

2021 OFFICE OF RISK MANAGEMENT ANNUAL REPORT



PRESENTED BY OFFICE OF RISK MANAGEMENT AND OFFICE OF LEGAL COUNSEL

OBJECTIVES:

- Status market conditions
- Fund health
- Answer your questions regarding the formal report already made available to the Board
- Renewal highlights and benchmarking as requested

WHY MARKET IS IN TURMOIL

- Historic low interest rates have dampened insurer returns on investments
- Catastrophic weather and wildfires
- Deteriorating loss trends continue to negatively impact underwriting (workers comp being one exception)
- Uncertainty regarding extent of potential COVID-19 claims
- “Social inflation” from adverse jury verdicts (plaintiff-friendly decisions based on theories of enterprise liability)

CYBER RATE DRIVERS

- The education industry has fallen out of favor with cyber insurers due to the nature of our networks and difficulty in multi factor authentication implementation and other controls.
- Some insurers are still seeing a 500% increase in ransomware claims.
- Some excess carriers are seeing a 40% increase in general cyber attacks.

RESULTS OF THIS YEAR'S RENEWAL PROCESS

Property

- ❑ Rate up 11%
- ❑ Coverage remained substantially the same

Liability

- ❑ Program structure now UE, Ironshore, Lexington.
- ❑ \$40 million of TBI vs. \$50 million. Deductibles remained the same
- ❑ Premium up 60%

Cyber

□ Premium up 136%

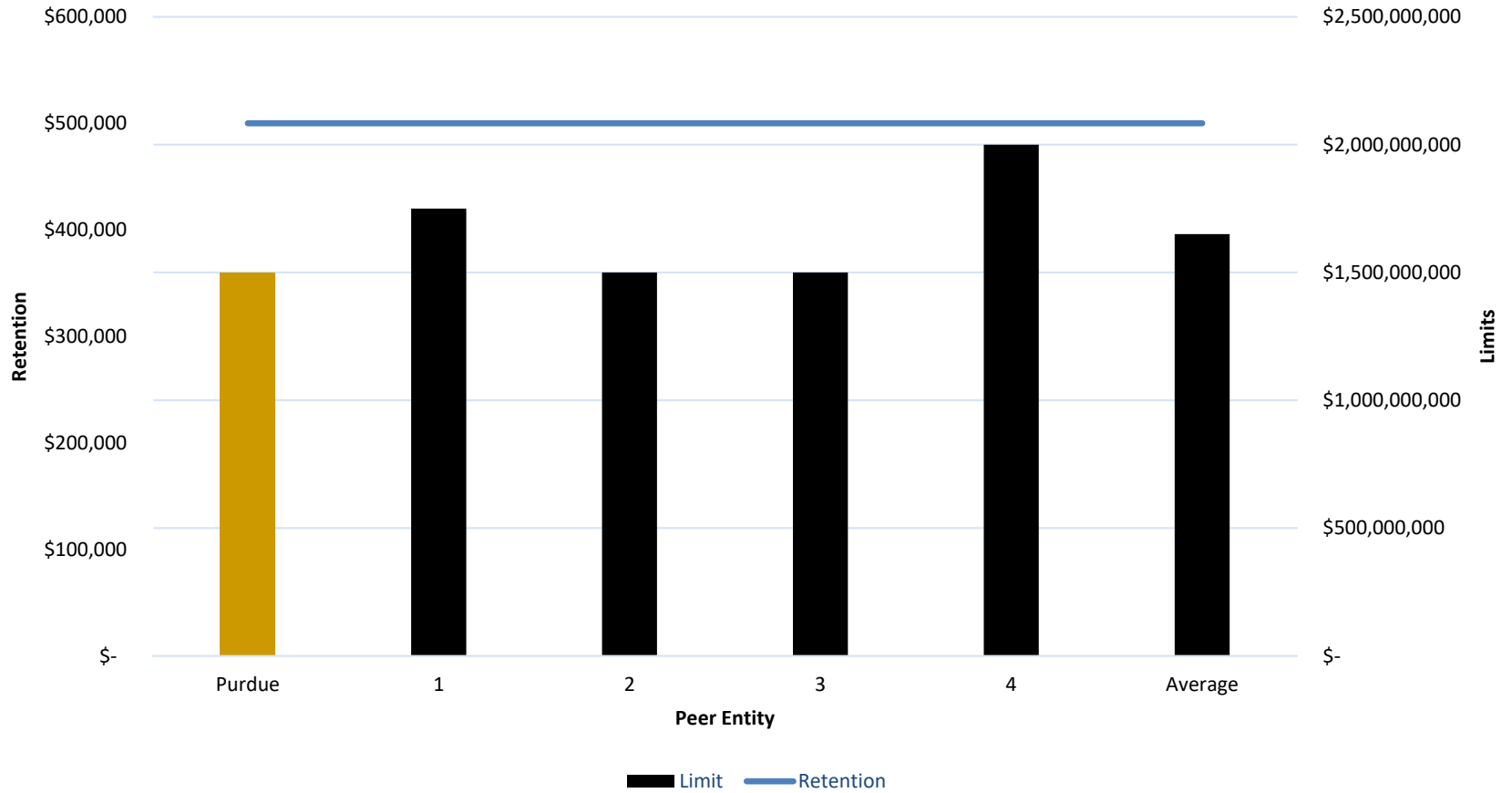


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APPENDIX FOR QUESTIONS

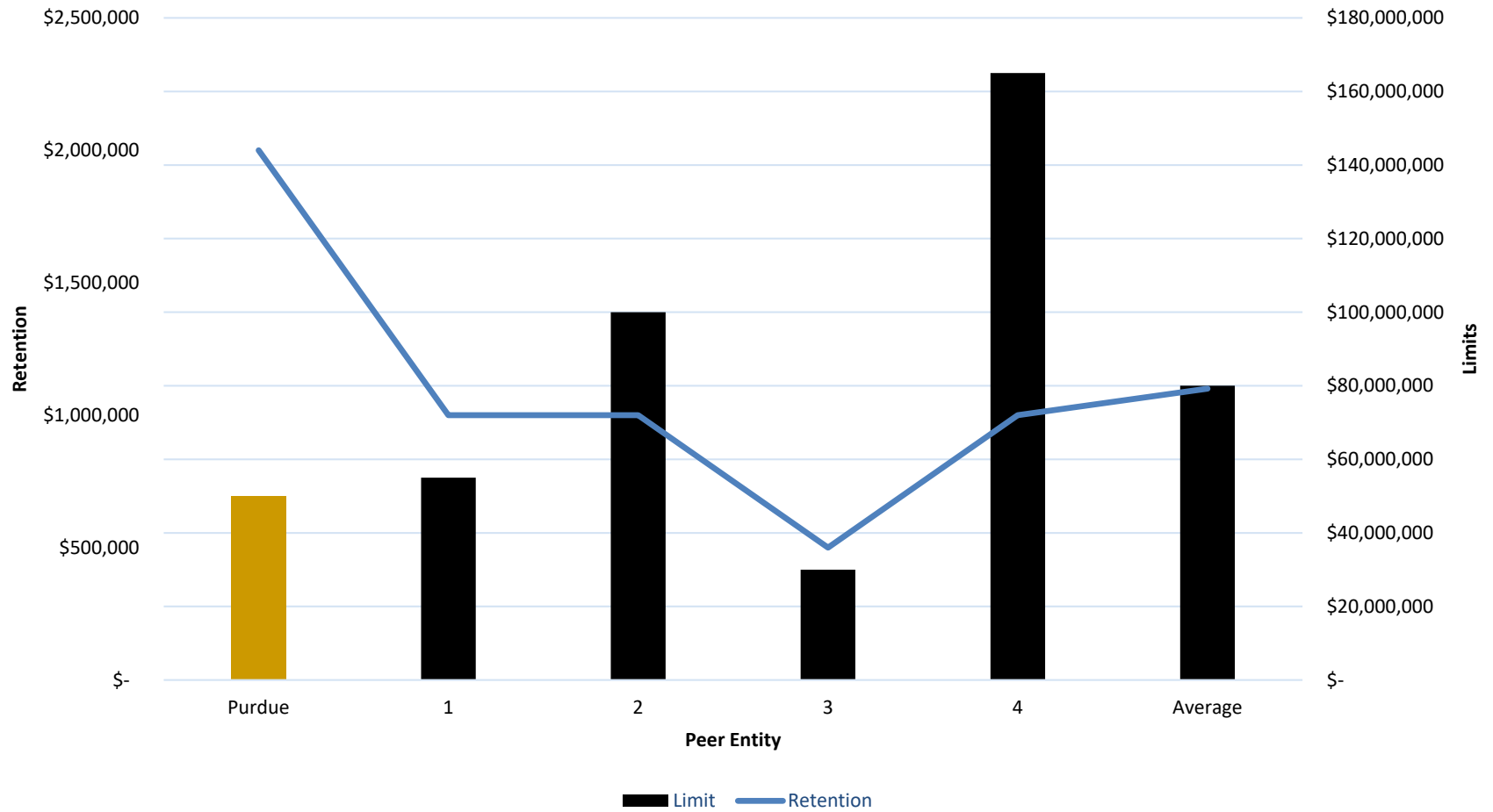
PROPERTY

Property

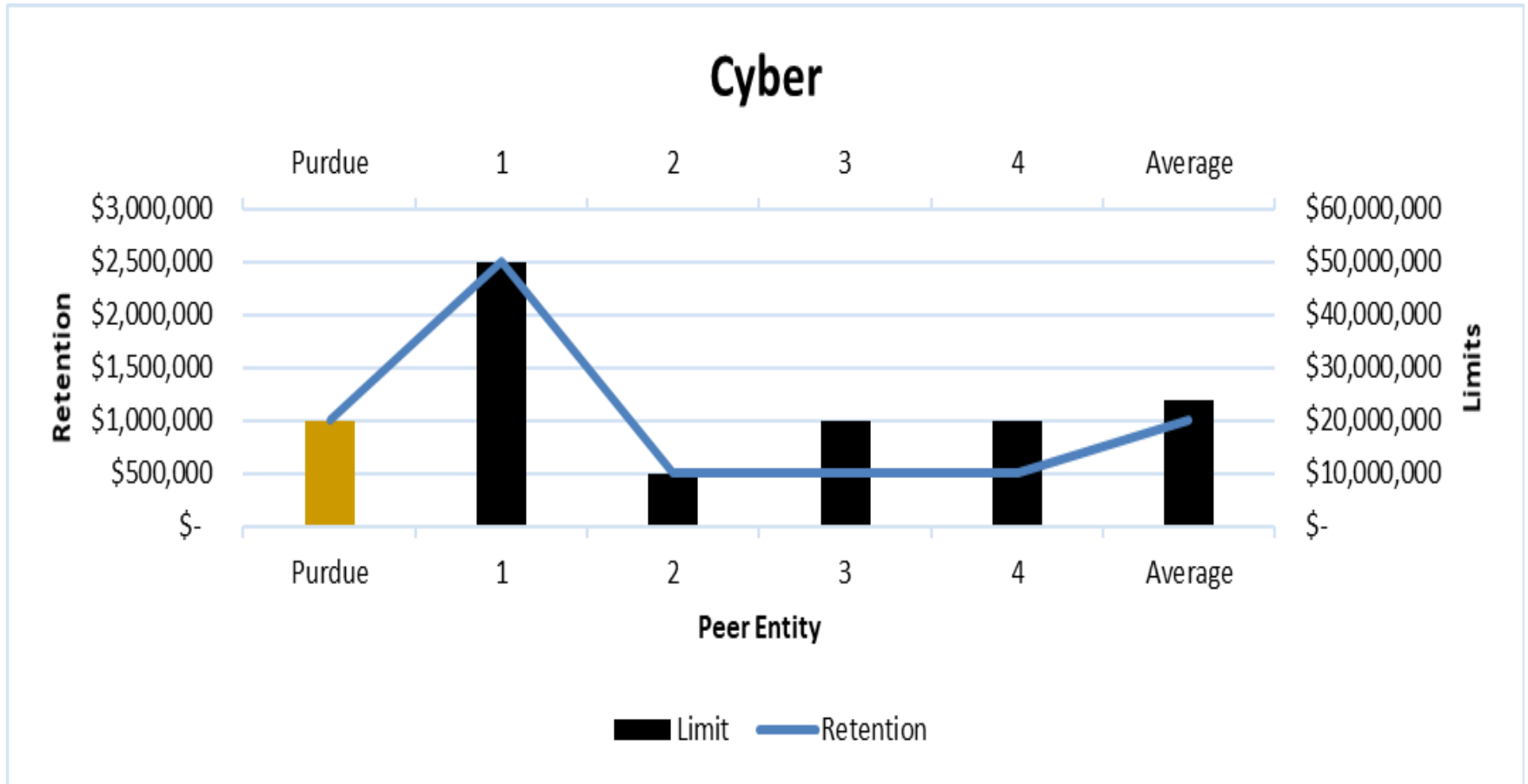


LIABILITY

General Liability



CYBER



WHAT IS THE UNIVERSITY'S MOST LIKELY LOSS EXPOSURE?

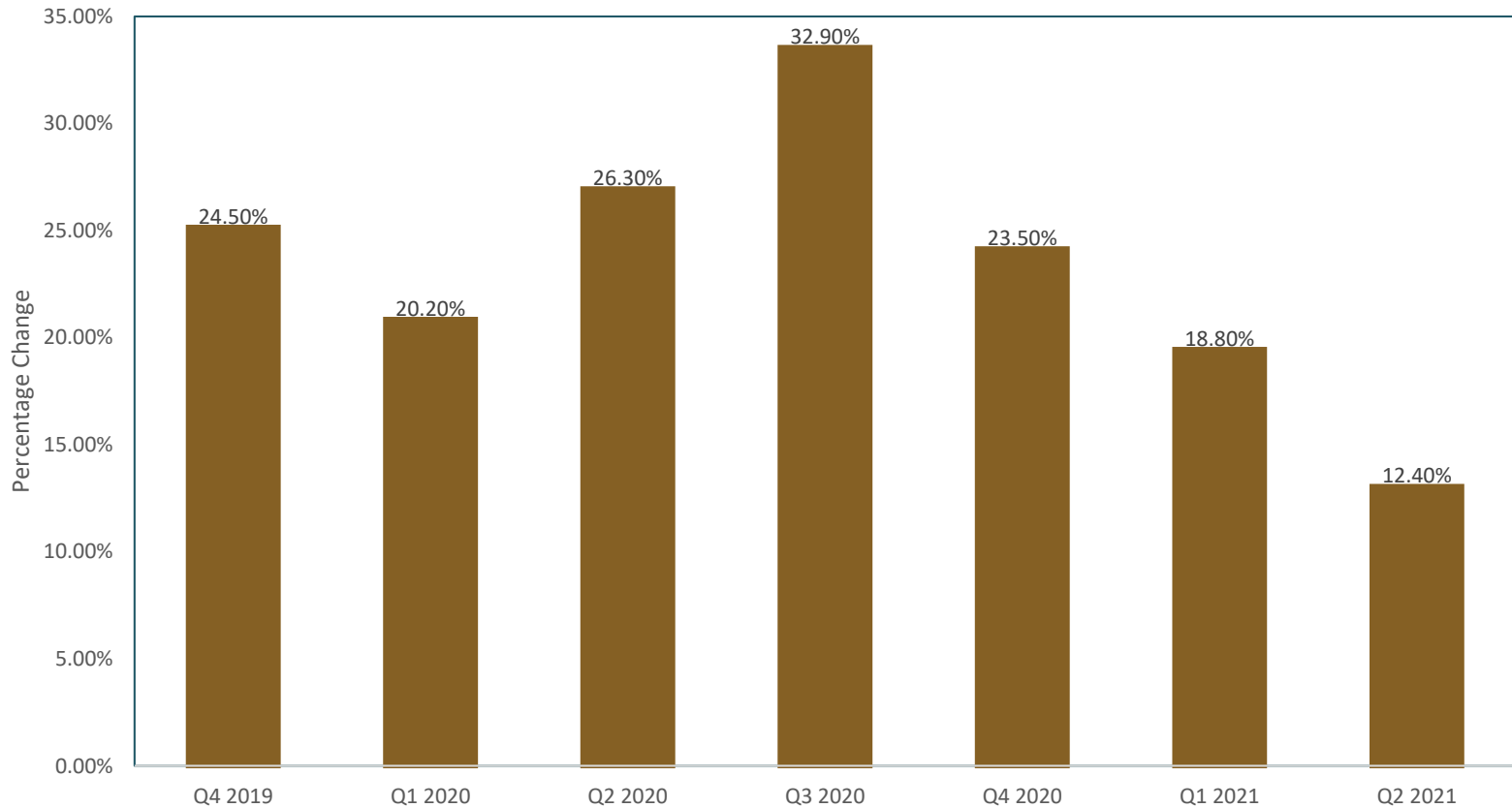
- 2019, deep dive analysis.
- It calculated the potential for losses.
- 99% confidence level 100 years
- Cyber \$10M.
- Liability \$8.34M.
- Property \$2.04M.

The assessment did concluded the University's current program comprised of a large retention with catastrophic excess insurance coverage is the most efficient and cost effective option for the University.

QUARTERLY YEAR OVER YEAR PROPERTY RATE CHANGE

Year Over Year Average Quarterly Change In Property Rate

Data Provided by AON Risk Services



PROPERTY

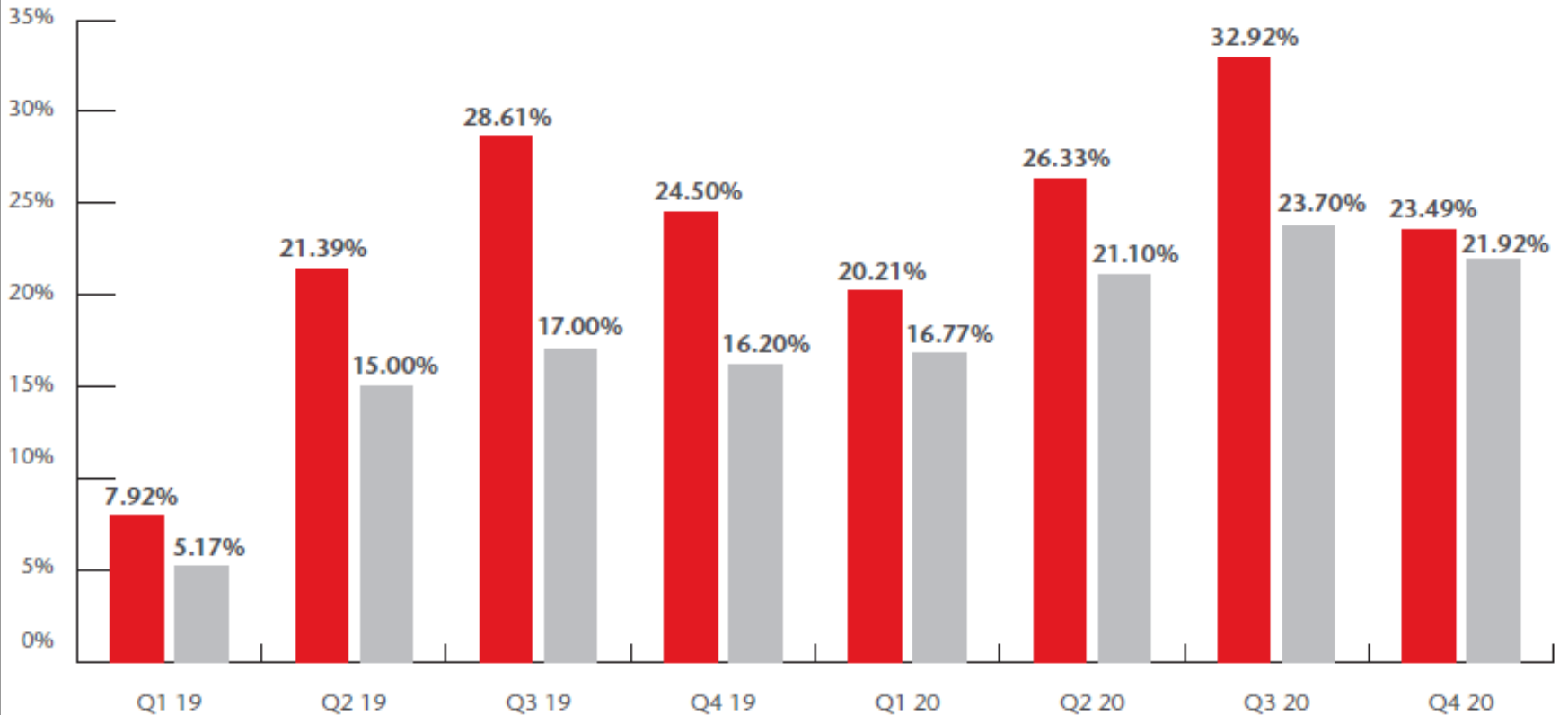
AON Property Market Dynamics

Rate Changes

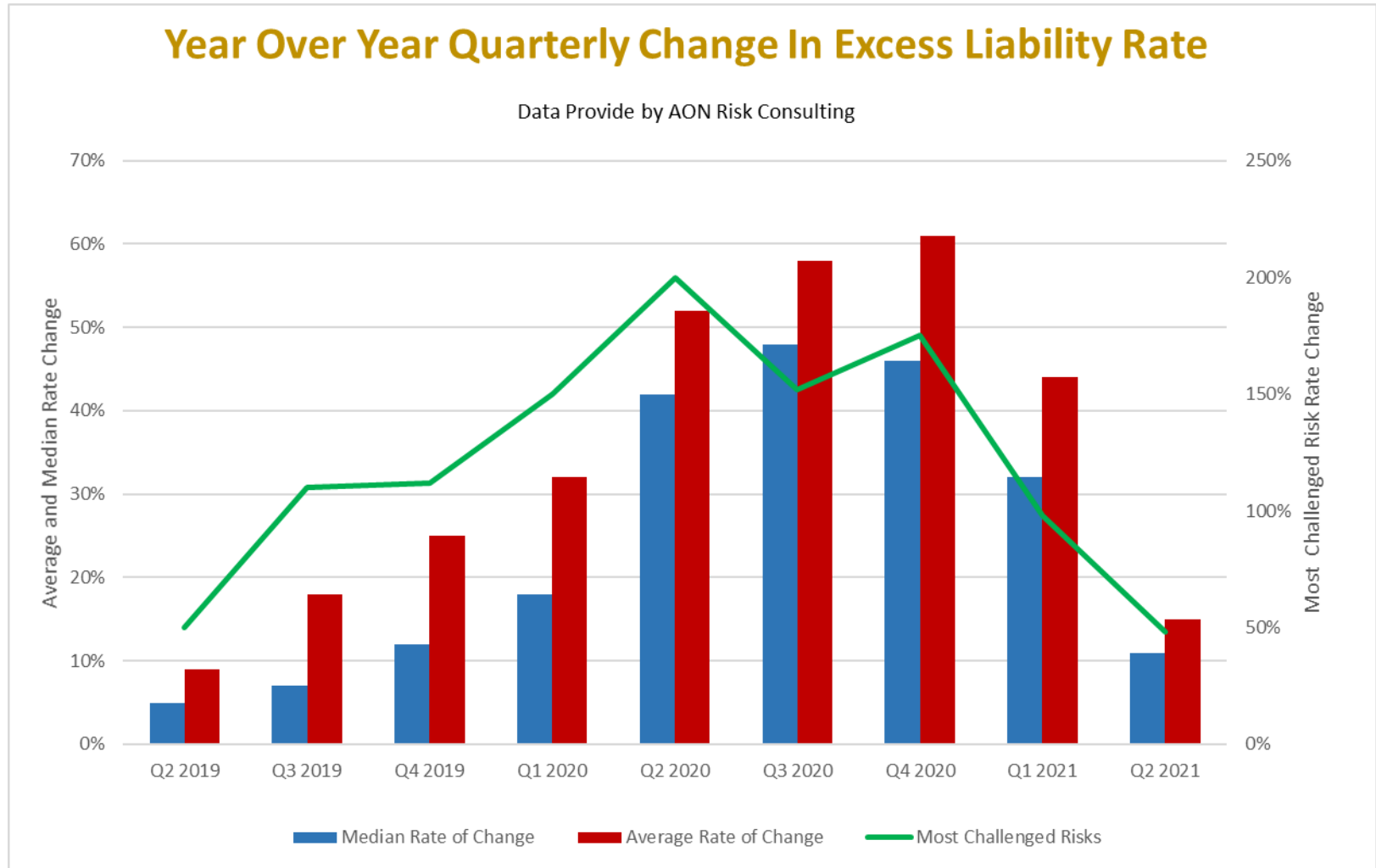
Exhibit 1

Average and Median Rate Changes – Last Eight Quarters

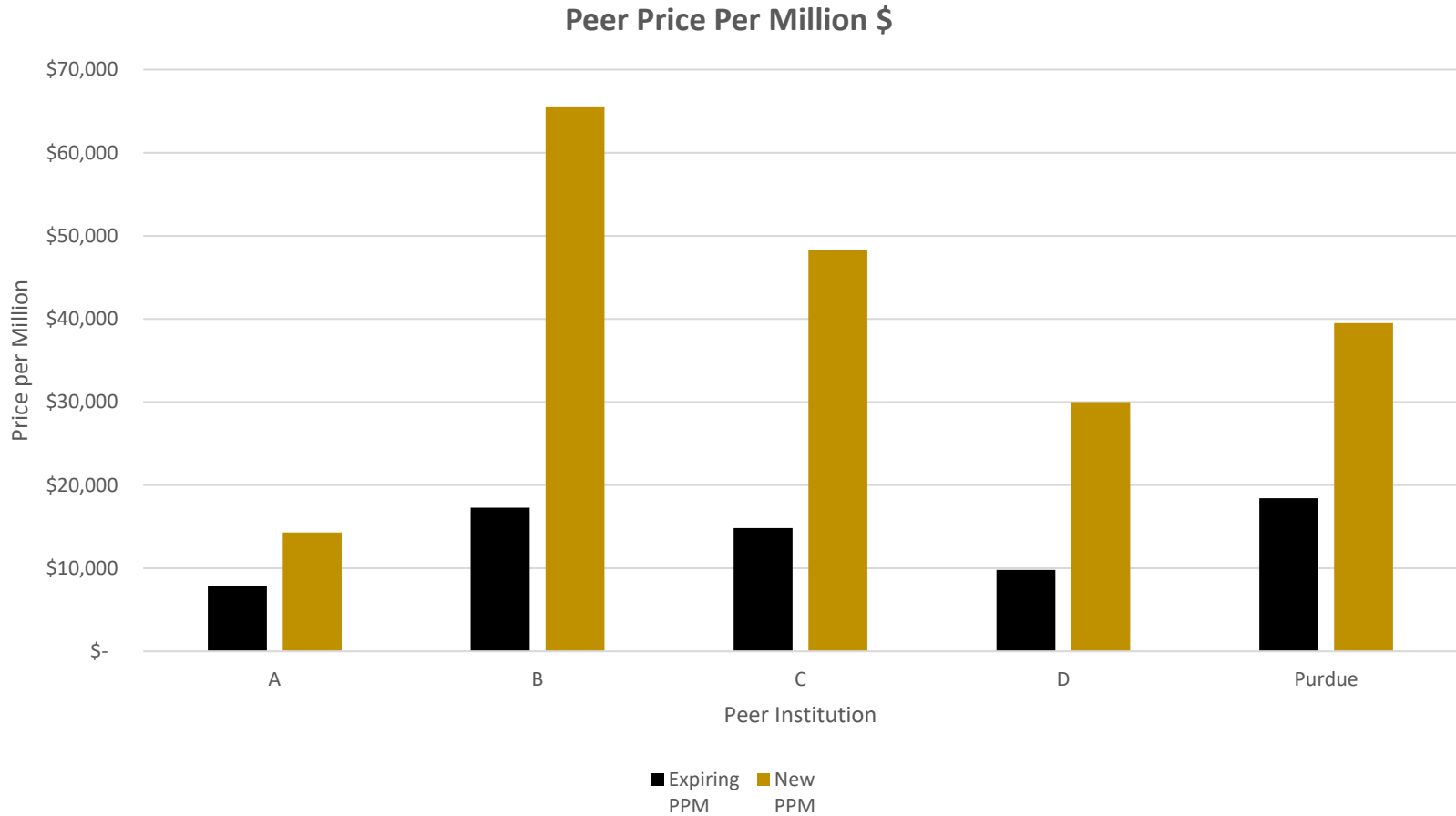
■ Average ■ Median



YEAR OVER YEAR QUARTERLY CHANGE IN EXCESS LIABILITY RATE



PEER COMPARISON IN CYBER PRICING



AVIATION

Aviation Benchmark Limits Purchased and Price Per Million Per Seat

Data Provided by Gallagher Risk Management Services

