2025 OFFICE OF RISK MANAGEMENT ANNUAL REPORT
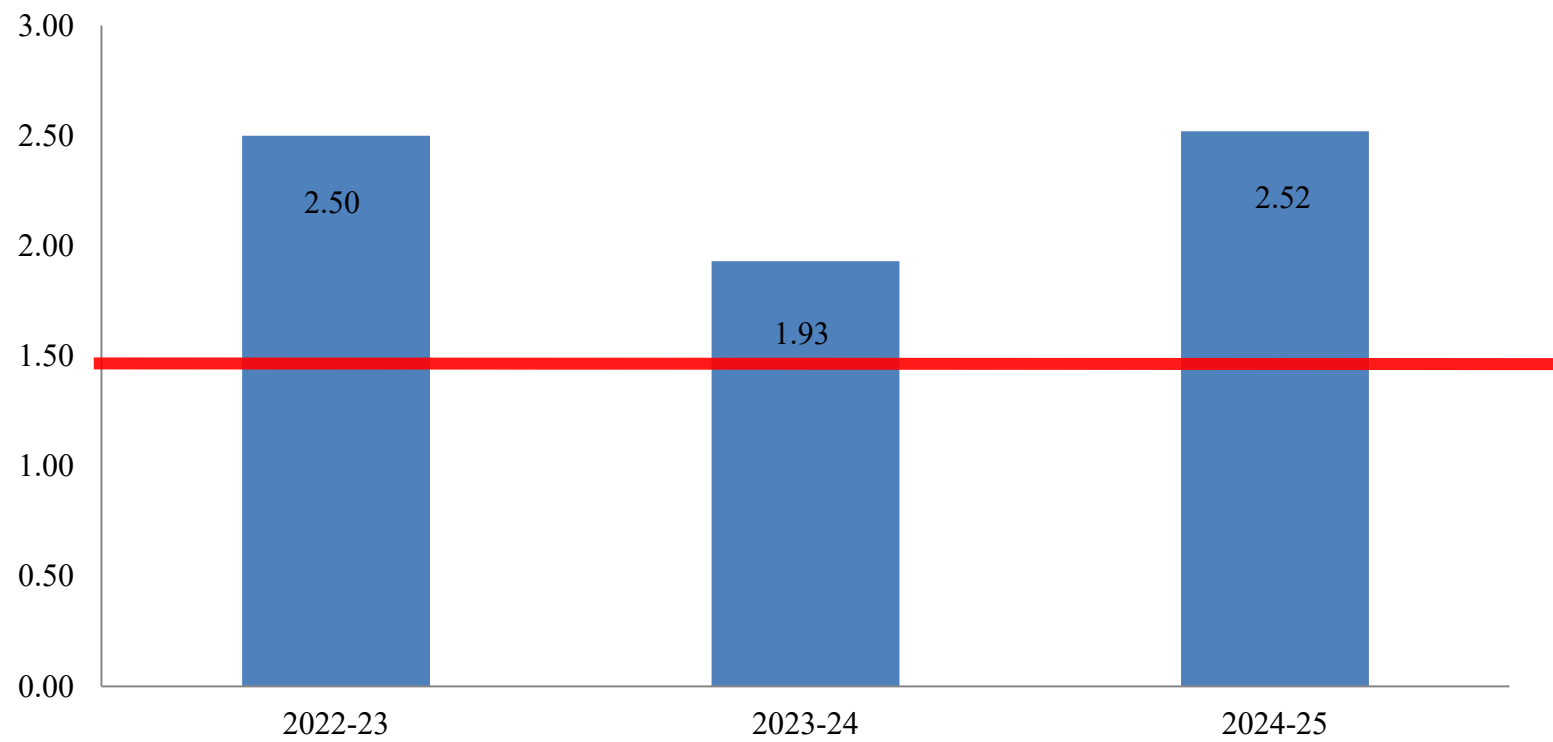

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OBJECTIVES:

- ➢ Fund financial health 2025
- ➢ Insurance market conditions
- ➢ Looking forward highlights 2025-26
- ➢ Benchmarking data (*see Appendix*)

FUND FINANCIAL HEALTH

Viability Ratio

Fund Obligations $5.4M   Unobligated Fund Balance $7.6M

INSURANCE MARKET UPDATE

➢ Property: Signs of stabilization with some rate decreases reported.

➢ Casualty (general liability and directors and officers):

- Expensive and complex, rate increases still being incurred.

- Drivers: Adverse jury verdicts, costs associated with harassment and discrimination claims, new addition of NIL litigation concerns.

➢ Cyber: Expected to remain stable through 2026 due to ample capacity and a competitive market environment. Flat to reduced rates expected.

INSURANCE MARKET UPDATE

➢ Aviation: Market is stabilizing with adequate capital in place. Rate increases for poor risks, with flat renewals for good risks.

RESULTS OF 2025-26 RENEWAL PROCESS

Property
- ❑ Underwriter FM
- ❑ Rate decrease 5%
- ❑ Power plant deductible increase to $1M

Liability
- ❑ Program structure remains, United Educators as primary. Excess: Ironshore, Lexington, Vantage, and Westchester
- ❑ No material changes in coverage
- ❑ Premium increase 14% on average between primary and excess layers
- ❑ Industry 4-year average cumulative increase 60%
- ❑ Purdue 4-year average cumulative increase 30% less than market increase.

RESULTS OF 2025-26 RENEWAL PROCESS

Cyber

- ❑ Insured with Beazley and Starr
- ❑ Premium decrease of 12.6% on both primary and excess layers
- ❑ Coverage remained substantially the same

RESULTS OF 2025-26 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

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APPENDIX FOR QUESTIONS

TOP 3 IMMERGING RISKS IN HIGHER ED

- ❑ AI Disruption & Academic Misuse
- ❑ Cybersecurity & Ransomware
- ❑ Enrollment & Financial Sustainability

AI RISK

What Is The Concern:

❑ Rapid adoption, unregulated use, severe academic & compliance impacts

Level Of Concern:

❑ High but Manageable

WHAT WE HAVE DONE TO MANAGE IT

❑ Best Practices

    ❑ Create a centralized AI governance structure

    ❑ Build a university-approved safe AI platform

    ❑ Adopt clear AI policies

    ❑ Train campus leaders and faculty

    ❑ Establish research-specific controls

    ❑ Purdue leads the way:

    ❑ Director of Artificial Intelligence (AI) and Automation at Purdue: Kenny Wilson

    ❑ Purdue AI policy website: https://it.purdue.edu/ai/ai-review-governance/

CYBERSECURITY & RANSOMWARE

What Is The Concern:

❑ Frequency and severity of ransomware attacks against universities continue to rise sharply

Level Of Concern:

❑ High but manageable

WHAT WE HAVE DONE TO MANAGE IT

- ❑ Centralize Identity & Access Management (IAM)
- ❑ Segment and Harden the Network
- ❑ Protect Research & High-Value Data
- ❑ Backup Strategy Resistant to Ransomware
- ❑ Email Security & Phishing Defense
- ❑ Endpoint Detection & Response (EDR)
- ❑ Incident Response & Crisis Preparedness
- ❑ Least-Privilege Administrative Access

RISK FINANCING ANALYTICS AND LOSS MODELING 2024

➢ 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
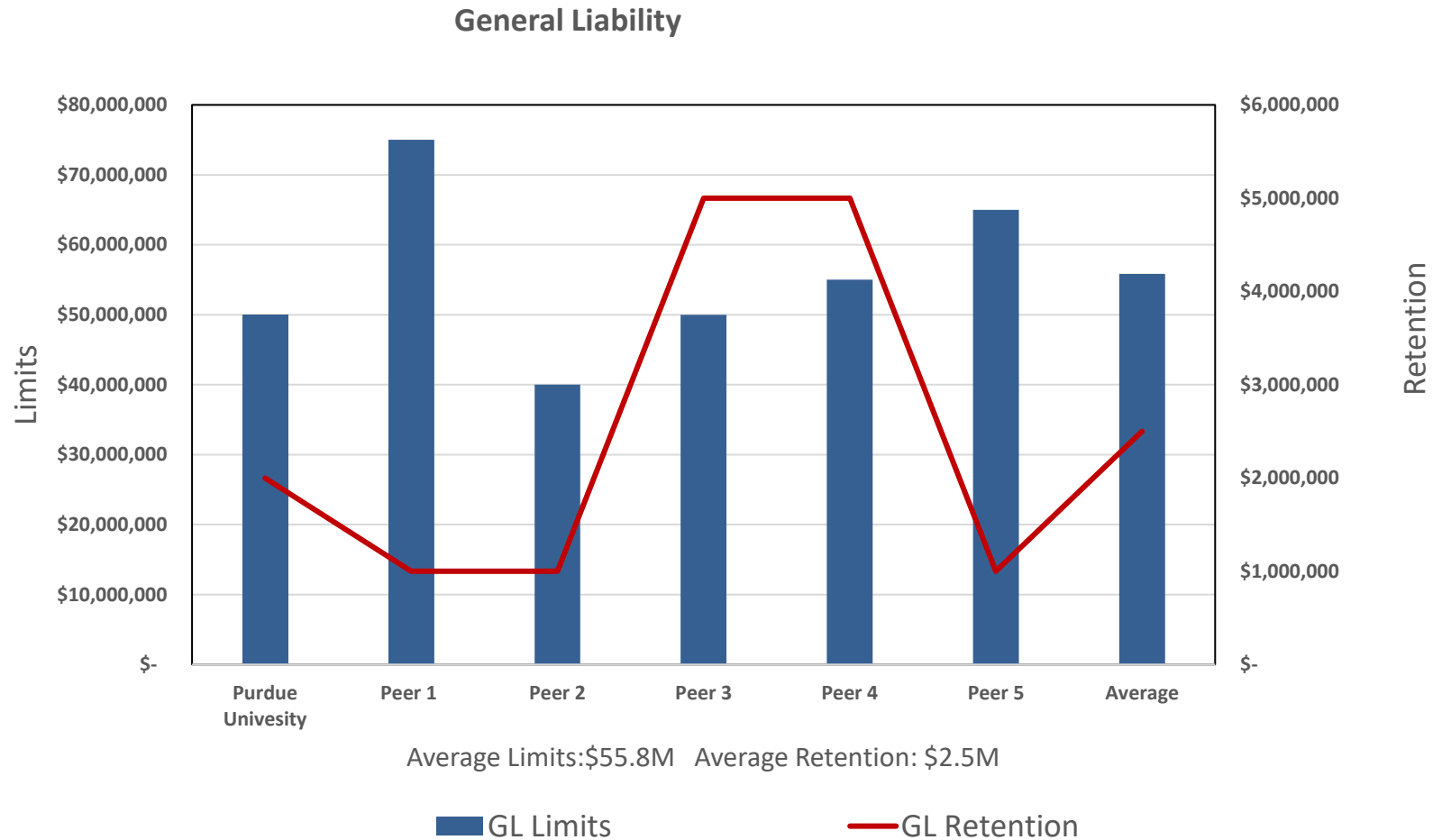- Educators' legal liability
- Cyber
- Property

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

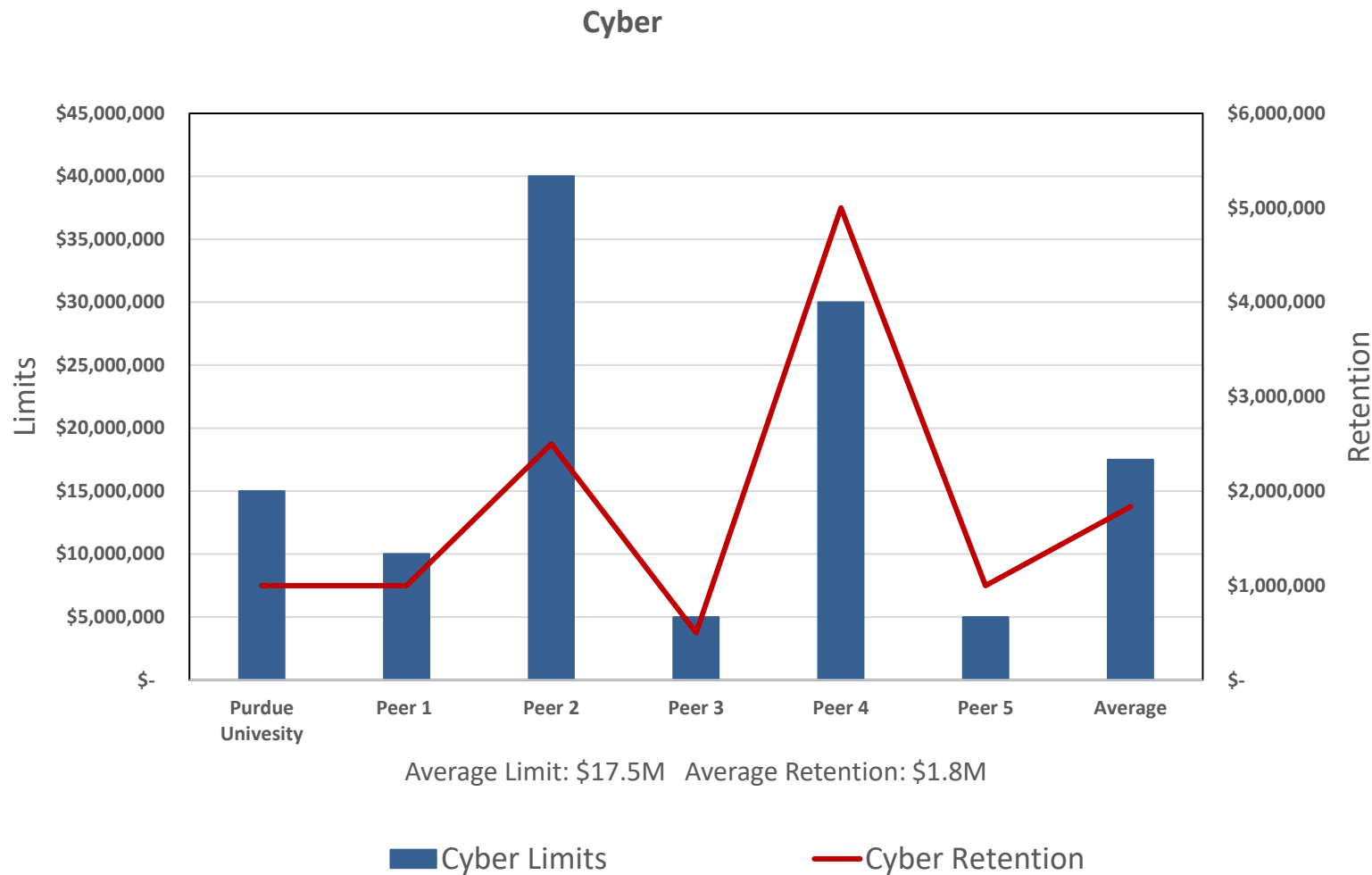➢ Loss reserving practices associated with retained losses is adequate

PEER LIABILITY BENCHMARKING

General Liability

Average Limits:$55.8M   Average Retention: $2.5M

GL Limits   GL Retention

PEER PROPERTY BENCHMARK

Property

Average Limits: $1.7B   Average Retention: $1.6M

Limit   Retention

PEER CYBER BENCHMARK

Cyber

Average Limit: $17.5M   Average Retention: $1.8M

PEER AVIATION BENCHMARK

Aviation Liability

Average Limits: $11M   Average Price Per Seat: $1404