2021 US Education Insurance Market Update Webcast

March 11, 2021

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Mark Turkalo, David Letzelter, Ken Simek, Jeff Smith

Marsh Panel Overview

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Marty Leicht, Vice President, West Zone Regional Cyber Leader

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

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Agenda

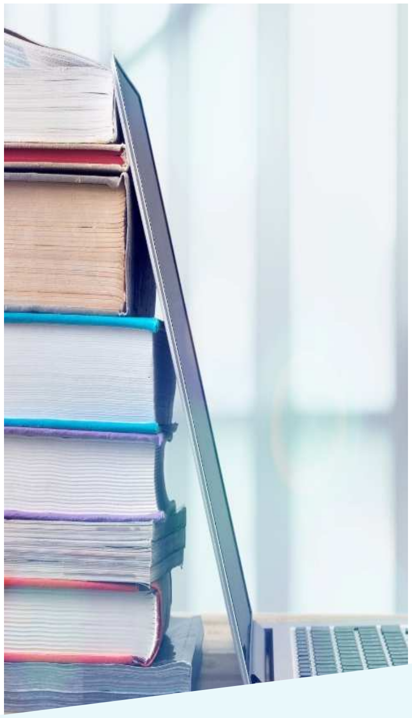
- Welcome and introductions.
- Overview of evolving insurance marketplace conditions and insurer considerations.
- Evolving cyber landscape.
- Casualty market overview.
  - Higher education.
  - Primary and secondary schools.
- Property market update.
- Health & Benefits insights.
- Trends in student health plans.
- Q&A.

2020 Year-End Results

Paul Sherbine, Marsh

2020 US Results

- Combined ratio of 99.3%.
- 1.8 % increase in net premiums to $650 billion.
- Underwriting gains of $700 million down from $1.4 billion reported in 2019.
- Policyholders’ surplus rose $22 billion to $898 billion from $876 billion year end 2019.
- Unrealized capital loss of $1.7 billion improved greatly from a large loss in June 2020.
- Net income of $49 billion, down $13 billion from prior year period.
- Catastrophes add 7.5 points to combined ratio in 2020 as compared to 4.1 points in 2019.
- Net investment income fell $5.3 billion to $52 billion from $57.3 billion in 2019.
- Favorable loss reserve development totaled $6.7 billion in 2012.
- Favorable development should be lower in 2021.

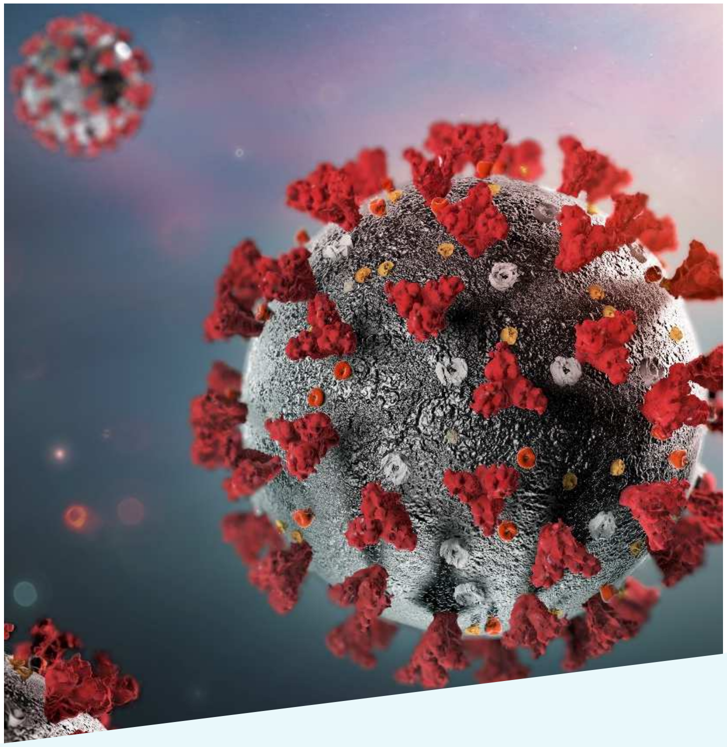


2020 Year Results - A.M. Best Analysis

- Despite COVID losses and high catastrophe losses, the industry's capital position is strong.
- Policyholder dividends also increased significantly as insurers issued large refunds and dividends for lower mileage driven in the US due to COVID.
- Underwriting actions in prior years helped mitigate declining premiums and COVID losses.
- Catastrophe losses totaled $66 billion.
- Hurricane losses were $25 billion.
- Convective storm losses were $30 billion, plus recent storm in 2020 has estimates of $18 billion alone
- Wildfires remained an issue with $11 billion in losses.

COVID Losses In 2020

- Global COVID losses reported to date total $37 billion.
- Major losses reported include:
  - Munich Re – $4.1 billion.
  - Lloyds – $4 billion.
  - Swiss Re – $3.9 billion.
  - Axa – $1.8 billion.
  - Talanx – $1.8 billion.
  - Chubb – $1.4 billion.
  - AIG – $1.2 billion.
  - Berkshire Hathaway – $668 million.



Global Catastrophe Losses

- Global catastrophe losses were $65.4 billion.
- Major losses reported include:
  - Swiss Re- $5.6 billion.
  - Munich Re- $ 5.2 billion.
  - Lloyds- $4 billion.
  - Chubb- $3.3 billion.
  - Allstate- $2.8 billion.
  - AIG- $2.4 billion.
  - Allianz- $2.35 billion.
  - Talanx- $2 billion.

United Educators 2020 Results

- Combined ratio of 107%.
- Gross written premium increased to $292 million with $13 million in new business.
- Adjusted net income of $20.3 million.
- Surplus increased to $375 million.
- Assets over $1 billion.
- 98.4% retention rate.
- Continue to maintain A rating from A.M. Best.

Cyber Marketplace

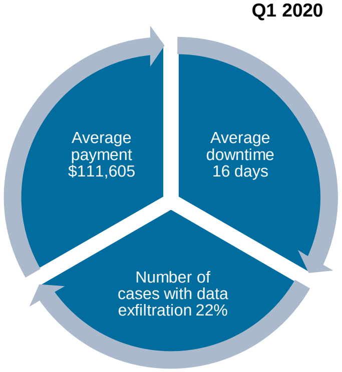
Marty Leicht, Marsh

Threat Landscape for Higher Education – Key Trends

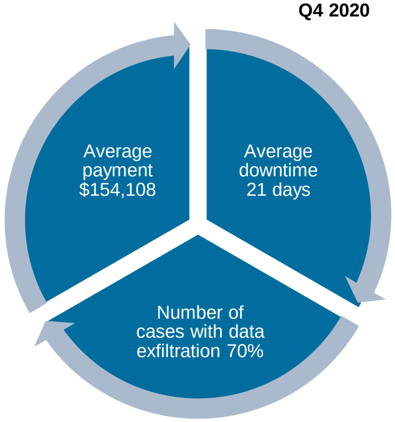
Ransomware Landscape

- Average downtime is up 31% from Q1 to **21 days.**
- Data exfiltration is up 218% from Q1: **70% of attacks** now include the threat of data exfiltration as a coercion tactic.
- Average ransom payment is up 38% from Q1 but down 34% from Q3 due to lack of confidence that exfiltrated data is deleted.

Q1 2020



Q4 2020



COVID-19 and Virtual Learning Environment

- As the pandemic continues, many schools are operating partly or wholly online – adding new cyber threats that could lead to system shutdowns that freeze or interrupt the online learning environment.
- This risk is particularly acute for tuition-based schools, some of which are already struggling to remain financially solvent. Interruptions — especially lengthy ones — can lead students to question whether they should continue to pay tuition. Adverse events on campus, including network interruptions or data breaches following an attack, can also cause widespread reputational damage.

Targeted Attacks on Research

- Targeted attacks where threat actors look to gain access to proprietary research information is a critical concern for many institutions.
- In November 2019, Microsoft reported that foreign threat actors were specifically targeting research facilities that were developing COVID-19 vaccine studies.

Other Issues: Regulatory Environment, Silent Cyber, Contractual Risk, Systemic Risk

Q1 Cyber Marketplace Snapshot

Buyer Friendly | Neutral | Insurer Friendly

Pricing & Terms

Rates

Average premium increase in
Dec 2020: **26%**
Jan 2021: **38%**
Q1 Trend
+30-50%.

Limits / Coverage

Carriers considering scaling back ransomware-related coverages for clients that do not demonstrate adequate controls.

Future Expectations
Anticipate increases to accelerate into 2021, **likely 30% or greater** depending on risk profile.

Claims

Frequency

Ransomware is more accessible for bad actors. Short tail nature of losses is changing insurer profitability weekly.

Severity

Average downtime from ransomware is up 11% Q3 to Q4 to 21 days. Demands can be in the millions. Solar Winds attack has increased carrier uncertainty.

Future Expectations
Ransomware attacks will continue to increase in sophistication & more often include data exfiltration.

Underwriting

Information Needs

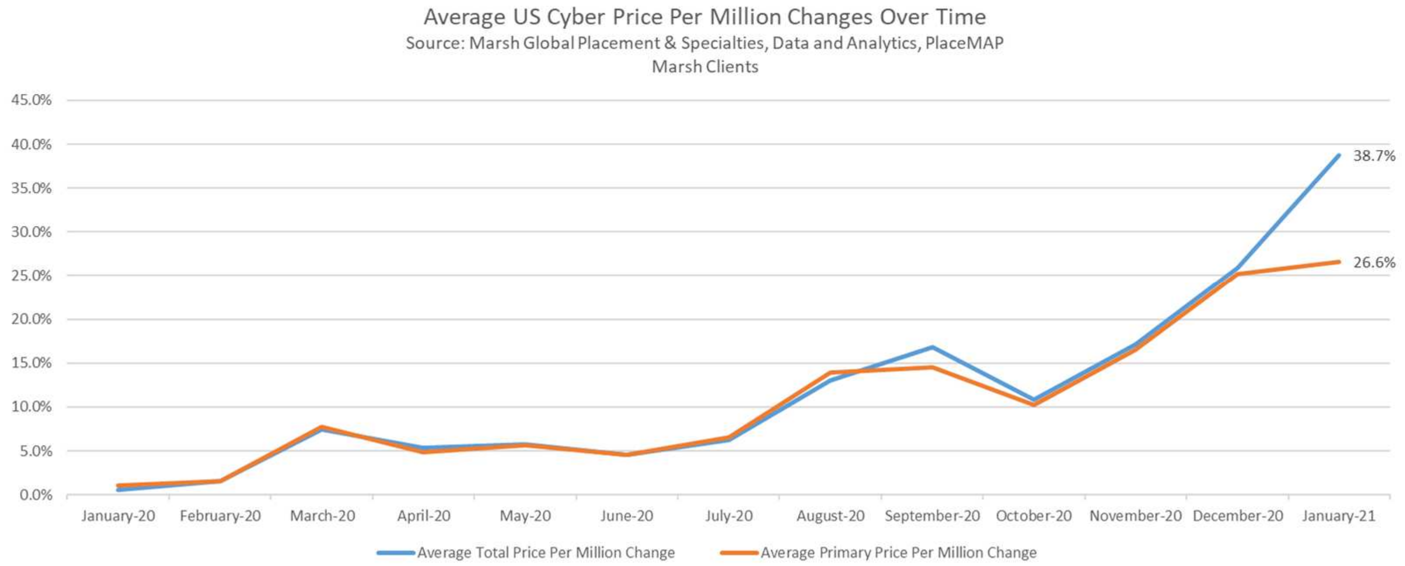
Full application & responses to ransomware Q's. Underwriters will inquire about usage of Solar Winds services.

Carrier Flexibility

Ransomware responses required prior to quoting. Third party scans may lead to remediation requests.

Future Expectations
Underwriters will demand additional information to assess risk and may require certain cyber controls to quote.

Rate Environment & Trends

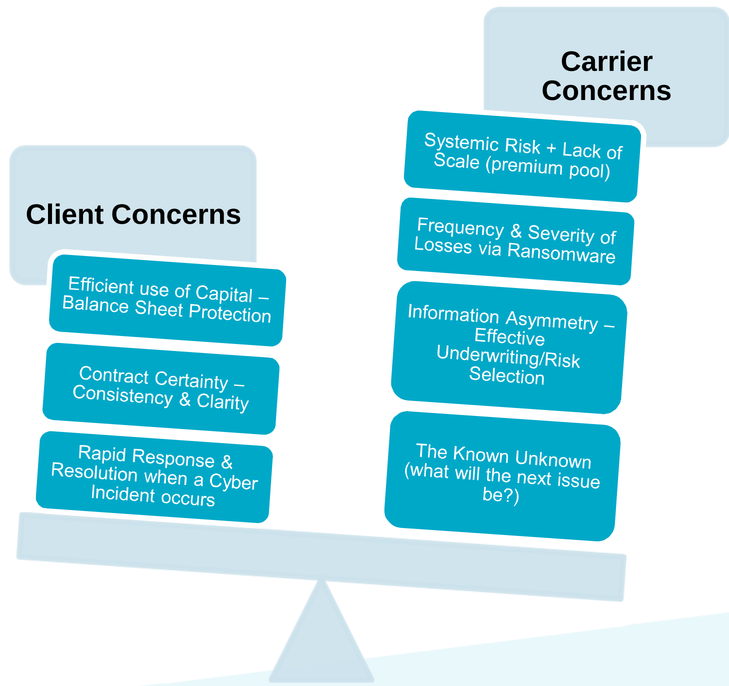


Macro Trends for Higher Education

- Ransomware claims are rampant within education; threat actors continue to use ransomware to target research programs and are using more robust tools to encrypt backup research data.
- In November 2020, Microsoft reported that foreign threat actors were targeting research facilities that were developing COVID-19 vaccine studies.
- Educational institutions are increasingly concerned with business interruption cyber risk. This exposure has increased due to COVID-19 as institutions are more reliant on technology solutions than ever before and as higher education becomes more digital.
- Several excess insurers have identified higher education as a restricted class of business within the cyber market. Carriers are tightly managing their deployment of capacity, typically offering no more than $5 Million or $10 Million on a single risk for most insureds .

What is Driving the Shift?

- There are many factors driving the dramatic shift in the cyber market starting in Q4 2020.
- The US cyber market is approximately $3.15B, with the top 10 group of insurers representing 80% market share – **real and simulated cyber incidents represent multiples of the capital currently available.**
- The 2019 average loss ratio was 48.2%; including 30% for expenses = 78% combined ratio**. A number of large insurers trended closer to +100% combined ratio**, almost exclusively due to ransomware losses. Contrary to recent reports, up until 2020, most insurers writing cyber as a package or stand alone product have done so very profitably.
- **Reinsurers raised rates and narrowed the scope of treaties**, while adding cyber exclusions on other product lines.
- Rapid integration of technology into the modern business model has raised the sensitivity of operations to a technology event and has empowered organizations to collect and use more data than ever before.
- The rise of Ransomware as a Service coupled with increased awareness of nation state activity targeting and impacting large scale supply chains has created an untenable amount of volatility and brought a number of insurers into the red over the last 4-6 quarters.
- There remains a lack of scale, i.e. DWP, to withstand a shock event.



Strategies to Achieve Best Results

Pricing & Terms

Issue: Carriers are seeking price increases and are more conservative about limits deployment.

Actions to Achieve Best Results:
Demonstrate strong ransomware controls during the underwriting process.

Consider alternative terms and conditions to control costs & maximize coverage:
- Increased retentions.
- Co-insurance options.
- Alternative limit options.

Larger, multi-layered programs may need to be restructured.

Claims

Issue: Frequency and severity of claims continues to rise driven by business interruption losses and ransomware.

Actions to Achieve Best Results:
Leverage carrier preferred vendors and Marsh Catalyst solutions to improve security posture.

Update and practice incident response plan specific to ransomware scenario.

Update strategic vendor and legal counsel partners you might engage and evaluate against insurer's panel.

Seek out any identified problematic IP addresses and remote desktop protocols (RDP).

Underwriting

Issue: Underwriting scrutiny has increased significantly and carriers are requiring additional information to quote.

Actions to Achieve Best Results:
Use Marsh Cyber-Self Assessment to minimize need for multiple supplemental applications (includes ransomware Qs & provides additional insights).

Highlight significant cybersecurity updates & improvements over past year – especially multi-factor authentication (MFA) & endpoint detection and response (EDR).

Casualty Education Market Update 2021

Mark Turkalo, Marsh

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.

Education Overview

- The “Perfect Storm”
  - Increased rates/premium.
  - Restricted or excluded coverage.
  - Reduced capacity.
  - Losses growing in frequency and severity.
  - COVID-19.
- Conservative underwriting due to unknown claim development.
- More questions asked on renewals and especially on new business.
- Terms and conditions controlled at executive level.
- Diminishing coverage for Sexual Abuse & Molestation (SAM), Traumatic Brain Injury (TBI) and Law Enforcement – Civil Unrest.
- Lead/Excess umbrella and Educators Legal Liability hit the hardest.
- Excess capacity being cut with carrier consolidation and many are exiting the market.
- Communicable Disease exclusions.

Higher Education

- Overall capacity continues to decrease and re-underwriting increase.
- We position carriers on coverage, capacity, cost, and service.
  - Focus on all core exposures in primary and excess layers.
- Major concern is the growing severity as well as frequency of claims:

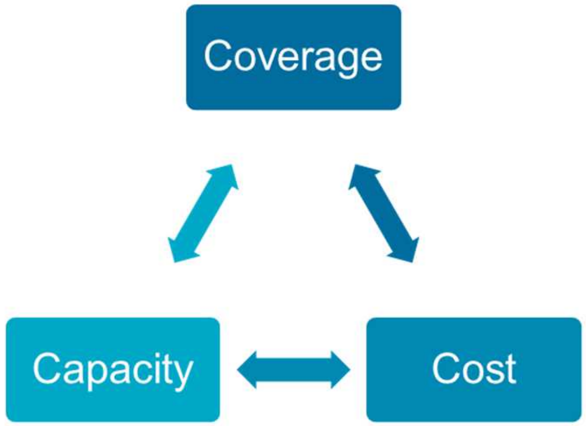
Active Shooter/Assaults	Greek life (hazing)
Auto	Registered student organizations
Athletics (SAML & TBI)	Special events – fundraising
Clinics	Off-campus-related exposures
Discrimination	Sexual molestation and harassment
Drowning	Title IX
International travel	Workplace violence
Law enforcement	Wrongful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

Casualty Renewal Outlook and Considerations

- Current trends are expected to continue through 2021.
- Question of insurability for sexual abuse and molestation liability.
- Reinsurance repricing and re-underwriting.
- Occurrence vs. Claims Made triggers.
- Impact of campus exposure: full on-site, online or ”hybrid”.
- Tuition reimbursement – class action lawsuits testing the quality of on-line learning.
- Med Mal carriers are excluding SAM.
- Mono-line Auto Liability coverage is vanishing: 15-passenger vans increasing.
- For broader coverage & for a marketplace alternative, Marsh continues to collaborate globally building the Marsh Education Casualty Plus + Form.
- What is the new “cost of capacity”?

What is driving the Education Liability market today?

- Reviver Statutes – expanding the tail, changing the tort landscape.
- Social Inflation – trends toward increase litigation and headlines.
- Nuclear Verdicts – jury awards are drastically increasing.
  – Third-party litigation funding: investing in plaintiff lawsuits/trials.

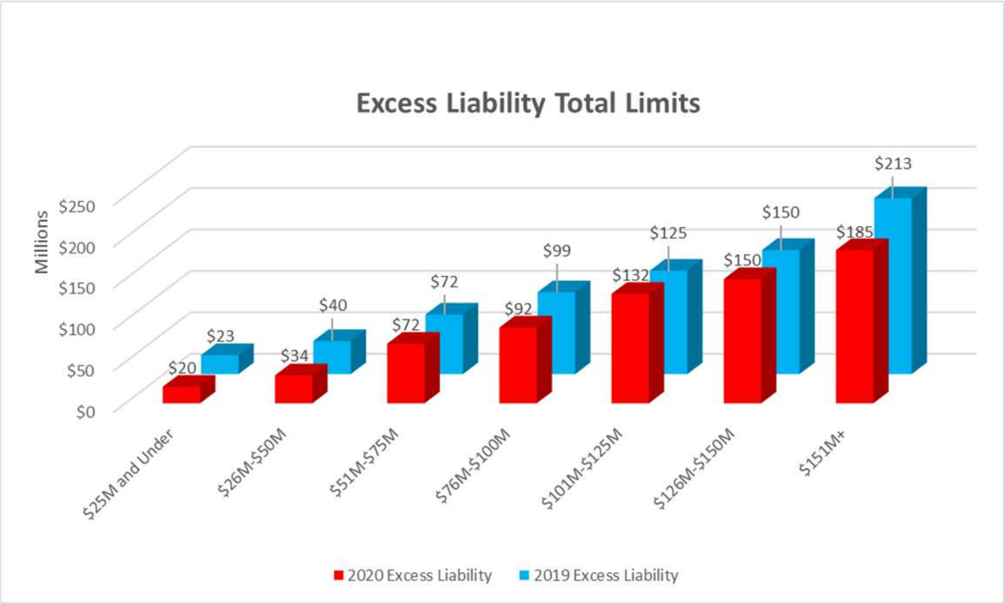


United Educators Reunderwriting its Entire Book

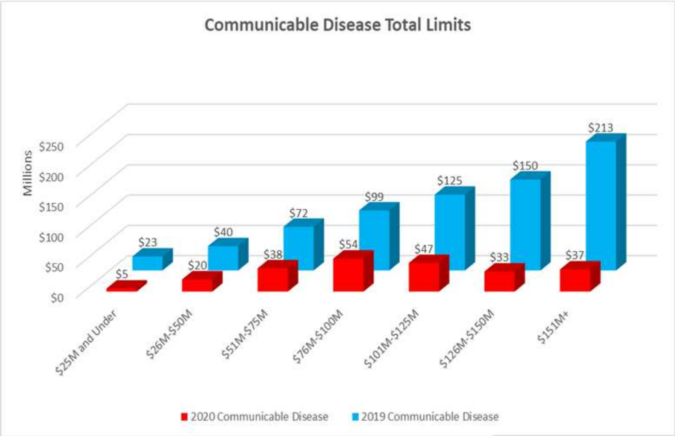
- General Liability Excess (GLX) and Educators Legal Liability (ELL) maximum limits are now $30M. This full limit will be deployed on an account by account basis.
- CGL and GLX coverage changes: SAML – 10 year reporting period then sunset clause sublimit of $5M aggregate.
- A total policy aggregate will be added to the GLX policy limit.
- A Pandemic Exclusion will be endorsed on all GL products as they renew.
- Pandemic exclusion on new ELL business but severe claims are more frequent & mostly coming from employment practices liability insurance.
- A new Sexual Misconduct Endorsement will replace the Sexual Abuse Coverage Endorsement.
- A Cyber exclusion is added to the new policy forms wording.
- An expanded Telemedicine endorsement (up to full policy limits) is available subject to underwriting review.
- Cautious states: NY, IL, CA, PA.

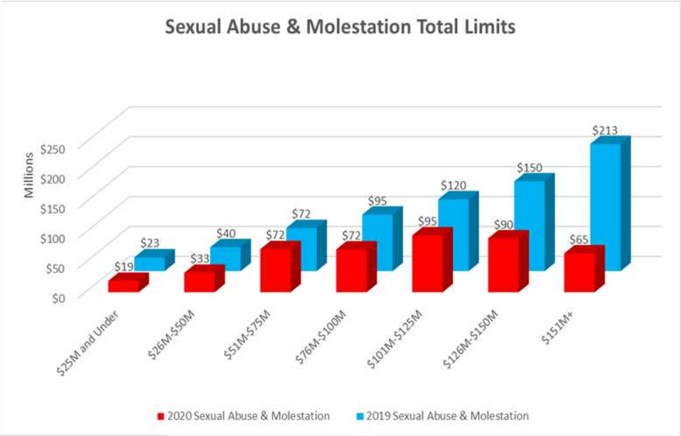
Excess Liability Market

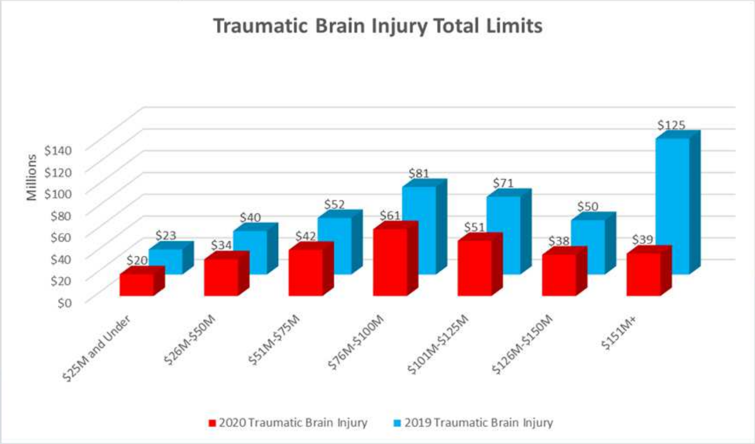
- The cost of capacity is increasing upwards of 40+%.
- Lead carriers limiting capacity to $5 million or $10 million for full coverage.
- Excess carriers mandating a $50 million+ attachment points.
- Carriers becoming cautious to provide law enforcement liability due to the recent series of civil unrest events.
- Few markets offering SML and TBI coverage into the excess tower; there is “pure capacity” available for GL and auto.
- Mono-line coverage for SML and law enforcement liability is available, however, capacity is typically limited to $10 million.
- Look up clauses on some excess renewals.



Excess Liability – Reduced Coverage Exhibits







Educators Legal Liability (ELL) and Excess ELL

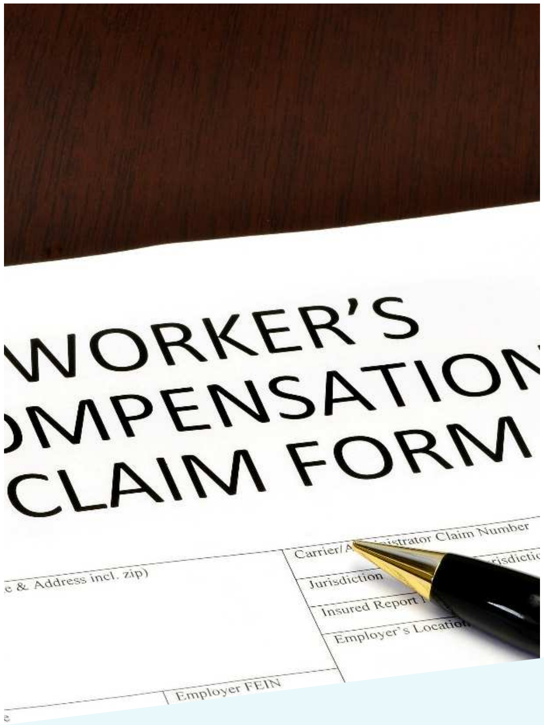
- ELL and Excess ELL marketplace limited and shrinking capacity.
- Markets pushing increased deductibles/retentions based upon exposures & claims.
- Increased tuition reimbursement class action lawsuits against Board of Trustees.
- Mounting failure to educate, negligence or education malpractice allegations.
- Legal costs increasing rapidly – consequence of uncertainty.
- Markets lowering and/or capping limits: $2.5M - $10M.
- Eliminating or capping antitrust coverage at $2.5M or lower sublimit plus coinsurance penalties.
- Markets controlling panel counsel selection & hourly rates – hesitant to permit alternative appointments.
- Contracting excess liability market, forcing education industry to purchase separate ELL tower.

Automobile Liability

- Very few markets are offering monoline coverage.
- Pricing for coverage of hired and non-owned autos is increasing, especially on smaller packages.
- Reinsurers are pushing back on underwriters for not adequately identifying or pricing the exposure.
- MVR’s need to be checked.
- No student drivers.
- More public schools are addressing out-of-state exposure whereby state immunity laws do not provide protection in federal court.
- 15-passenger vehicles increase loss potential.
- Securing increased limit from $1 million to $2 million to buffer excess layer.
- Autonomous vehicles.
- Carriers require supporting lines of coverage to consider auto.

Workers Compensation (WC) and Excess WC

- COVID-19 epidemic steering markets to remove, limit or charge for the Same Communicable Disease Endorsement (SCD.)
- Minimum premium of $75,000 is for an aggregate limit of $5,000,000 or less.
- Aggregate Limit is determined based on SIC.
- Markets continue to focus on concentration hazard relating to urban environments, earthquakes, active shooter, or other CAT exposures.
- Additionally, underwriters seeking details regarding aviation, hospital, & water-related exposures to support appropriate coverage extensions & rates.
- Carriers demanding 10-year loss history due to rising medical inflation costs.
- Standalone guaranteed cost (GC) workers' compensation still difficult with limited markets available, especially for the smaller policies.
- Excess WC markets typically accommodate the GC WC if they also write the Excess WC.
- Deductible options are available & potential to unbundle third party administrator.



Market Concerns and Options

- Marketing to new carriers?
  - More questions, details, requirements will be needed. SAML? TBI?
- Benchmarking:
  - Experience, Exposure, Expiring premiums => set Expectations.
- Quota share concepts.
- Corridor retentions.
- Captives.
- Alternative Risk Solutions.
- Reinsurance memorandums.
- Per claimant retentions.
- Claims made vs. Occurrence triggers.
- First loss triggers.
- More options, more control.

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.

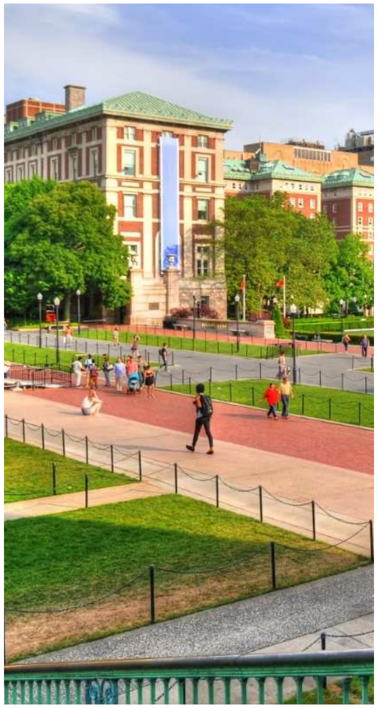
Higher Education Market Guidance*

- 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.

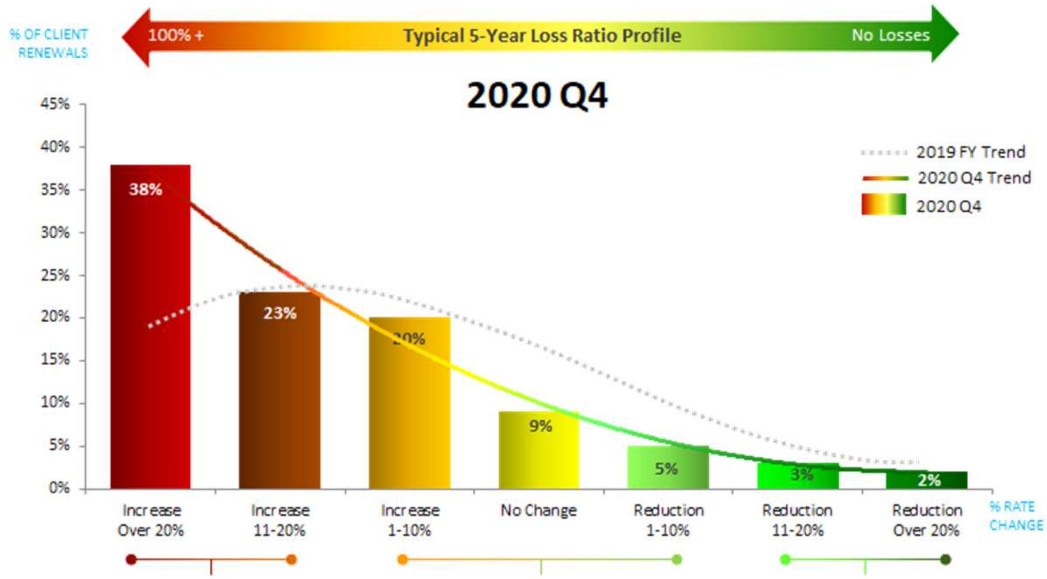
Property Education Market Update

David Letzelter, Marsh

Marsh US Property Market Update

Q4 Highlights Overall Market	Overall Market Commentary	Key Themes
• 81% of insureds experienced rate increases. • 10% of insureds experienced a rate decrease, with 9% seeing no change. • 9% of insureds experienced no rate change at renewal. • Terrorism take-up rate was 57%.	• 13 straight quarters or rate increases. • Divergence of larger & smaller programs. • Significant percentage of insureds changing retention or limit. • 2020 likely record year for global insured property losses – SCS, SRCC, Flood, Named Storm.	• Rate + Terms & Conditions. • Policy forms. • Valuation. • Deductibles on loss-driven programs.

Marsh US Property Rate Change Benchmarking



Significant INCREASE Examples

- Clients 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 where the insured did not purchase an expiring layer or did not fully fill the program.
- Special situations – a divested asset made the risk more desirable (e.g. reduced CAT exposure or improved risk quality)

Q4 HIGHLIGHTS

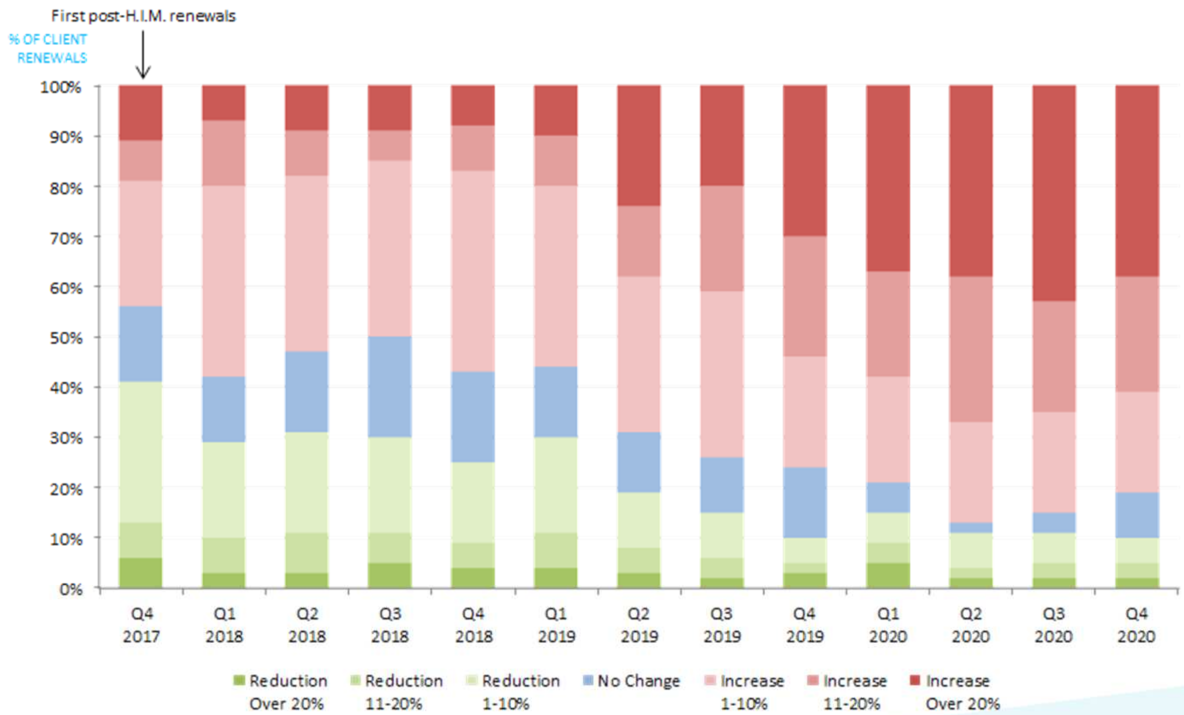
- 61% of programs experienced a rate increase greater than 10%.
- 81% of companies saw rate increases in the fourth quarter. Only 5% of clients had no change in rate for their Q4 renewal.
- 10% of companies saw rate decreases at renewal.
- Average rate changes:
  - All companies: +19.9%
  - Non-CAT: +16.9%
  - Medium-CAT +26.6%
  - High-CAT: +19.8%
- Coverage for terrorism was purchased by 57% of clients.

Renewals with increased deductibles or reduced limits are excluded.

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

This information includes broad commentary about the property insurance market. Underwriters consider each risk on its own unique merits. Among many factors that may affect an insured's specific outcome are 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.

US Property Rate Change Benchmarking
Quarterly Rate Changes, Q4 2017 to Q4 2020



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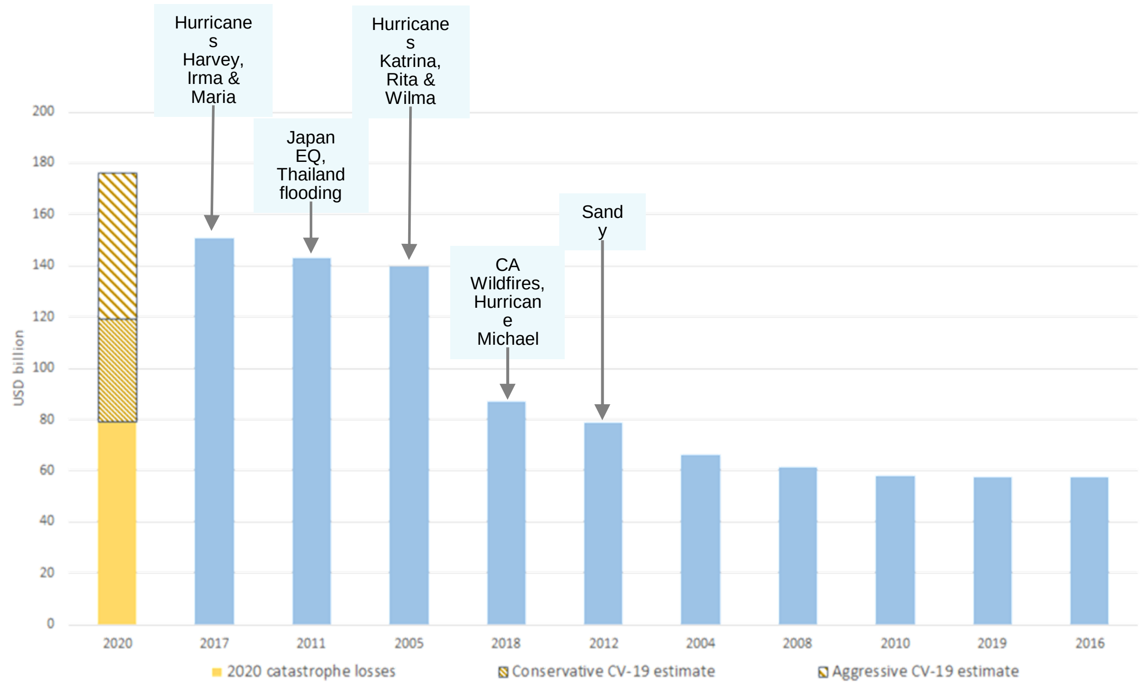
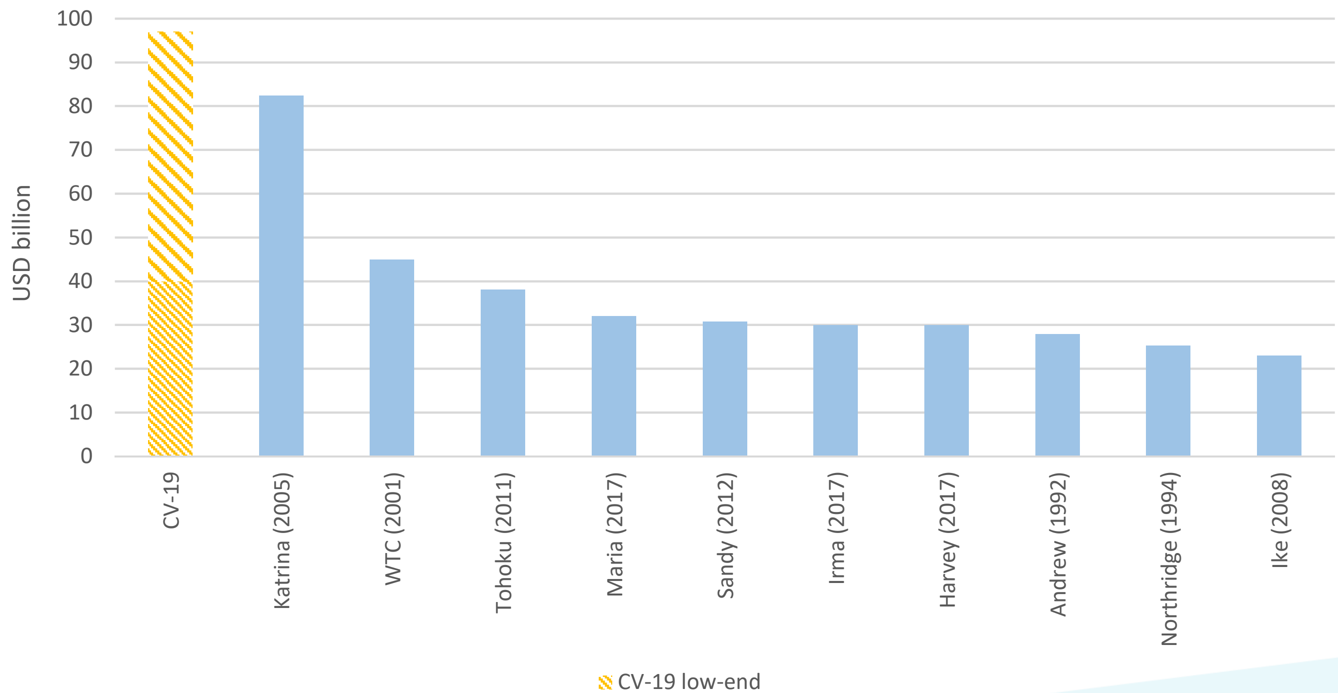
Global Insured Losses
Top 10 Largest Insured Catastrophe Loss Years



Source: Guy Carpenter, Swiss Re, Lloyd's of London, BofA Securities, Dowling & Partners

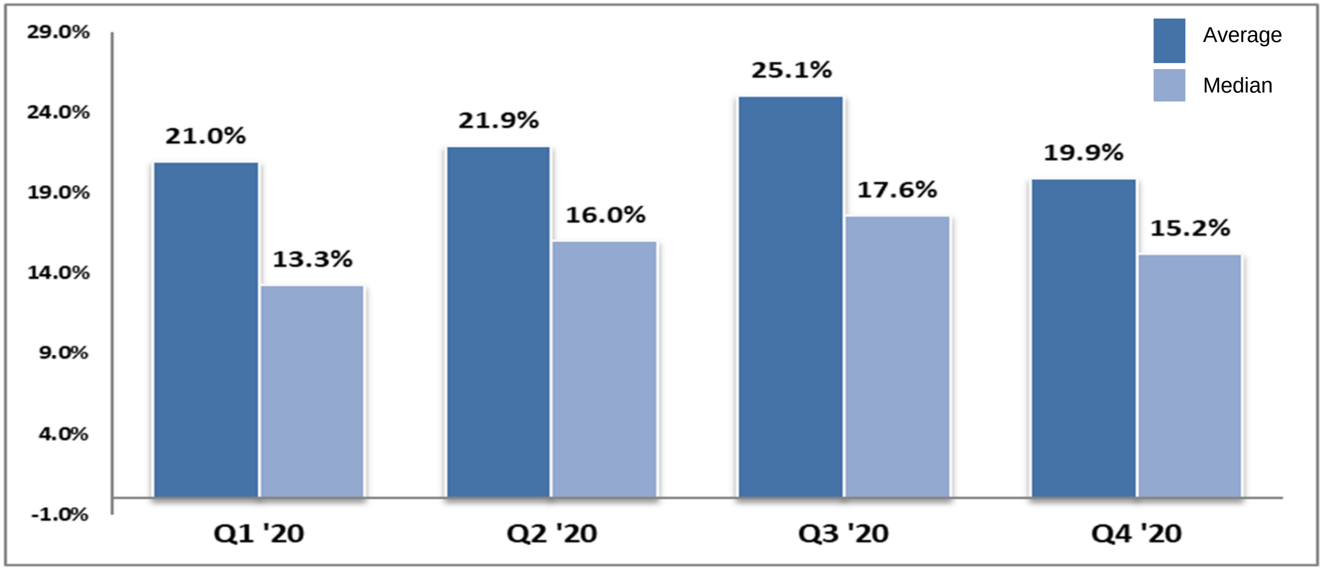
Losses for Full Year 2020 look set, at a minimum, to approach USD $100 billion for only the fourth time ever.

Global Insured Losses
Top 10 Largest Insured Events & Projections for COVID-19



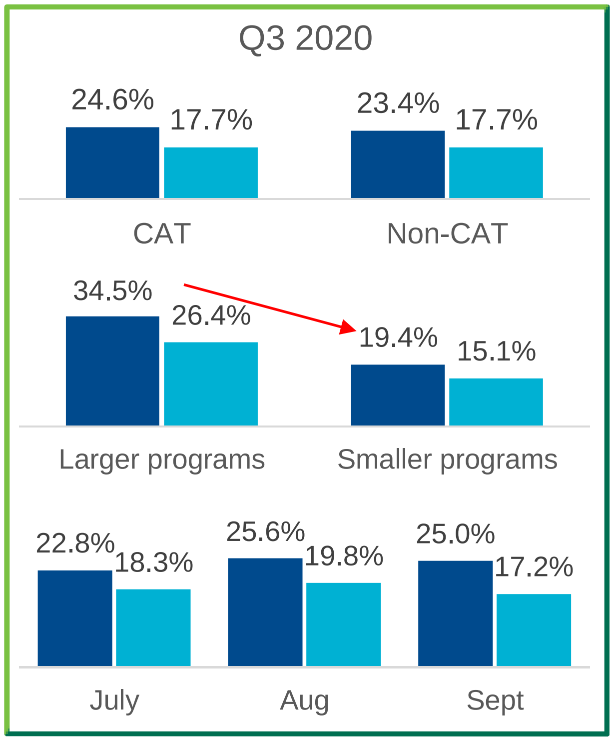
Source: Guy Carpenter, Swiss Re, Lloyd's of London, BofA Securities, Dowling & Partners

Global Placement Data & Analytics – PlaceMAP
Marsh US Property Portfolio Rate Monitor – Feb. 3, 2021



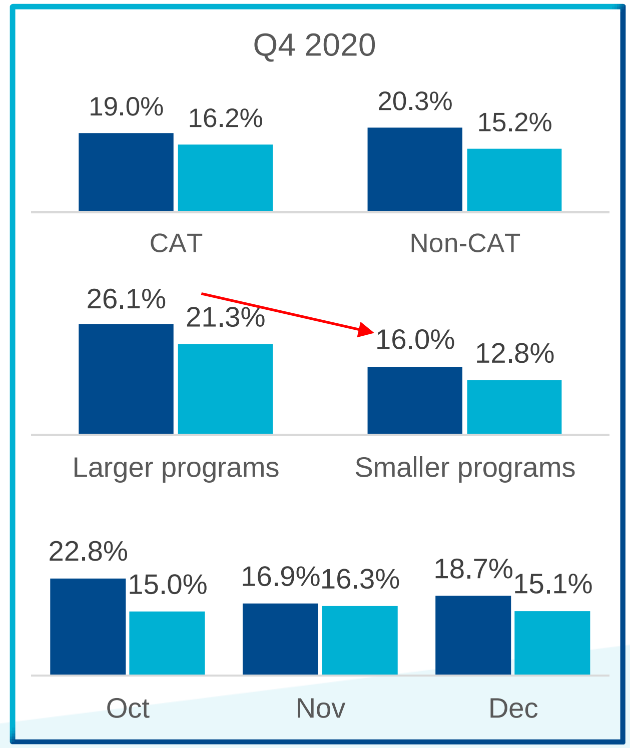
Methodology: Rate changes outside of -60% to 250 % range are excluded, all other renewals are included.

Global Placement Data & Analytics – PlaceMAP
Marsh US Property Portfolio Rate Monitor – Feb. 3, 2021



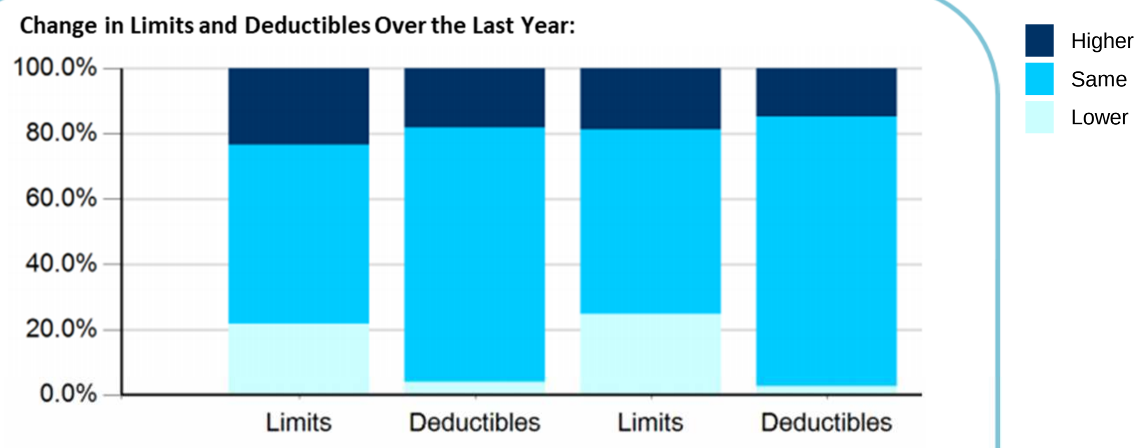
Average Median

13 consecutive quarters of rate increases through Q4 2020



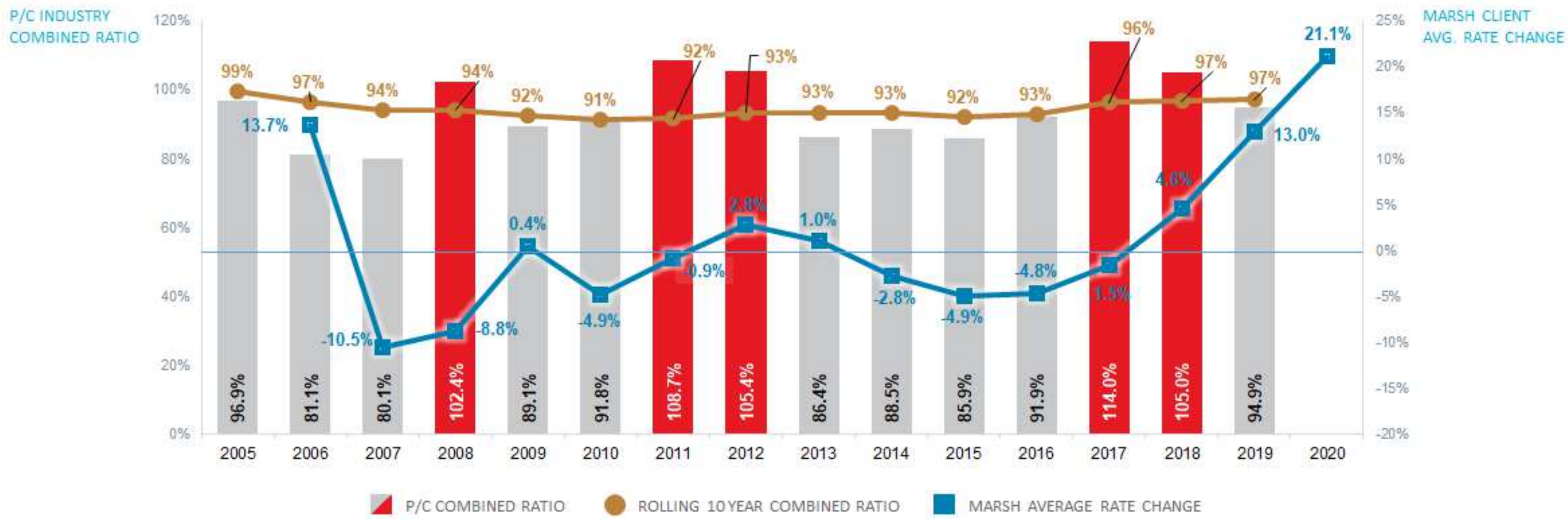
Global Placement Data & Analytics – PlaceMAP
Marsh US Property Portfolio Rate Monitor – Feb. 3, 2021

Marsh US Property Portfolio



	Q3 '20		Q4 '20	
Higher	23.4%	18.1%	18.7%	14.8%
Same	54.8%	77.9%	56.4%	82.5%
Lower	21.8%	4.0%	24.8%	2.7%

Commercial Property – Historical Underwriting Performance



As a whole, US industry will target a combined loss ratio in high 80's to low 90's in order to earn an "adequate" return on capital for property insurance.

Source: Dowling & Partners; Statutory Filings; D&P Analysis;
Commercial Property = CMP (Non-liab), Fire, Inland Marine, Allied Lines, Boiler & Machinery & EQ

Global Placement Data & Analytics – PlaceMAP
Education Property Benchmarking – Insured Values > $1B

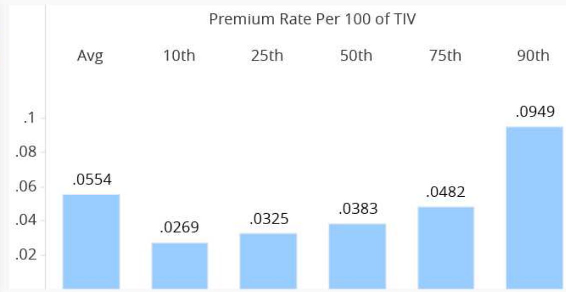
PLACEMAP

FILTERS (7) | **Data Exclusion Waiver** (No) **Product Line** (Property) **Primary Industry** (Education) **Currency** (US Dollar) **Reporting Country** (United States) **TIV** (1B - 10B, >= 10B) **Time Period** (TTM) View all

Peer Count	Total Premium	Limit	Layers	Retention	Layer Rate Change Count
31	74.3M	23.6B	55	7.5M	112

PEER PERCENTILES

Program Characteristic	Average	10th	25th	50th	75th	90th
Total Insured Value	4.9B	1.3B	1.9B	3.2B	4.6B	12.7B
Total Program Limits	762.5M	500.0M	500.0M	750.0M	1.0B	1.0B
Total Program Premium	2.4M	543K	737K	1.1M	2.9M	4.4M
Total Program Deductible	242K	50K	100K	150K	250K	500K
Total Price Per Million	3,743	723	1,174	2,209	3,748	5,440
Premium Rate Per 100 of TIV	0.0554	0.0269	0.0325	0.0383	0.0482	0.0949



LAYER RATE / PRICING MOVEMENT (see PROGRAM RATE in METRIC TRENDS)

Source: Placement Data Capture Systems | Currency: USD | Last Refresh Date: 2/28/2021 | View by Year

Global Placement Data & Analytics – PlaceMAP
Education Property Benchmarking – Insured Values < $1B

PLACEMAP

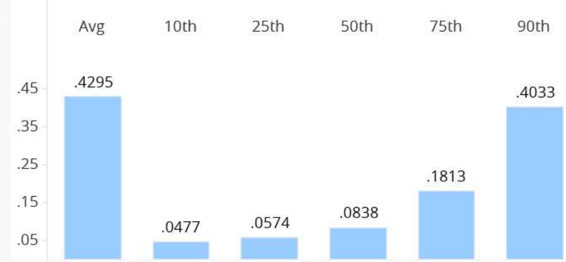
FILTERS (7) | **Data Exclusion Waiver** (No) **Product Line** (Property) **Primary Industry** (Education) **Currency** (US Dollar) **Reporting Country** (United States) **TIV** (Not Applicable, 0, +4) **Time Period** (TTM) View all

Peer Count	Total Premium	Limit	Layers	Retention	Layer Rate Change Count
187	62.9M	36.0B	212	36.3M	169

PEER PERCENTILES

Program Characteristic	Average	10th	25th	50th	75th	90th
Total Insured Value	364.1M	54.5M	131.0M	221.6M	650.5M	857.7M
Total Program Limits	192.5M	1.0M	7.3M	50.0M	150.0M	500.0M
Total Program Premium	287K	3K	7K	45K	172K	455K
Total Program Deductible	194K	500	1K	10K	100K	300K
Total Price Per Million	4,010	133	384	1,063	3,951	10,234
Premium Rate Per 100 of TIV	0.4295	0.0477	0.0574	0.0838	0.1813	0.4033

Premium Rate Per 100 of TIV



LAYER RATE / PRICING MOVEMENT (see PROGRAM RATE in METRIC TRENDS)

Source: Placement Data Capture Systems | Currency: USD | Last Refresh Date: 2/28/2021 | View by Year

Underwriting Perspective
Rate Change Characteristics

Lesser Rate Increase		Greater Rate Increase
Single insurer	Program Structure	Shared & layered
Low hazard	Occupancy	High hazard
Loss-free	Loss Experience	Loss-affected
Nominal	NatCat Exposure	Severe
Non-combustible	Construction	Frame
Protected, well-maintained	Risk Quality	Poorly protected & maint.
Engaged	Loss Control Focus	Disengaged
Minimal for occupancy	Loss Expectancies	Large count & quantum
Above expected losses	Deductible	Not appropriate for size/risk
Credible	Valuation	Questionable

Underwriting Perspective
Emphasis on New Loss Drivers

Traditional Concerns

- Earthquakes
- Hurricanes
- Floods
- Large fire loss expectancies and MFL's

Emerging Concerns

- Severe convective storm
- Wildfires
- Contingent B.I.
- Strikes, Riots and Civil Commotion (SRCC)

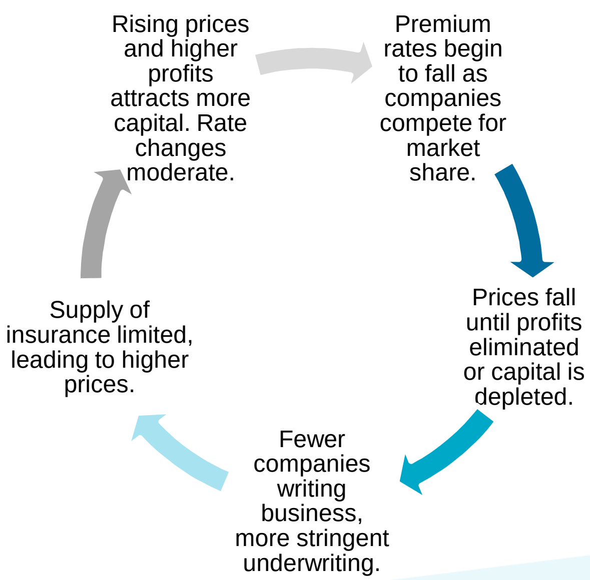
Underwriting Perspective
Property Market Hot Buttons

- Terms and conditions
- Company vs. manuscript forms
- Global fronting programs
- Non-physical damage coverages
- Valuation and deductibles

Future Expectations

- Known issues:
  - Heavy catastrophe losses in 2020.
  - Bond market returns continue to diminish = need for underwriting profitability.
- Stabilizing factors:
  - Many markets indicating a desire to grow in 2021.
  - Pricing at or near “technical” rates.
  - Alternative capacity remains plentiful.
  - Recent new and expanded capacity.
- To be determined:
  - Winter Storm Uri impact.
  - Insurers remain well-capitalized but will they deploy capacity?

The Market Cycle



Recommendations

Pre-Renewal		Post-Renewal
• Communicate often with brokers and internal stakeholders. • Develop a plan to differentiate your risk. • Meet with underwriters. • Review loss control weak spots and prepare a plan to address those that do not require significant capital.	• Know your risk bearing capacity. • Review necessary coverage items and "nice-to-haves" for potential saving opportunities. • Start early, but be mindful of potential timing issues. • Explore alternative risk solutions.	• Review any non-concurrent terms to ensure a complete understanding. • Conduct a post-renewal meeting with appropriate persons. • Assess how the renewal process went. • Start planning for 2022.

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.

Health & Benefits Insights

Ken Simek, Mercer

MERCER

2020: A Year of Chaos & Agility

Findings

November 2020

Research Team
Lyn Harper, Principal
Karen Hutcheson, Partner
Emily Seckel, Associate
Ken Simek, Partner

welcome to brighter

Key Findings

49% of participants reported that their institution hit or came close to target enrollments this academic year.

However, 84% of institutions missed their budget targets likely due to reductions in non-tuition revenue streams (room and board, fees, athletics, etc.) as well as the costs related to COVID-19 (testing, hotel rooms for quarantining, cleaning, etc.)

Institutions have addressed reduced budgets with staff layoffs (35%.)

A majority of institutions (62%) will NOT be providing merit increases with still another 29% still deciding.

It appears that flexible work arrangements are here to stay with 46% of institutions likely to continue a flexible work arrangement schedule.

Key Findings

Working remotely appears to be largely successful:

90% report a positive impact or no change on employee productivity.

75% report a positive impact or no change on work life balance.

76% report a positive impact or no change on communication and collaboration.

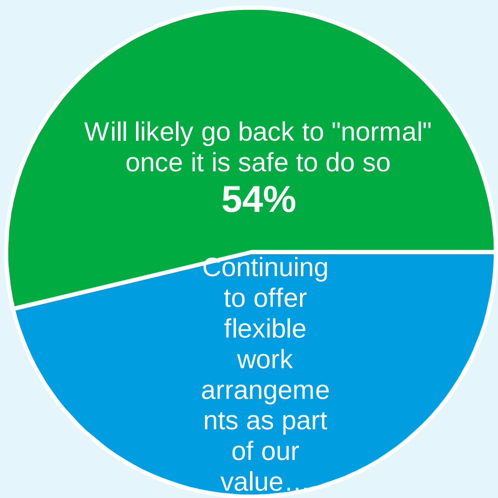
Mental health continues to be a challenge: 54% report a negative impact (improved somewhat from the prior survey.)

Despite tight budgets, the vast majority (93%) of institutions are making little to no changes in their health and welfare plans – including 58% of institutions reporting no changes to wellbeing programs.

As institutions adapt to the continuously changing environment, most are focused on strategic workforce analytics (75%), business processes review (63%), and DEI programs and policies (52%.)

Flexible Work

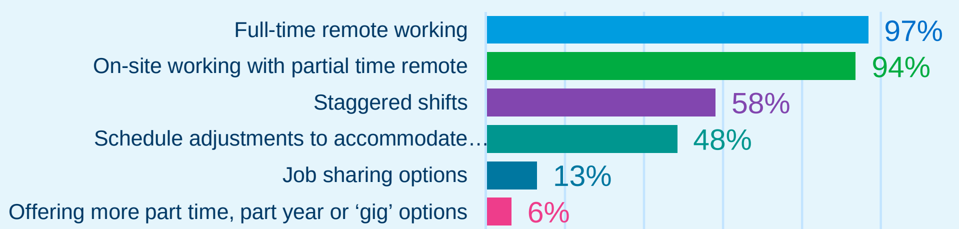
Q: Flexible work arrangements are becoming an important topic in higher education. How is your institution addressing this issue:



Segmentation

- Only 42% of private institutions reported that they are interested in continuing to offer flexible working arrangements, compared to 54% of public institutions
- Just over half of Doctoral institutions (52%) will continue to offer flexible working arrangements post COVID-19, compared to only ~30% of both Masters and Baccalaureate institutions

Of those considering long-term flexible work arrangements:



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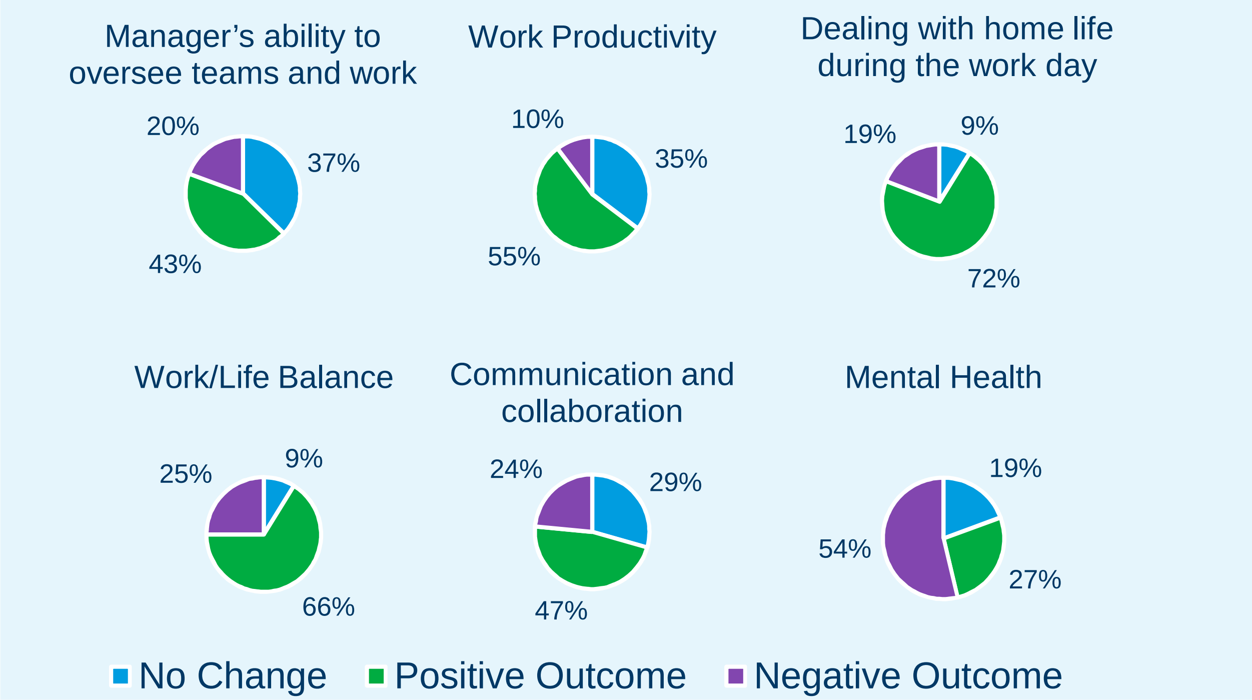
Remote Working

Q: Remote working on a regular basis has not been common in higher education until the pandemic forced it. What outcomes has your institution experienced in this extended period of remote working?



Prior Survey Results

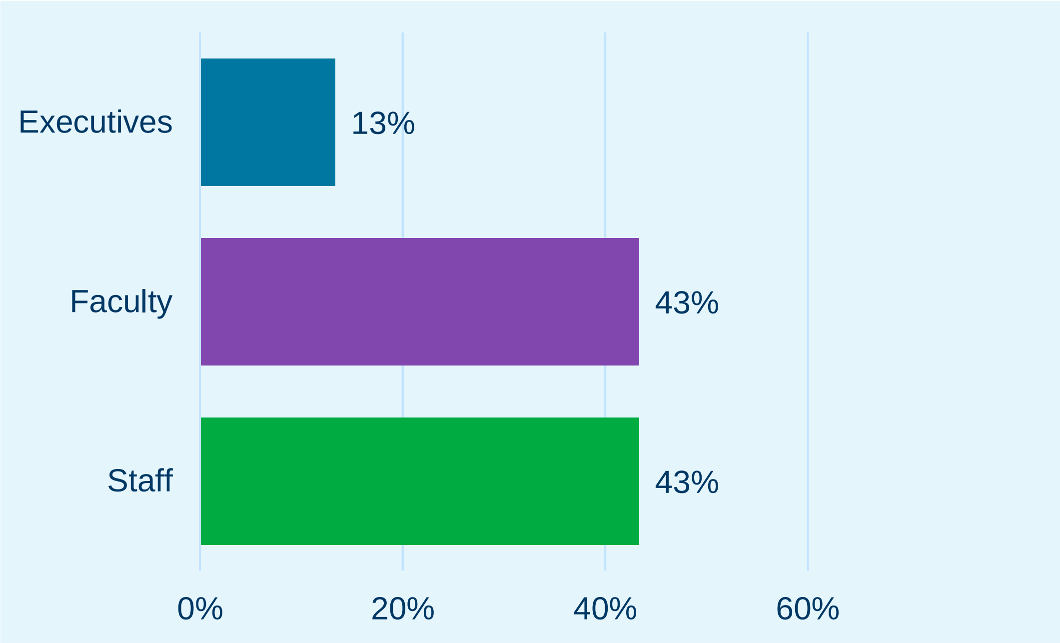
- The results are similar to the prior survey with slight increases in positive outcomes across categories suggesting that most people are adapting to the new arrangements.
- While mental health is still the negative outlier, the percentage has dropped from 65% in the prior survey, with a large increase in positive reports (8% in the prior survey to 27% currently).

Segmentation

- Findings are generally consistent but Baccalaureate institutions report more negative outcomes for employees dealing with home life during the day than other institutional types.

Voluntary Separation

Q: Has your institution offered (or plans to offer) a voluntary separation from service or early retirement incentive? Please check all employee groups that apply.



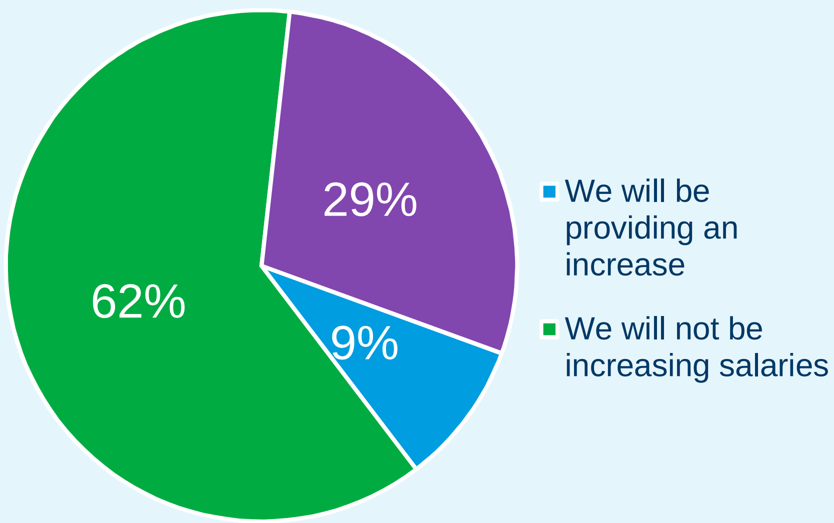
Not surprising, many institutions (43%) are implementing voluntary separation programs. We expect the popularity of offering these programs to increase as an alternative to layoffs.

Segmentation

- 20% of public institutions are offering or planning to offer a voluntary separation for Executives, compared to 9% of private institutions.
- Most Carnegie classes are generally consistent with the exception of Baccalaureate and Associates institutions reporting slightly higher for staff voluntary separation opportunities (~52%).

Merit Increases

Q: Please describe the annual/merit increases for your current academic year



Segmentation

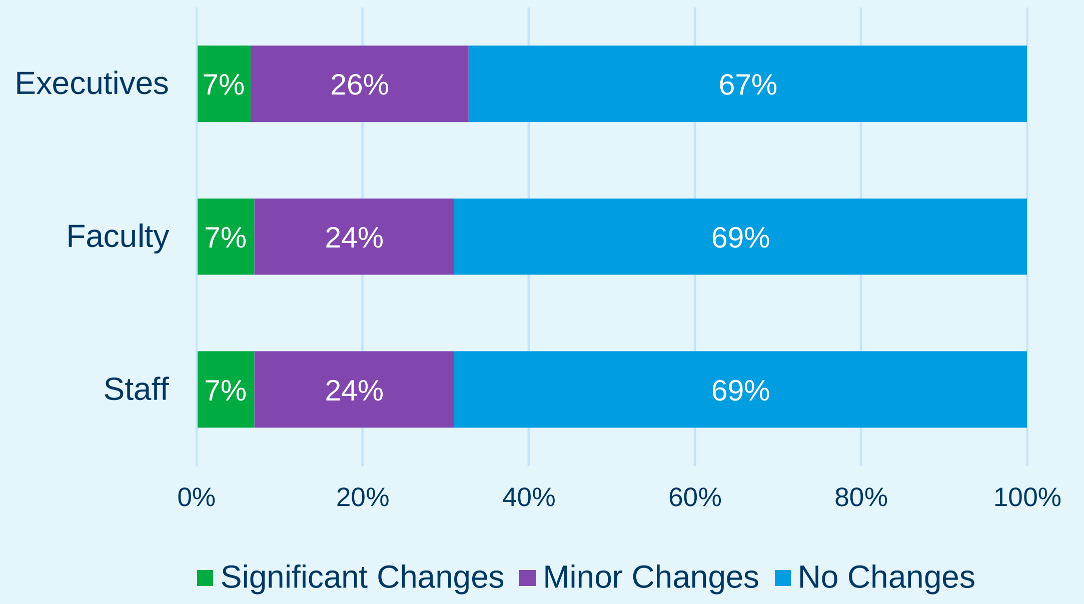
- 35% of publics have decided not to provide salary increases and almost half are undecided. This compares to 77% of private institutions having already decided not to provide salary increases.
- This is consistent across Carnegie class with the exception of Associates institutions (67% still deciding).
- Many institutions with enrollments and budgets that are near their targets are still considering whether to provide salary increases, given the uncertainty around the pandemic.

Of the 9% of institutions providing salary increases the increase was **between 1-3%** for all employee types

Benefits Strategies

Q: Has your institution made changes to its health and welfare benefits program?

- Surprisingly, most institutions have not reduced benefit programs even though most institutions are experiencing a budget shortfall.
- Of those that have made changes, the most common is reduction in the retirement contribution. This approach is generally easiest to implement and has an immediate impact on institutional finances.
- There is some continued movement to modify leave policies and offer early retirement programs.
- We expect that there may be increasing pressure to reduce benefit spend in the near future.



Student Health Landscape

Jeff Smith, Mercer

Student Health Landscape
Market Update

Inefficient; dominated by a few large carriers

Increasing demand for limited supply of behavioral health services

8% increase in rates projected for 2021/2022 school year

Rising unemployment creating increased need for Student Health plans

Uncertainty of COVID-19 impact on:

- Plan costs
- International students

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Driving Success
Innovative Solutions for Student Health

- Leverage and integrate total campus population to optimize purchasing
- Implement Student Assistance Plan (SAP) to expand behavioral health access
- Consider Student Health as part of the total campus health initiative
- Self funding for larger plans

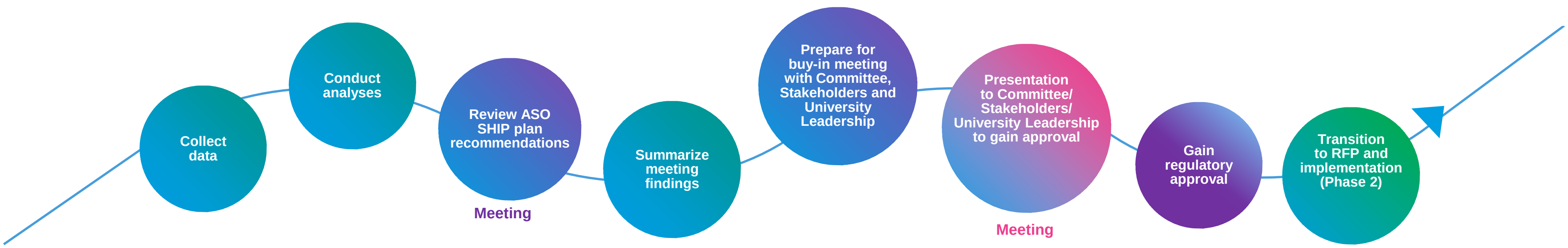
Managing Costs
Self Funding Student Health

Value
- Cost savings for students and the University
- Optimized vendor administrative capabilities (“best of the best”)
- Enhanced plan flexibility

Key considerations
- The University assumes risk
- Risk mitigation (stop loss, captives)
- Governance
- Regulatory approval

End result
- Savings up to 10%
- Selection of vendors that best meet needs of the University and students
- Improved administration and flexibility

Phase 1: Go or No-Go



Managing Costs
Leveraging Employee Benefits Population for Better Student Health Fees

Client
Current university client engaged Mercer for Student Health consulting

Project and action
Mercer conducted the Request for Proposal process for a student health benefits carrier

All major student health coverage carriers were included in the RFP process

The difference
Working with the University's employee benefits account executive at one of the national carriers, Mercer negotiated a contract that assured the University got credit for and maximized leverage across both Student and Employee benefits

The results
- Achieved lower student health premiums based on combined headcount for employee medical and student health
- Decreased employee medical ASO fees, with improved scale and administrative efficiencies

11%+
annual savings on Student Health with multi-year rate cap

Q&A

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.

Thank you for attending!

Jean Demchak, Managing Director, Global Education Practice Leader

Paul Sherbine, Managing Director, Market Information Group

Marty Leicht, Vice President, West Zone Regional Cyber Leader

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

David Letzelter, Managing Director, US Property Practice, Pittsburgh Leader

Ken Simek, Partner Mercer Consulting

Jeff Smith, Principal Mercer Consulting

Marsh Panel Overview

Jean Demchak, Managing Director, Global Education Practice Leader

Jean has a career-long focus on higher education 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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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

Marty Leicht
West Zone Regional Cyber Leader

Martin (Marty) Leicht is Marsh's West Zone Regional Cyber Practice Leader and is a senior advisor for large U.S. commercial clients across the country. Marty is responsible for executing the firm's cyber strategy in the West Zone and assisting clients with risk identification and complex risk transfer for professional liability and cyber exposures. Marty also leads the Cyber Practice's national strategy in the higher education sector, working with many large institutions across the country. Prior to January 2021, Marty was based in New York in a similar role as a Northeast Zone Regional Cyber Practice Leader.

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Marsh Panel Overview

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

Mark is a senior national 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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Marsh Panel Overview

Jeff Smith, Principal
Mercer Consulting

Jeff is a Principal and senior strategy and design consultant in Mercer's Employee Health & Benefits practice, based in Chicago, Illinois. He serves as client leader, senior strategic consultant, project manager, lead negotiator or technical expert for various organizations and projects. Jeff is the Higher Education industry vertical leader for EH&B and also the leader for student health consulting. Jeff consults in all areas of group health and welfare benefit programs for employee, retiree and student populations.

Jeff has more than 25 years of benefit consulting and insurance experience. He is a widely recognized expert on premium/fee negotiations and has been quoted and interviewed by the media on health plan costs many times. Jeff consults in all areas of group health and welfare benefit programs, including: benefit design, benchmarking, financing, cost management, contribution and subsidy strategies, measurement and data analysis, premium and fee negotiations, performance measures and guarantees, evaluation of provider networks, vendor procurement, mergers and acquisitions, total reward strategies, benefit integration strategies, and three to five year strategic plans to optimize behaviors, costs and outcomes to meet objectives. Jeff has also evaluated and implemented health, productivity and wellness solutions and consumer-driven strategies.

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