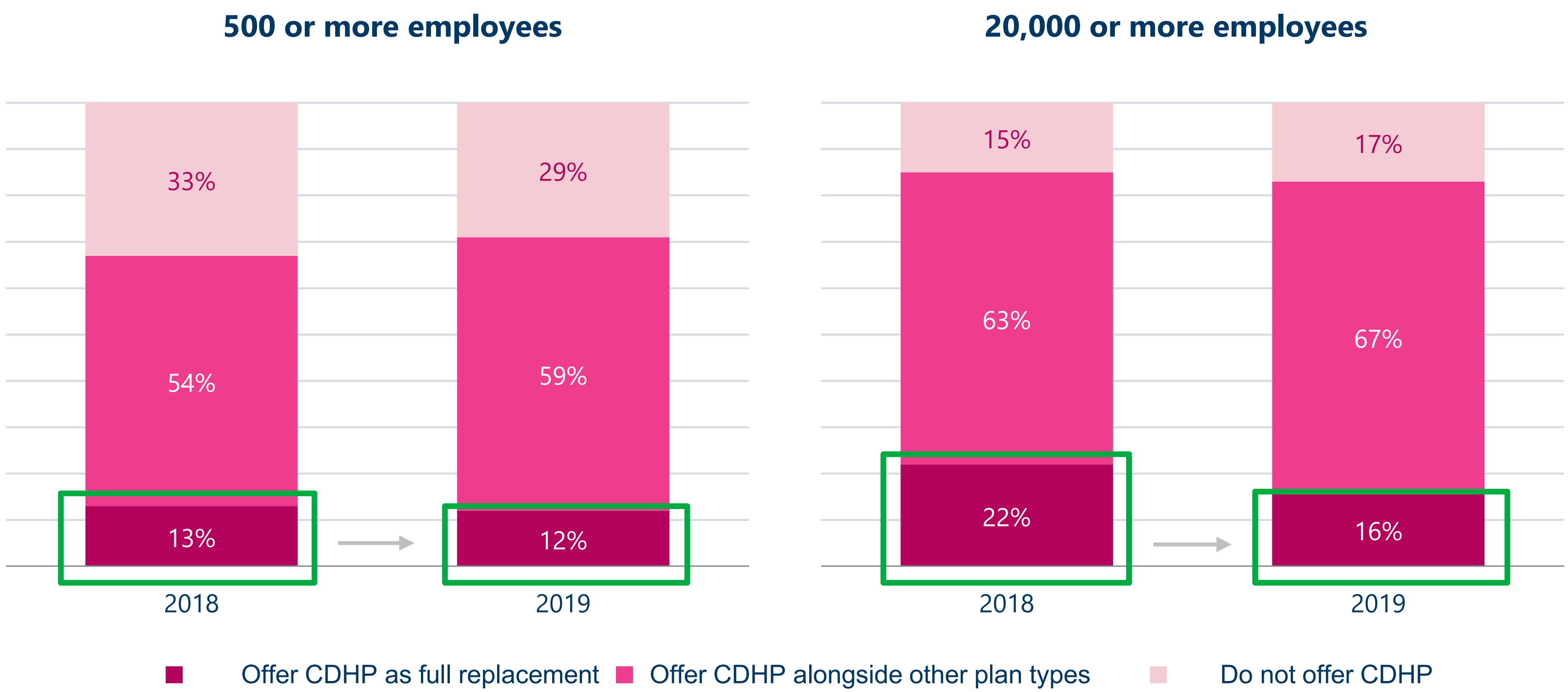
Large and mid-sized employers held off raising PPO deductibles in 2019, although sharp increases were seen among small employers

Average PPO deductible for individual, in-network coverage



2019 Mercer National Survey of Employer-Sponsored Health Plans

Some employers that offered only a high-deductible consumer-directed health plan reversed course, adding more choice



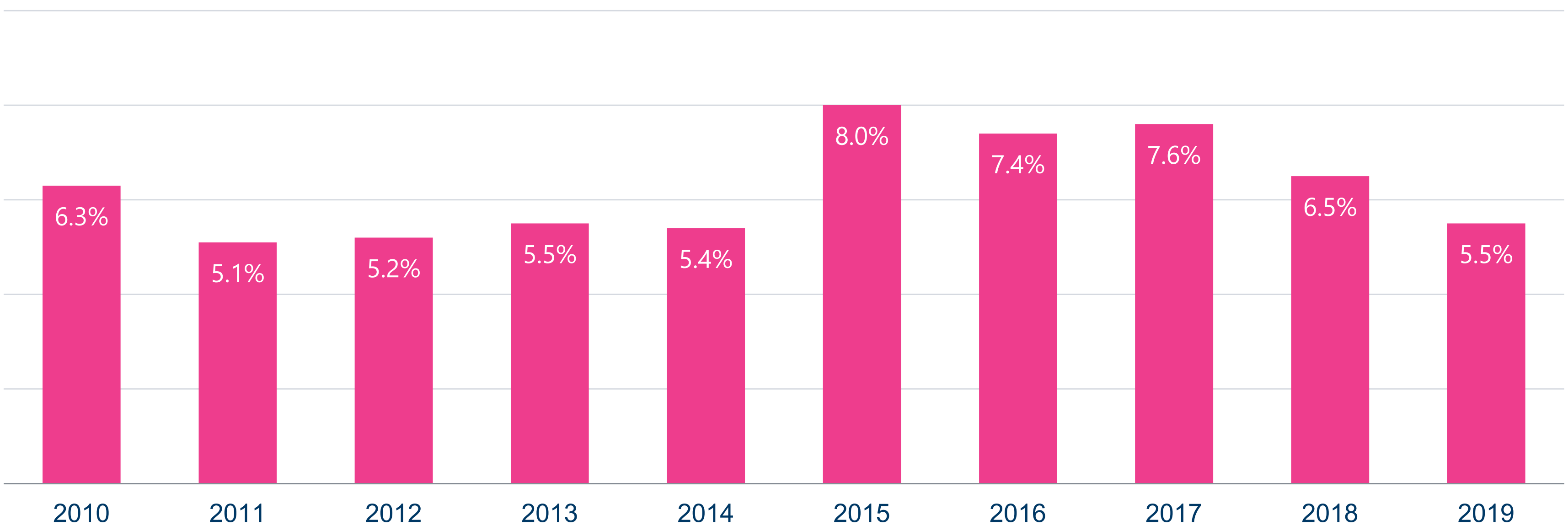
Plans offered at largest worksite

2019 Mercer National Survey of Employer-Sponsored Health Plans

While prescription drug cost growth has cooled slightly, it continues to drive overall health benefit cost

Average annual change in prescription drug benefit cost per employee, among employers with 500 or more employees

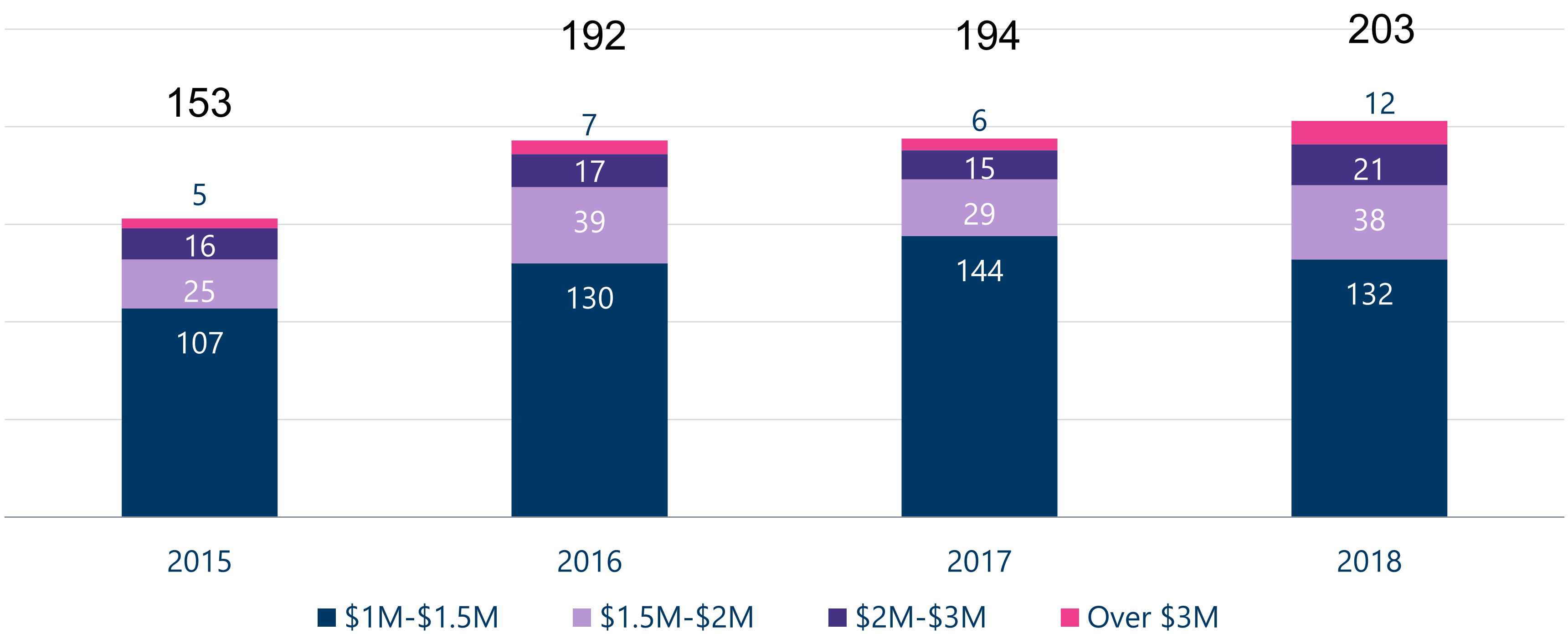
Specialty drug cost per employee rose 10.5%, down slightly from 11.9% in 2018



2019 Mercer National Survey of Employer-Sponsored Health Plans

Big claims have always driven cost, but now they're getting bigger – and more frequent

Total claimants with $1M+ in paid claims (Sun Life Financial book of business)



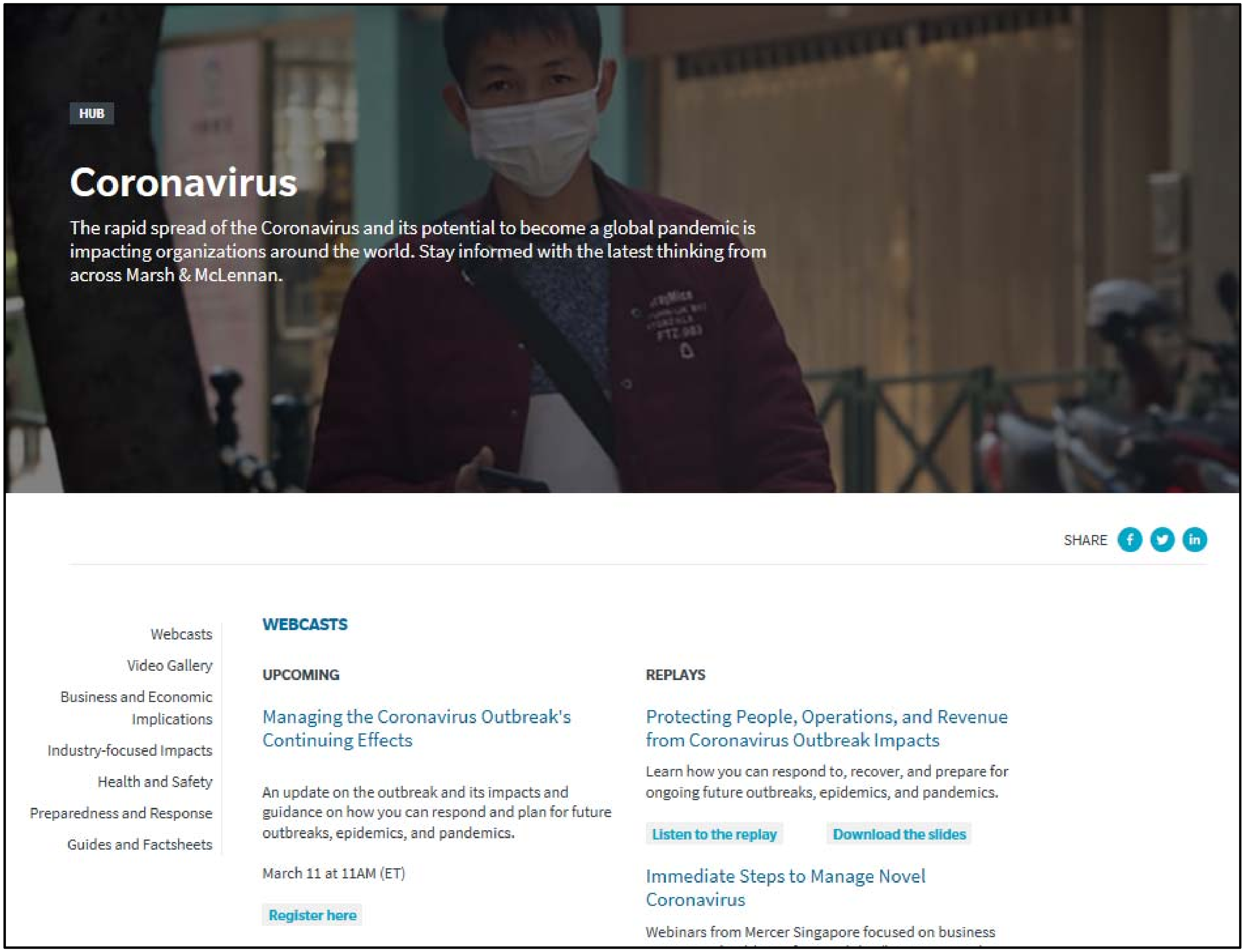
Since 2015, the number of claimants with $3M in paid claims has more than doubled

Source: Sun Life Financial book of business data, 2015-2018.

2019 Mercer National Survey of Employer-Sponsored Health Plans

The MMC Coronavirus HUB

https://www.mmc.com/content/mmc-web/mmc-v2/en/pages/coronavirus.html



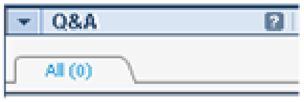
QUESTIONS

*1 For Telephone Questions

or

To submit a question while in full-screen mode, use the Q&A button on the bottom right-hand side of your screen.

To submit a question while in half-screen mode, use the Q&A tab on the bottom right-hand side of your screen.



SURVEY REQUEST

We are very interested in your opinion!

→

We will be circulating a replay link and copies of the slides.

→

Please remember to take our survey when you receive the follow-up email.