US Education Insurance Market Update

2022 Year End Review and 2023 Outlook

March 9, 2023

A business of Marsh McLennan

Today’s Discussion Leaders

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Agenda

- **Welcome and Introductions and Global Risk Overview**
  - Jean Demchak, Managing Director, US Education Industry Leader, Marsh
- **2022 Financial Results, US Property and Casualty Industry**
  - Melina Reed, Managing Director, Marsh's Market Information Group
- **Cyber Marketplace**
  - Tom Infurna Jr., Assistant Vice President, US Cyber Practice, Marsh
  - Emma Tregellas, Associate, US Cyber Practice, Marsh
- **Casualty Market Update**
  - Mark Turkalo, Senior Vice President, Education and Public Entity Placement Leader, Marsh
- **Property Market Update**
  - David Letzelter, Managing Director, US Property Practice Education Practice Leader, Marsh
- **Student Health Insurance**
  - Jeff Smith, Principal, Mercer
- **Q&A**

Global Risk Overview

Jean Demchak , US Education Practice, Marsh

Top ten risks perceived to be most severe in the next decade

Average Severity Ranking

Note: WEF Global Risk Perception Survey (1249 responses worldwide). Respondents were asked to rank each risk on a scale of 1 (low severity) to 7 (high severity).
Source: World Economic Forum; MMC analysis

Marsh

2022 Financial Results

US Property and Casualty Industry

Melina Reed

US Property and Casualty Industry

2022 Overview

- US P/C insurance industry continues to withstand and adapt to increasing challenges however these pressures have had an affect on both operating performance and balance sheet strength.
- Above average catastrophe activity.
- Increased loss costs and pricing challenges.
- Pricing discipline and conservative underwriting continues to help mitigate underwriting losses.
- We saw much more economic volatility in 2022.
- Sharp increase in inflation and rising interest rates.
- Industry's capital position remains strong however cushion is being pressured.

US Property and Casualty Industry

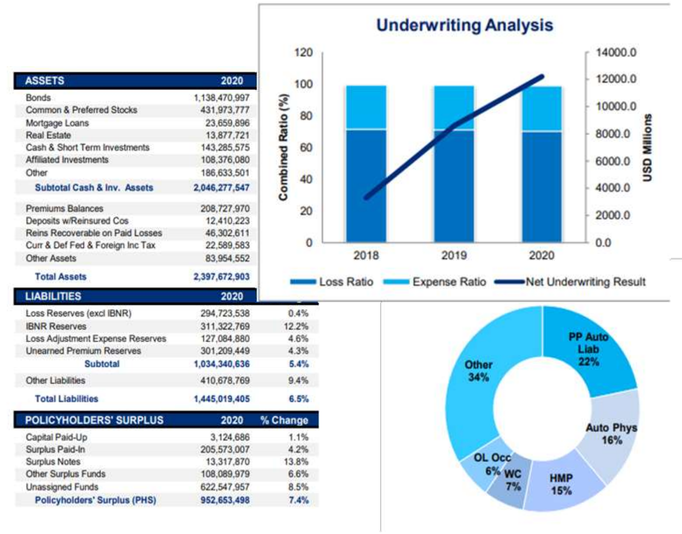
2022 Financial Highlights

($ billions)	2021	2022E	Change
Net Premiums Written	$715.5	$778.2	8.8%
Net Underwriting Gain (Loss)	($7.2)	($35.6)	
Net Investment Income	$56.1	$73.0	30.1%
Net After-Tax Income	$61.5	$34.0	-43.9%
Policyholders' Surplus	$1,060.2	$960.7	-9.4%
Combined Ratio	100.0	104.0	+4.0

Source: AM Best

US Property and Casualty Industry

2022 Financial Highlights



ASSETS	2020	
Bonds	1,138,470,997	
Common & Preferred Stocks	431,973,777	
Mortgage Loans	23,659,896	
Real Estate	13,877,721	
Cash & Short Term Investments	143,285,575	
Affiliated Investments	108,376,080	
Other	186,633,501	
Subtotal Cash & Inv. Assets	**2,046,277,547**	
Premiums Balances	208,727,970	
Deposits w/Reinsured Cos	12,410,223	
Reins Recoverable on Paid Losses	46,302,611	
Curr & Def Fed & Foreign Inc Tax	22,589,583	
Other Assets	83,954,552	
Total Assets	**2,397,672,903**	
LIABILITIES	**2020**	
Loss Reserves (excl IBNR)	294,723,538	0.4%
IBNR Reserves	311,322,769	12.2%
Loss Adjustment Expense Reserves	127,084,880	4.6%
Unearned Premium Reserves	301,209,449	4.3%
Subtotal	**1,034,340,636**	**5.4%**
Other Liabilities	410,678,769	9.4%
Total Liabilities	**1,445,019,405**	**6.5%**
POLICYHOLDERS' SURPLUS	**2020**	**% Change**
Capital Paid-Up	3,124,686	1.1%
Surplus Paid-In	205,573,007	4.2%
Surplus Notes	13,317,870	13.8%
Other Surplus Funds	108,089,979	6.6%
Unassigned Funds	622,547,957	8.5%
Policyholders' Surplus (PHS)	**952,653,498**	**7.4%**

- Net premiums written increased 9% to $778.2 billion YoY.
- The industry reported a net underwriting loss of $35.6 billion for 2022.
- Net investment income increased 30% to $73 billion.
- Realized Capital Gains decreased by 69% to $5.5 billion for the period.
- Net income decreased 44% to $34.0 billion.
- Policyholders' Surplus at YE22 was $960.7 billion, a 9.4% decrease from YE2021.
- The industry's combined ratio weakened by 4 points to 104.0 for the year.
- CAT losses contributed an estimated 6.8 points to the combined ratio compared to 7.4 points prior year.

Canadian Property and Casualty Industry

2022 Property Recap

- In 2022, the rate increases continued at a moderate level.
- The treaty reinsurance 1/1/23 renewals created a lot of disruption, with carriers having to increase retentions and accept rate increases particularly for Nat Cat but also in the per risk space.
- Both carriers that are part of global programs and domestic only carriers have been affected at various levels by the treaty renewals.

Q1 2023

- The market is currently bifurcated in how the reinsurance price increases will be passed on to our clients.
- All other factors aside, the rate increases we expect would be different depending on the geographical footprint of each client. Canadian only accounts with no or limited Nat Cat would warrant a more moderate rate lift than accounts with Nat Cat and/or global exposures.
- Valuation was a key focus in 2022 and continues to remain under scrutiny in 2023.
- Additionally new entrants in the market will play a role in the market dynamics.

Canadian Property and Casualty Industry

2022 Casualty Recap

- In 2022, the rate increases continued, at a moderate level.
- The treaty reinsurance 1/1 renewals were highly dependent on prior-year results, underlying rate changes, and overall portfolio performance. Capacity remained stable and terms and conditions remained unchanged. Reinsurers particularly interested in US Auto.
- Insurers are carefully monitoring the impact of inflation, nuclear verdicts (particularly as it pertains to US auto).
- Auto claims continue to climb into excess layers. In many cases claims costs are outpacing rate increases.
- Excess liability rate increases tend to be higher than primary rate increases, as higher attachments are now being regarded as working layers with a minimum price for capacity, particularly when there's a sizeable US auto fleet.

Q1 2023

- Capacity environment and attachment points are expected to remain stable through 2023.
- As Insurers continue to push premium rates up, many clients are considering greater levels of risk retention whether by way of lower limits, increased self-insured retentions, or increased use of captives. When competition or restructuring of a program is possible, it's proving effective in achieving better rate/premium results.
- ESG with an emphasis on environmental continues to cramp available capacity for certain classes.
- Coverage for wildfire, concussion, sexual abuse, per- and polyfluoroakyl substances (PFAS) become at times uninsurable or severely restricted and expensive.
- Territorial restrictions being introduced at renewal (i.e. Russia/Belarus/Ukraine).

United Educators

2022 Results

- Combined ratio was 91.8% for YE 2022 compared to 105.2% for YE 2021.
- Net Premiums Written were $237 million, a 4% increase compared to the prior year.
- Net Income was $38 million for the year, up from $22 million for the prior year.
- Total assets of $1.2 billion represents a 1% increase from year-end 2021.
- Policyholders' surplus was $337 million at 12/31/22.
- Rated A (Stable) by AM Best – affirmed August 9, 2022.

Marsh & GuyCarpenter | The Market Information Group
07-Mar-23

United Educators Ins, a Reciprocal RRG

Burlington, Vermont   NAIC#: 10020   FEIN: 03-0308423   LEI: 549300A8XX2W5SE23M97

FINANCIAL RESULTS
USD (000's Omitted)

ASSETS	2022	% Change	2021	2020
Bonds	774,244	(6.6%)	829,291	779,446
Common & Preferred Stocks	148,002	19.5%	123,851	114,293
Mortgage Loans	0	--	0	0
Real Estate	0	--	0	0
Cash & Short Term Investments	70,719	(12.6%)	80,874	55,304
Affiliated Investments	0	--	0	0
Other	36,852	(4.5%)	38,585	38,695
Subtotal Cash & Inv. Assets	**1,029,817**	**(4.0%)**	**1,072,601**	**987,738**
Premiums Balances	26,252	20.5%	21,791	18,275
Deposits w/Reinsured Cos	0	--	0	0
Reins Recoverable on Paid Losses	12,416	432.4%	2,332	44,292
Curr & Def Fed & Foreign Inc Tax	34,996	1029.6%	3,098	3,236
Other Assets	90,338	63.0%	55,428	54,007
Total Assets	**1,158,823**	**0.6%**	**1,152,152**	**1,104,312**

LIABILITIES	2022	% Change	2021	2020
Loss Reserves (excl IBNR)	67,631	22.3%	55,292	58,638
IBNR Reserves	219,752	8.0%	203,540	182,464
Loss Adjustment Expense Reserves	278,383	10.8%	251,336	220,800
Unearned Premium Reserves	138,451	7.0%	129,338	120,546
Subtotal	**704,217**	**10.1%**	**639,506**	**582,448**
Other Liabilities	117,302	20.1%	97,637	101,358
Total Liabilities	**821,519**	**11.4%**	**737,143**	**683,806**

POLICYHOLDERS' SURPLUS	2022	% Change	2021	2020
Capital Paid-Up	0	--	0	0
Surplus Paid-In	19,391	0.1%	19,378	18,909
Surplus Notes	0	--	0	0
Other Surplus Funds	340,978	2.9%	331,419	306,377
Unassigned Funds	(23,065)	(135.9%)	64,212	95,219
Policyholders' Surplus (PHS)	**337,304**	**(18.7%)**	**415,009**	**420,505**

PREMIUMS	2022	% Change	2021	2020
Direct Premiums	355,681	10.3%	322,322	275,927
+Assumed Affiliates Premiums	0	--	0	0
+Assumed Non Affiliates Premiums	22,205	24.2%	17,874	15,899
Gross Premiums Written	**377,886**	**11.1%**	**340,196**	**291,826**
-Ceded Affiliates Premiums	0	--	0	0
-Ceded Non Affiliates Premiums	140,551	24.6%	112,805	75,972
Net Premiums Written	**237,335**	**4.4%**	**227,391**	**215,854**

INCOME STATEMENT	2022	% Change	2021	2020
Net Premiums Earned	228,223	4.4%	218,598	194,352
-Losses Incurred	88,295	(12.9%)	101,409	90,265
-Loss Expense Incurred	86,742	(10.2%)	96,630	79,701
-Underwriting Expense	35,931	8.4%	33,150	36,365
Net Underwriting Gain/Loss	**17,255**	**237.0%**	**(12,591)**	**(11,979)**
+Net Investment Income	34,003	24.5%	27,311	28,027
+Net Realized Cap Gain/(Loss)	(12,219)	(264.3%)	7,436	3,112
+Other Income	103	(26.4%)	140	58
-Dividends to Policyholders	0	--	0	0
-Federal and Foreign Tax	1,125	550.3%	173	(2,781)
Net Income	**38,018**	**71.8%**	**22,123**	**21,999**

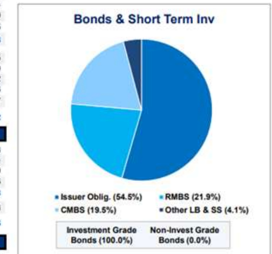
PHS ADJUSTMENTS	2022	% Change	2021	2020
Net Income	38,018	71.8%	22,123	21,999
Unrealized Cap Gains (Less CG Tax)	(112,596)	(347.4%)	(25,168)	28,061
Capital Contributions	13	(97.2%)	469	321
Dividends to Stockholders	0	--	0	0
Other Surplus Changes	(3,140)	(7.5%)	(2,920)	(2,272)
Change in Surplus	**(77,705)**	**(1313.8%)**	**(5,496)**	**48,109**

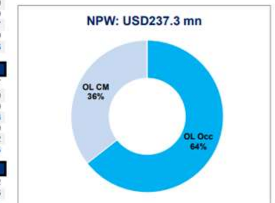
REINSURANCE RECOVERABLE	2022	% Change	2021	2020
Unaff Paid & Unpaid Losses & LAE	54,931	179.5%	19,655	65,454
Unaff Unearned Premiums	67,407	20.2%	56,088	37,556
Unaff IBNR	140,328	11.3%	126,060	96,676
Affiliated Reins. Recoverable	0	--	0	0
Total Reinsurance Recoverable	**262,666**	**30.2%**	**201,803**	**199,686**

BCAR as of Mar 07, 2023

BCAR	Confidence Level %			
	95.0	99.0	99.5	99.6
Score	60.2	40.0	32.1	29.5

BCAR for United Educators Ins, a Reciprocal RRG





Source of Data: AM Best (AMB#: 010768)

Businesses of Marsh McLennan

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US Property and Casualty Industry

2023 Outlook

- Much of the same challenges insurers encountered in 2022 will persist. Weakened economy, supply chain challenges, labor shortages, higher cost of claims, reinsurance challenges and pressure on capital.
- Profitability should benefit from significantly higher fixed income reinvestment rates.
- Catastrophic activity is expected to be above historic averages.
- Economic conditions, inflation and unemployment remain volatile.
- Decline in economic growth would have a negative affect on premium growth although growth is still expected to remain above historical norms.
- Stock Market performance remains uncertain.
- Insurers will need to continue to be extremely disciplined in underwriting in order to achieve risk appropriate rates. Resulting in rate increases across almost all business lines.
- **Overall, US P/C Industry remains strong both financially and fundamentally.**

Cyber Market Update

Education Industry
Q4 2022

Tom Infurna Jr
Emma Tregellas

Cyber Market Executive Summary

Stable market with evolving controls-based underwriting

- **Market Dynamics:** Rate increases are stabilizing; the underwriting process continues to go deep on cybersecurity controls. Coverage scrutiny remains.
- **Risk Environment:** Focus is on catastrophic risk, dynamic privacy regulations, and continued threat of ransomware.
- **Client preparation:** Demonstrate strong cybersecurity hygiene; align key stakeholders for a smoother process as well as decisions on cyber risk treatment.
- **Looking Forward:** We are optimistic about a stabilizing market. As carriers start to see sufficiently priced programs and improved cyber risk profiles, we expect minimal increases to become more common.

Cyber risk environment

Dynamic and evolving, but key themes remain

Catastrophic risk:

- **Aggregation** exposure and **supply chain risk** is top of mind, as possible cyber risks stem from:
  - **Common vulnerabilities** – hardware or software (Microsoft Exchange, Log4j)
  - **Common dependencies** – digital supply chain vendors (such as cloud providers or companies like SolarWinds, Accellion, Kaseya)
- **Geopolitical tensions** are driving market uncertainty, forcing additional discussion around how cyber insurance contracts should respond to scenarios arising out of conflict

Privacy regulations:

- **GDPR** fines are growing (~$877M Amazon, ~$255M WhatsApp, ~$68M Google, ~$41M H&M, ~$24M Marriott)
- **CCPA & CPRA** and similar legislation allow for private rights of action with per consumer statutory damages and require additional compliance efforts
- **BIPA** litigation is expensive and is on the rise with increased use of biometric identifiers. 45 states have existing / pending biometric privacy legislation. First jury trial resulted in damages of $44M
- **Pixel tracking** litigation is emerging for hospitals and retailers leading to class action suits. Anticipate this affecting other industries.

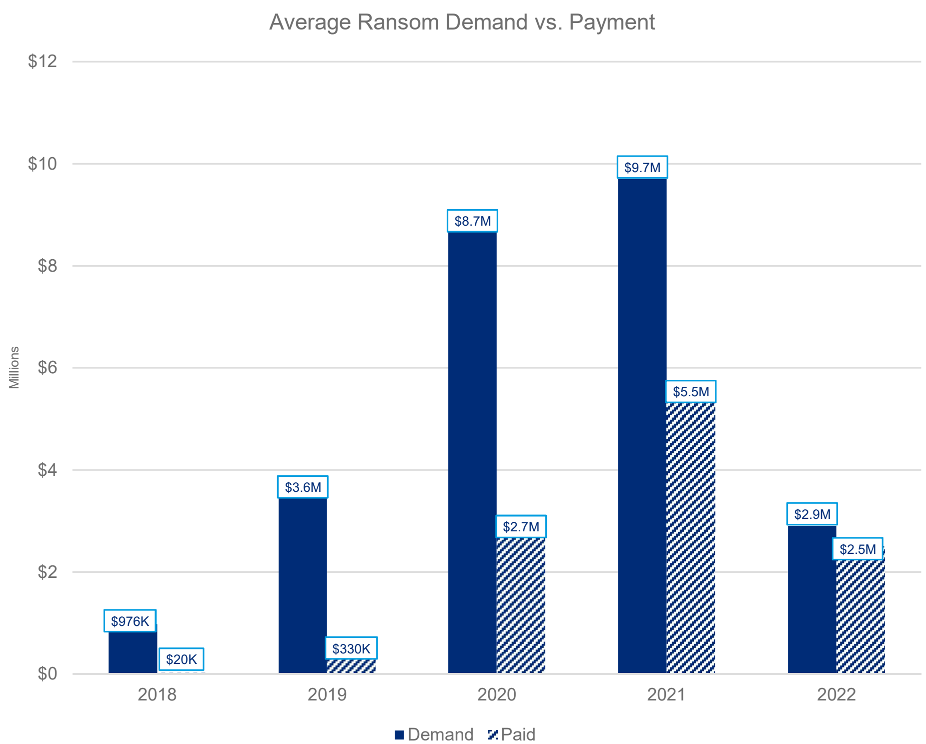
Ransomware evolution:

- **Data exfiltration & data encryption** continues to be the most impactful for all organizations
- **Average downtime** following an event was 25 days in Q4 2022, leading to lost revenue
- **Lateral movement** by threat actors present in 70% of ransomware events in Q4 22
- **Decrease in companies paying.** 37% of companies paid a ransom in Q4 22 compared to 72% in Q4 19. This is a sign of improved controls and incident responses.

Sources: Coveware Ransomware Blog; MMC Cyber Analytics Center; Bloomberg Law

Ransomware

Progress is being made, but attacks continue to evolve and increase in sophistication

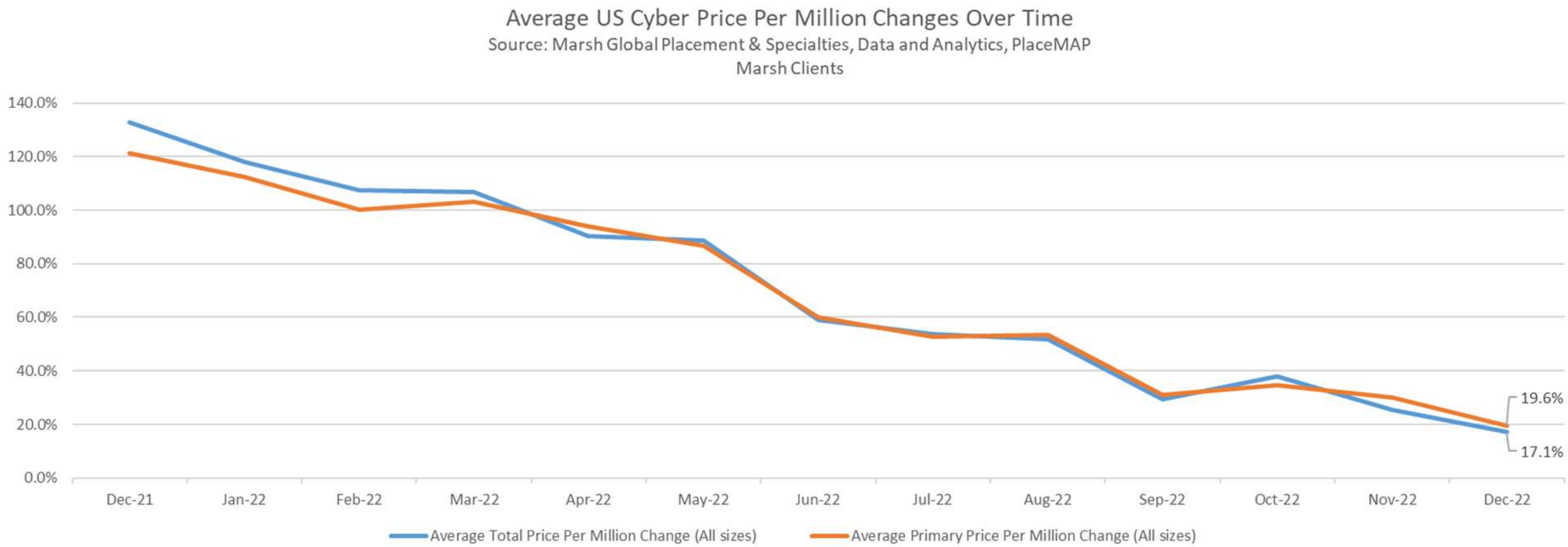


Source: MMC Cyber Risk Analytics Center

The difference between the average ransom demanded and paid is decreasing as threat actors more effectively attack targets.

Stabilizing rate trend continues through December

Increases moderate as organizations continue to improve cyber risk profile



December 2022 Renewals*	1st Quartile	Median	Average	3rd Quartile
Total price per mil	0.0%	11.2%	17.1%	29.2%
Primary price per mil	2.0%	12.7%	19.6%	31.0%

*Programs that renewed with expiring limits | Excludes 22% of December renewals due to limit changes.

Top Cybersecurity Controls

The key to insurability, mitigation, and resilience

Preparation for the underwriting process:

1. Start early! Without positive responses in the top 5 control categories, coverage offered and insurability may be in question.
2. Evaluate your cybersecurity maturity by completing Marsh’s Cyber Self-Assessment.
3. Use Marsh Cybersecurity Marketplace Services for access to a curated portfolio of cybersecurity vendor solutions and holistic vendor procurement support.
4. Expect more rigorous underwriting and more detailed questions from underwriters.

Multifactor authentication for remote access and admin/privileged controls

Endpoint Detection and Response (EDR)

Secured, encrypted, and tested backups

Privileged Access Management (PAM)

Email filtering and web security

Patch management and vulnerability management

Cyber incident response planning and testing

Cybersecurity awareness training and phishing testing

Hardening techniques, including Remote Desktop Protocol (RDP) mitigation

Logging and monitoring/network protections

End-of-life systems replaced or protected

Vendor/digital supply chain risk management

Note: Each insurance carrier has their own specific control requirements that may differ by company revenue size & industry class. For more on the Cyber hygiene see: [Cyber hygiene controls critical as cyber threats intensify (marsh.com)]

US Cyber – Education Industry

Q4 2022 Market Conditions

Rate Ranges

- Q4 Average Total Program increase of +30.9%
- Q4 Average Primary increase of +31.1%
- Q4 Median Total Program increase of +18.4%
- Q4 Median Primary increase of +18.1%
- Rate ranges do not include renewals with changes in limits

Client Experience

- 18% of clients increased their retention in Q4
- 52% of clients reduced their total limits in Q4
- 5% of clients increased their total limits in Q4

Coverage/Capacity

- Limited market for this industry class; however, carriers are willing to review new business selectively
- Ransomware, biometric information/unlawful collection, and media liability, including music copyright coverage restrictions are commonly applied
- Waiting periods increasing to 24 to 48 hours; however, carriers are willing to negotiate based upon cybersecurity maturity

Condition Drivers

- The high frequency and severity of ransomware claims and privacy claims are the primary drivers affecting pricing and underwriting appetite
- Lack of baseline controls continue to cause pressures on pricing and coverage
- Balance between information security and open source culture contribute to underwriting complexity

Looking Ahead

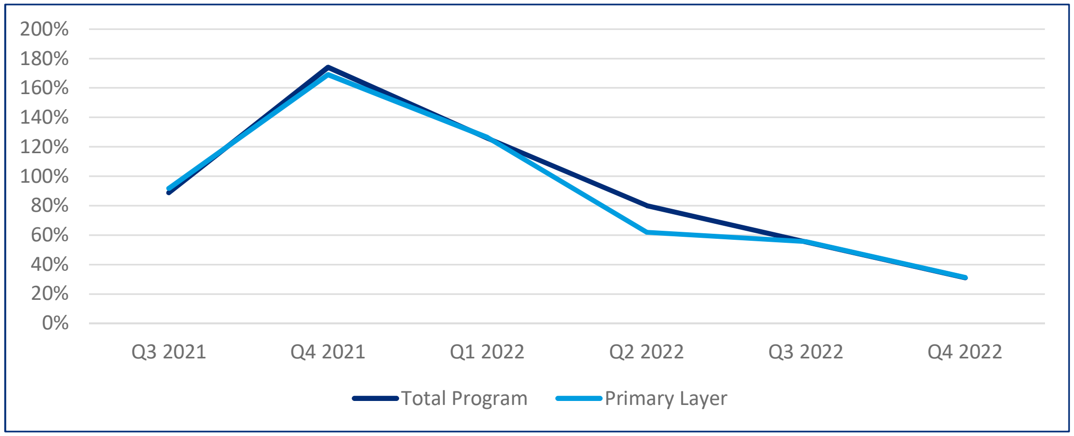
- Underwriters continue to view Education as a challenging industry
- Demonstrating controls pertaining to access management and cyber resiliency will continue to moderate the cost of capital
- Premium rates increasing but at a decreasing rate

Cyber Market Conditions

Q4 2022 – Education Industry

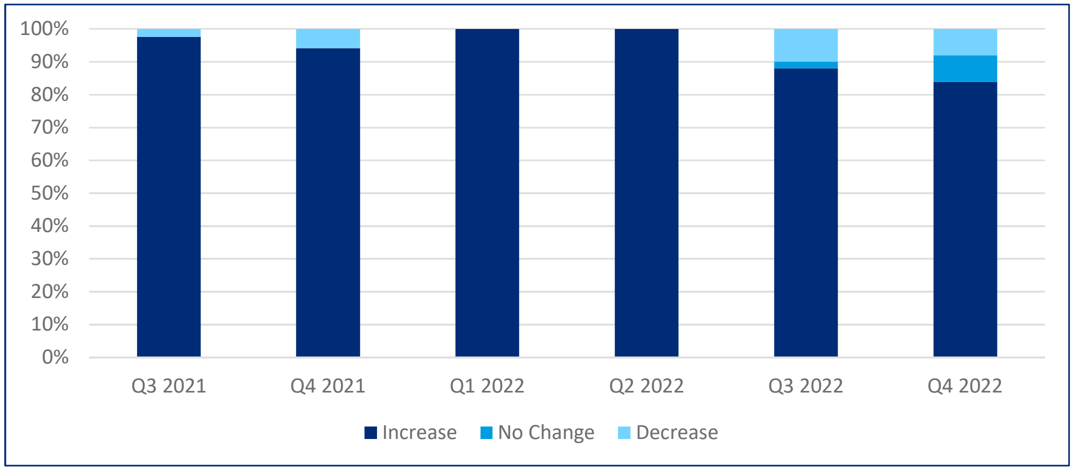
Rate Trends

	Q4 2022	Trend
Average Primary	+31.1%	▼
Median Primary	+18.1%	▼
Average Total Program	+30.9%	▼
Median Total Program	+18.4%	▼



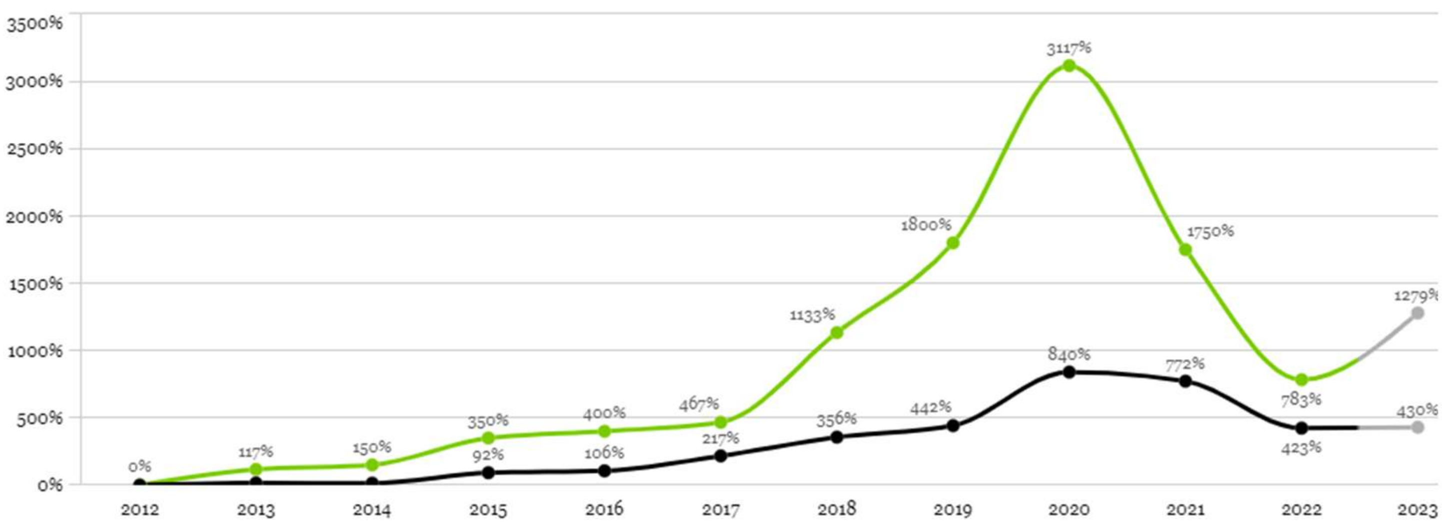
Percent of Clients with Pricing Changes

	Q4 2022	Trend
Increase	83%	▼
No Change	8%	▼
Decrease	8%	▼

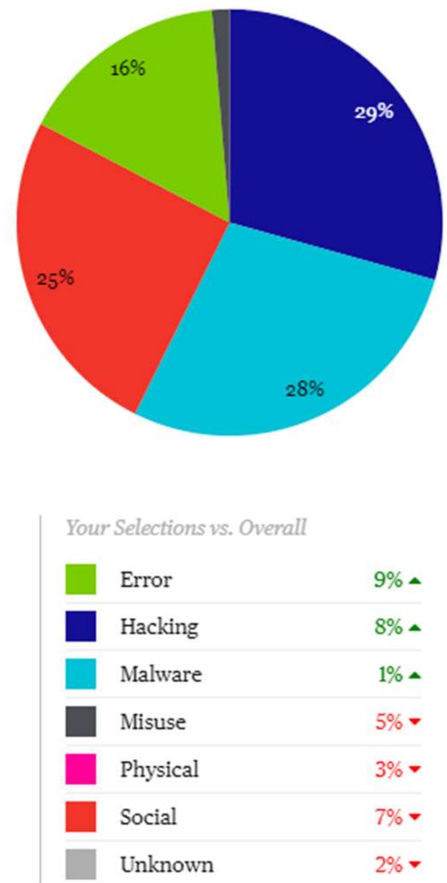


Cyber Incident Characteristics in Education

Global Cyber Incidents (Education) vs. 2012

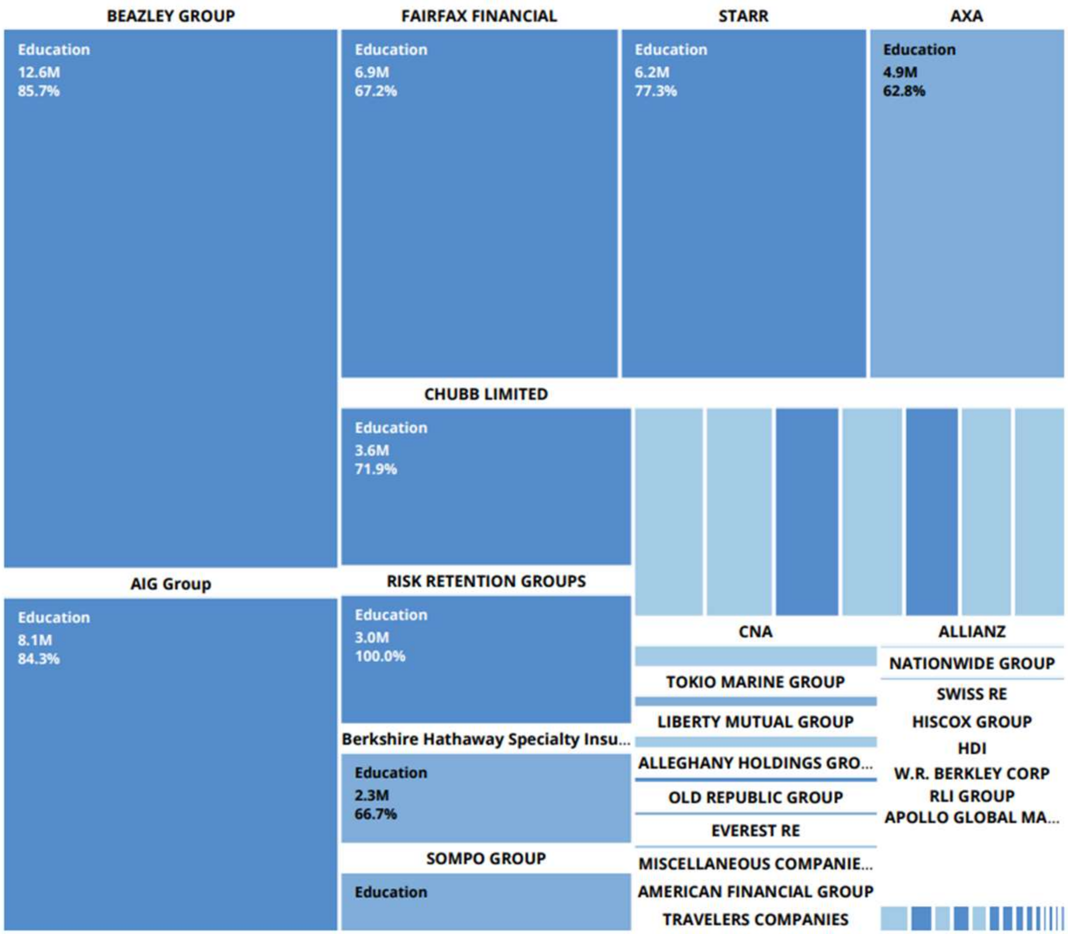


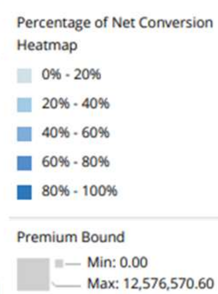
Actions Causing Incidents (TTM)



Source: Chubb Cyber Index

Capacity Composition for Education Clients





Global Carrier	Premium Rank	Bound Premium	Bound Premium YOY	BP %Total
BEAZLEY GROUP	1	$12.6M	10.1%	19.2%
AIG Group	2	$8.1M	61.2%	12.3%
FAIRFAX FINANCIAL	3	$6.9M	46.6%	10.6%
STARR	4	$6.2M	151.1%	9.5%
AXA	5	$4.9M	22.1%	7.5%
CHUBB LIMITED	6	$3.6M	-11.6%	5.5%
RISK RETENTION GROUPS	7	$3.0M	468.6%	4.7%
Berkshire Hathaway Specialty Insurance	8	$2.3M	6854.0%	3.5%
SOMPO GROUP	9	$1.7M	75.4%	2.6%
ARCH CAPITAL GROUP	10	$1.1M	7847.2%	1.7%
AXIS GROUP	11	$1.1M	-16.9%	1.7%
MARKEL GROUP	12	$1.0M	1279.1%	1.6%
Intact Group	13	$1.0M	47.5%	1.6%
BRIT	14	$877.5K	-100.0%	1.3%
Ascot Group Limited	15	$848.3K	-41.9%	1.3%

MGA's as Source of Limits

- Coalition
- Corvus
- Cowbell
- Emergin (US, Ldn)
- Falcon
- Mosaic (US, Ldn, Bda)
- CFC (Ldn)
- Newline (Ldn)
- Nirvana (Ldn)

Casualty Market Update

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

Executive Market Summary

Through 1/1/2023

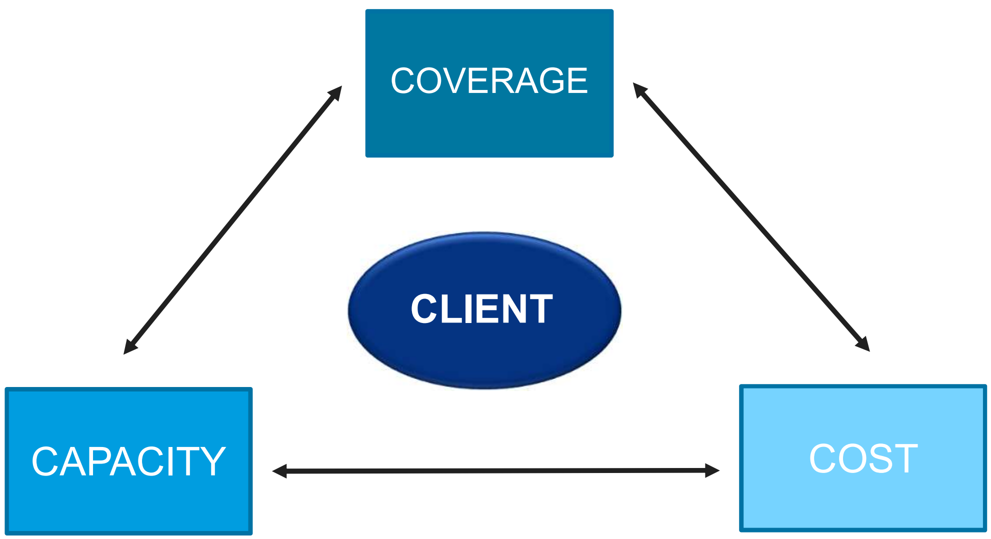
“The Storm Subsiding, However… Market Remains Challenging.”

- Continued increase in rates/premium.
- Restricted or excluded coverage.
- Reduced capacity.
- Reinsurance pressure.
- COVID-19 continues to linger – Communicable Disease, COVID-19, and Pandemic exclusions remain prevalent.
- Conservative underwriting due to unknown claim development.
- More questions on renewals and especially on new business.
- Terms and conditions controlled at executive level.
- Markets requiring more subjectivities, and are strict on adherence.
- Diminishing capacity for Sexual Abuse & Molestation (SAM), Traumatic Brain Injury (TBI) and Law Enforcement – Civil Unrest.
- Lead umbrella, Excess Liability and Educators Legal Liability hit the hardest.
- Professional Liability Exclusions becoming more common.

What continues to drive the Education Liability market?

- Sexual Assault and Misconduct – athletics, clinics, hazing, harassment claims.
- Title IX – compliance, gender discrimination.
- Reviver Statutes – expanding the tail, changing the tort landscape.
- Social Inflation – trends toward increase litigation and headlines.
- Volatile Global Economy/Geopolitical/Military Issues – impacting international students, research, and study abroad.
- Nuclear Verdicts – jury awards continue to increase drastically.

The consistent problem:



Education Claim Awards Greater Than $1 Million United Educators (UE) Large Loss Report

Category of Claim	HE/ K-12	2023	2022	2021	2020	2019
Discrimination – Gender/Age	4-HE 1-K12	$1M-3M $2M	$750—4M	800-1.46M	250k-850k	400K-850K
Sexual Harassment	1-K12	$1.26M	585K	0	0	0
Sexual Misconduct	5-HE 16-K12	$2.25M-615M $10M-102.5M	650—2.4M	500K-73M	300K-2I5M**	250K-500M
Sexual Discrimination	1-HE 1-K12	$1.7M $1.225M	0	0	0	0
Defamation	2-HE	$1.5M & $4M	0	1.75M	0	0
Retaliation	1-HE 1-K12	$17M $24.8M	600-2.4M	360K	360K	0

Education Claim Awards Greater Than $1 Million
UE Large Loss Report – Newer Categories 2022 & 2023

Category of Claim	HE/ K-12	2023	2022
Accidents & Crimes Resulting in Death	6-K12 0-HE	$61M	$2M-.2.5M
Toxic Exposure	1-K12	$34M	$543M
Heat Related Illnesses & Death	K12	0	$3.5M-39.5M
Injuries not Resulting in Death	3-K12	$2M-45M	$1.55M-2.75M
Mental Health	1-HE	0	$684K
Personal Injury & False Advertising	1-HE	0	$16.2M
Anti-trust	1-HE	0	$19M
Retirement Plans	2-HE	$2.95M-7.5M	$13M each HE
Covid 19	7-HE	$6.5M	$1.25M-12.5M

Education Claim Awards Greater Than $1 Million
UE Large Loss Report – New Categories 2023

Category of Claim	HE/ K-12	2023
Unpaid Work	1-K12	$1.28M
Other Major Losses	1-K12	$2.714M
Late Fees	1-HE	$1.525M
Inappropriate Fees	1-HE	$1.29M
Whistleblowers	1-K12	$2.95M
Overtime and Bonuses	1-HE	$15M

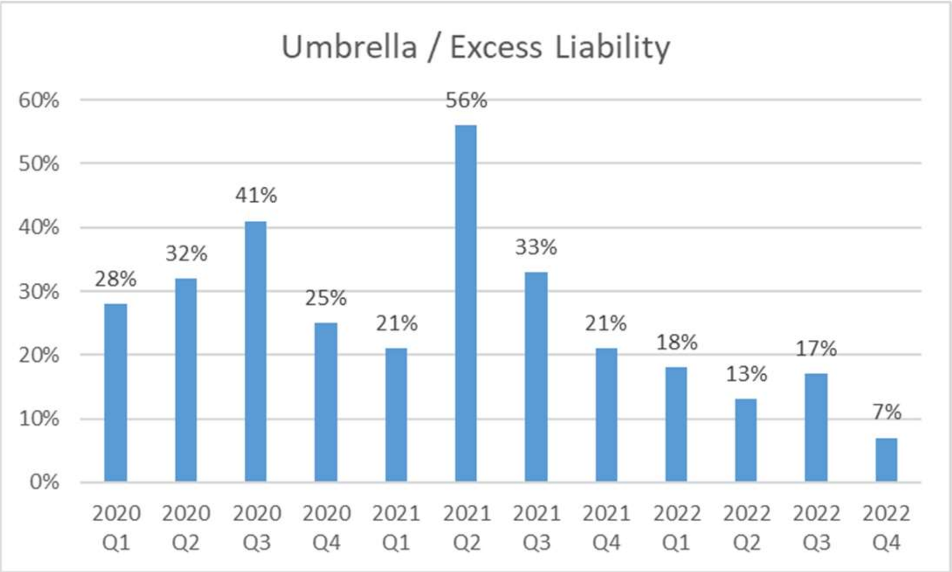
Casualty Renewal Outlook and Considerations

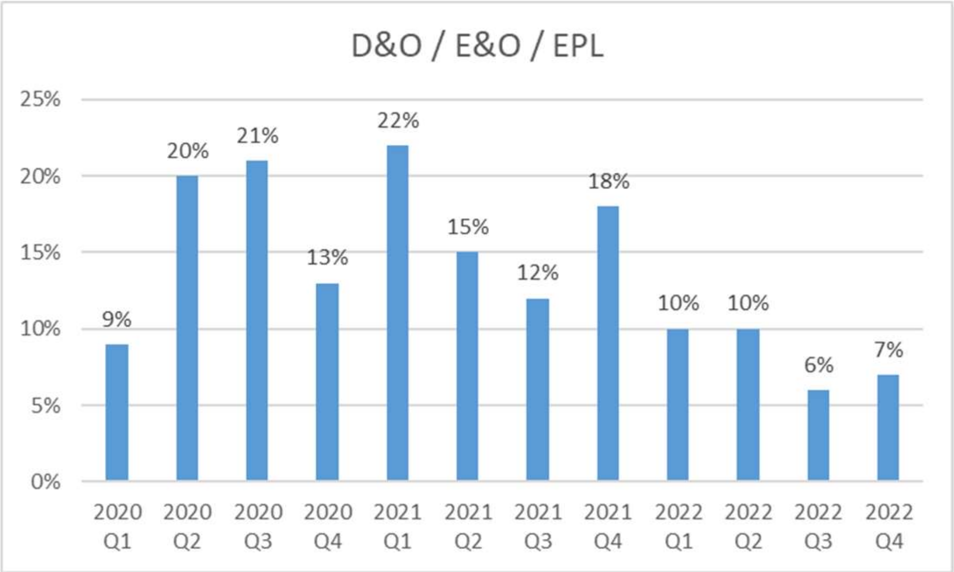
- More stabilization due to prior pricing and coverage adjustments.
- Question of future insurability of sexual abuse molestation, traumatic brain injury, & law enforcement.
- Reinsurance repricing and re-underwriting.
- Affirmative Active Shooter coverage available.
- Excess Occurrence options are available with SAM.
- Excess Claims-Made, Retained Limit options are available with SAM.
- Corridor and Quota-Share interest.
- Some Casualty markets offering limited incidental Med Mal coverage, however excluding SAM coverage.
- Financials impacting underwriting, leading to Financial Distress Endorsements on the ELL policy.
- Carrier concern over increased use of 15-passenger vans.
- Mono-line Auto Liability coverage available on a very limited basis.
- Emerging package market (in limited states): Gramercy Specialty.
- Marsh continues to collaborate globally building capacity with alternative forms.

CRITICAL TO PROVIDE TIMELY AND COMPLETE SUBMISSION INFORMATION

- Clear, detailed and historical exposure information – for all lines of coverage
- Financials, last audited and interim
- 10 years currently valued ground-up loss information (all lines of coverage) – including large loss summaries & open claim details
- Quote lead time, 30 days minimum with complete submission (at least 60 days lead time for 7/1 renewals)

Historical Higher Education Premium Change Trends





*These graphs do not reflect changes in renewal FTE exposures and/or retentions.

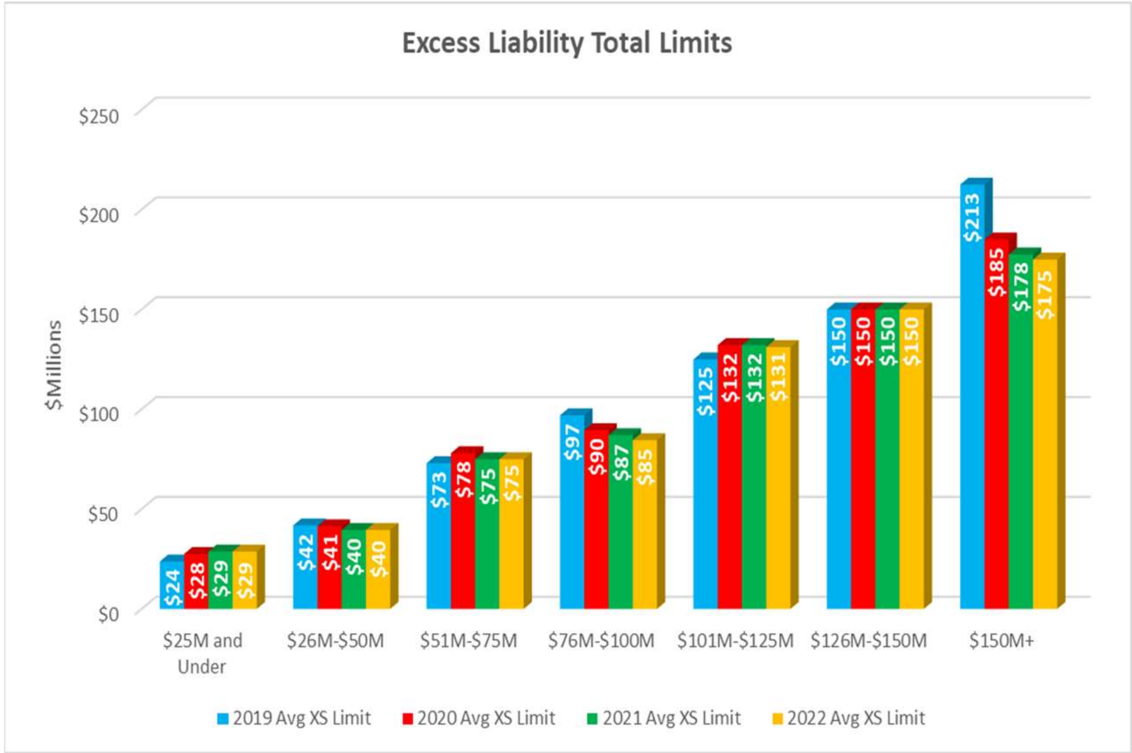
** Marsh PlaceMAP Education Industry Data as of 1/1/2023.

Primary General Liability

- Markets requiring more subjectivities, and are strict on adherence.
- Primary General Liability market impacted by continuation of escalating defense costs & losses.
- Carriers pushing increased retentions on large complex accounts
- Incumbent insurers more willing to remain on risks and provide expiring terms with rate increases.
- Carriers unwilling to insure vacant buildings
- Inspections may be required prior to releasing new business quotes

Excess Liability

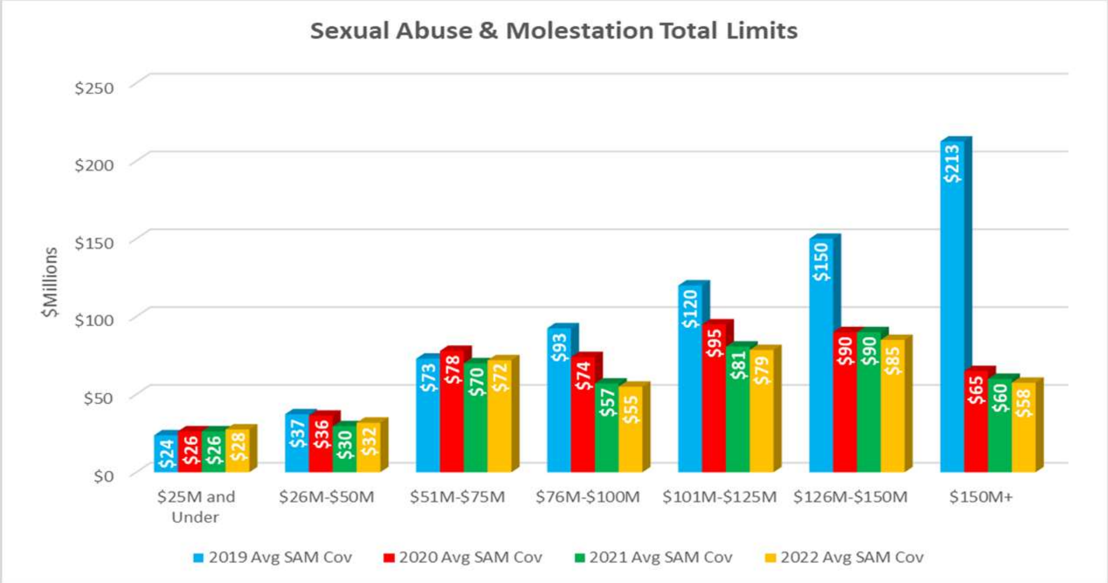
- Markets requiring more subjectivities, and are strict on adherence.
- Lead carriers limiting capacity to $5 million or $10 million.
- Many Excess carriers still requiring a $25M or $50M+ attachment point.
- Carriers still cautious to provide law enforcement liability due to the recent series of civil unrest events.
- Few markets offering SAM, TBI, and Professional coverage into the excess tower; there is “pure capacity” available for GL and auto.
- Mono-line coverage for SAM and law enforcement liability is available, however, capacity is typically limited to $5 million.
- Limited markets providing capacity excess of United Educators due to material form changes (i.e. Sunset Clause).

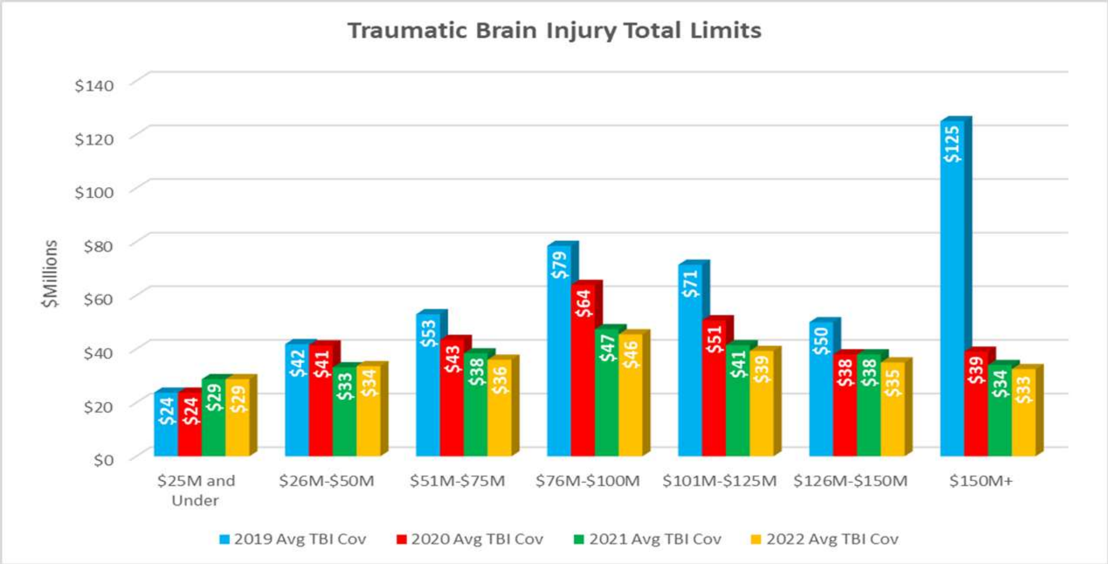


Excess Liability

Market Results

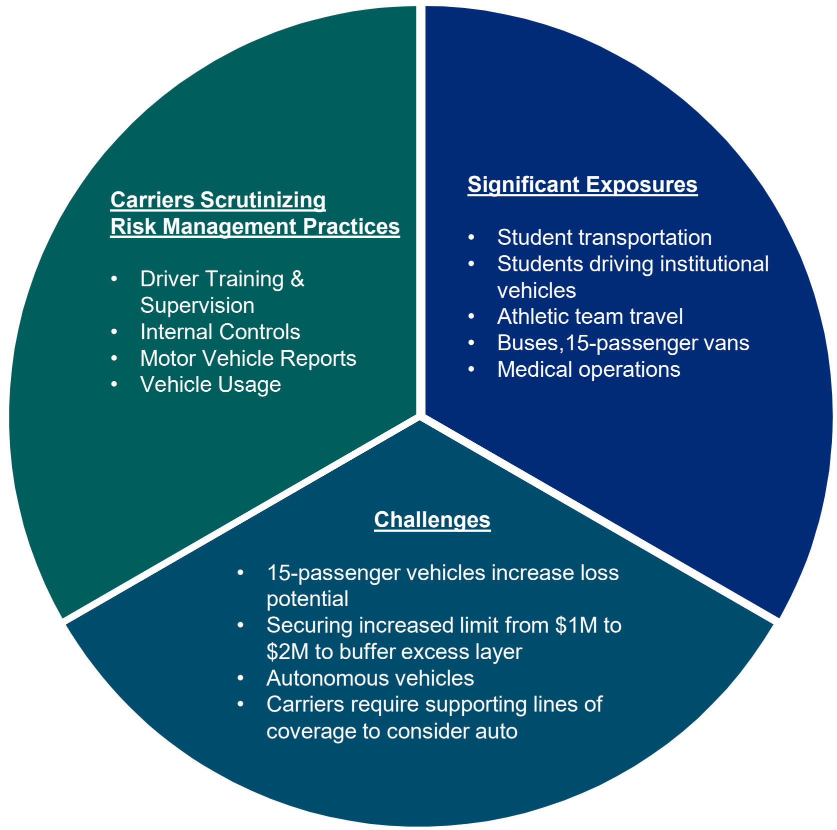
- **Ironshore/Liberty** – still able to offer $10M x $30M over UE including SAM (claims made, retained limit form) and following TBI. May be willing to provide additional limit above $100M with ventilation.
- **AWAC** - still able to quote $10M x $30M as well as including SAM (claims made, retained limit form) but excluding TBI.
- **Genesis and Munich Re** - able to offer $5M xs $30M and $5M xs $35M, respectively, on Occurrence form.
- **London** – syndicates able to offer up to $20M attaching as low as $40M. Retained limit form. SAM and TBI are both claims made.
- **Lexington** – $10M capacity, excludes TBI and may selectively include SAM on a claims made basis.
- **Other markets** such as Allianz, AXA, Colony, Euclid, Great American, SCOR Re, Westchester, and Bermuda markets exclude SAM and TBI regardless of layer.





Auto Liability

- Limited markets willing to entertain new unsupported / mono-line 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.
- Underwriting concerns regarding 15-passenger vans.
- No student drivers.
- More public schools are addressing out-of-state exposure whereby state immunity laws do not provide protection in federal court.



Educators Legal / Excess ELL

Traditional D&O/E&O/EPL Carriers willing to offer leading ELL protection

- $2.5M – $5M+ Self-Insured Retentions
- $5M-$10M Capacity
- Intense Underwriting, with potential coverage considerations
- Anti-Trust Litigation Coverage Available
- Insured Choice of Counsel Available (*can require higher premium and/or retention*)
- Multiple "traditional" carriers interested in writing Follow-Form Excess ELL

ELL's Adjusting Marketplace

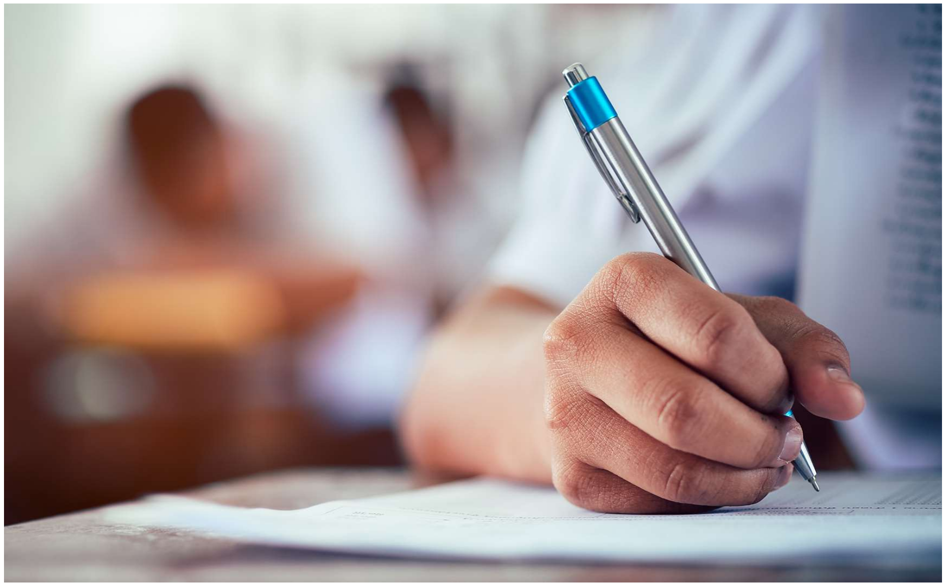
- Competition and capacity pushing traditional DO/EO/EPL rates down while ELL rates remain rigid
- Carriers limiting capacity offered with max per carrier of $2M / $5M / $10M
- Historically underpriced / Legal costs increasing rapidly
  - Open claims combined with constant allegations
- Conservative Umbrella Excess liability markets excluding ELL, forcing education industry to consider separate ELL tower
- Choice of Counsel options are available, with certain carrier exceptions
- Rising litigation in the private & public industries affecting Education marketplace
  - Anti-trust
  - Class action lawsuits – including misleading job placement statistics (law schools)
  - EPL allegations & EEOC filings.
  - Failure to educate, negligence or education malpractice allegations
  - Financial Distress / insolvency
  - Tuition refund class action lawsuits against Board of Trustees

Title IX
(impacting federally funded education programs)

- **May 2023 – Department of Education plans to issue new Title IX regulations.**
- **July 2022 – Title IX Notice of Proposed Rule Making (NPRM) includes proposed change of expanding Title IX jurisdiction for "off-campus/out-of-school sex-based discrimination."**
- **Title IX, the federal civil rights law, continues to prohibit sex discrimination. Allegations continue including: sex discrimination in sports, sex discrimination in education, LGBTQ discrimination, sexual harassment, on-campus sexual assault and retaliation.**

Excess Workers' Compensation

- 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 and historical exposures.
- Few markets offering rate guarantees or multi-year policies.



Workers' Compensation (WC)

- Standalone guaranteed cost (GC) Workers' Compensation coverage is available.
- Excess WC markets typically accommodate the GC WC if they also write the Excess WC.
- Carriers demanding 10-year loss history and historical exposures.
- Deductible options are available & potential to unbundle third party administrator.

Coverage for Internships and Professionals

- Coverage available to cover the students, the educational institution, & the faculty members supervising the course/internship and/or the interns' supervisors.

- Policies may exclude coverage for medical doctors, dentists, physicians' assistants, or nurse practitioners – a separate medical professional policy may be needed.

- Programs can include: Nursing, Athletic Training, Architecture, Law, Psychology, Accounting, Volunteer EMT.

- For UE's IPL:
  - This policy also picks up the professional liability for athletic trainers & allied health professionals located in campus health centers.
  - Coverage can be on a scheduled or blanket basis.
  - Coverage may be extended to physicians.
  - Higher limits up to $3 million/$6 million and first- dollar coverage are available with defense outside. On new business, this higher limit is required to be scheduled on the UE Umbrella.

Additional Market Coverage and Exposure Issues

- Active shooter
- Alcohol/binge drinking
- Agricultural products
- Athletic participants - TBI and CTE
- Autonomous vehicles
- Background screenings
- Campus construction risk
- Campus violence, crisis communications
- Civil liberties on campus
- Cyber security
- E-Risk (cyber/network security liability)
- ESG considerations
- Daycare centers on campus
- Drones - UAV
- Environmental
- Financial constraints/distress
- Fraternities/Sororities
- Health care clinics - contracts
- Law enforcement - contracts
- Mental Health
- Minors on campus
- Pandemic/Covid-19/RSV
- Protests on campus
- Off-campus housing
- Opioids
- Reputational risk
- 15-passenger vans and fleet safety
- Sexual Assault and Molestation
- Special Needs and Accessibility
- Sporting events
- Student rights (FERPA)
- Summer camps
- Title IX - expanding Compliance Officer responses/protocols
- Tuition reimbursement

Primary and Secondary Education

- Market is becoming more stable but capacity is being reduced
- Concern with potentially armed teachers and administrators
- 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
- Budget restrictions, reduction in staff = varying results
- Overall poor underwriting experience = volatility

Primary and Secondary Education Market Guidance*

Rates Guidance:

- General liability
- Automobile liability
- School board legal liability
- Lead umbrella
- Excess umbrella

Key Points / Conclusion:

- 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 Market Update

David Letzelter

Property Market Update

Market Conditions Driven by Macro Influences

Macro Headwinds

Rising Inflation	Rising Interest Rates	Ongoing War in Ukraine	Supply Chain Disruptions
Climate Change Anxiety	Global Natural Catastrophe Loss Activity	Constrained Reinsurance Capacity	Lack of New Capital

Property Market Update

Retail Market – Capacity Supply vs. Demand

Capacity

- Lack of new capital
- Capacity management
- Difficult to obtain large amounts of excess
- Shrinking capacity for natural catastrophe exposures

Coverage

- Indemnity limitations
- Deductible increases with minimal credit
- Natural catastrophe peril deductible challenges
- Stable terms & conditions except for SRCC and non-PD cover

Pricing

- 21 consecutive quarters of rate increases
- Reinsurance challenges portend further rate increases in 2023
- Bifurcated market
- Intensified by value changes

Product Experience & Execution

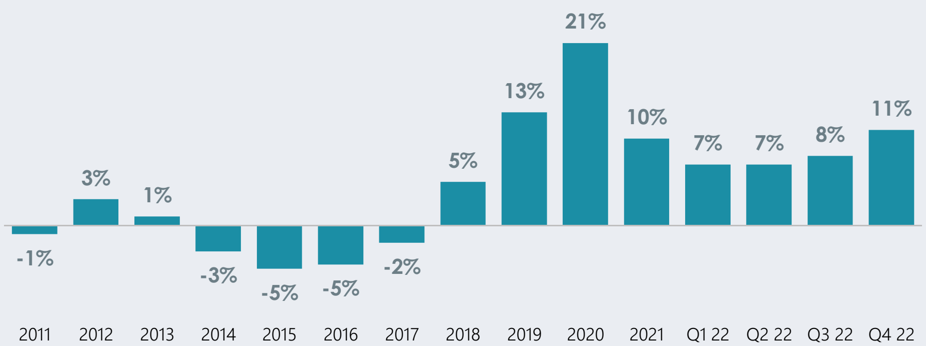
- Insurer guidance lacking
- Portfolio underwriting
- Concentrated underwriting authority
- Lack of timeliness in quoting

Going back to Q4 2017, property insurance rates have increased for twenty-one (21) consecutive quarters, marking the most protracted difficult market conditions in decades.

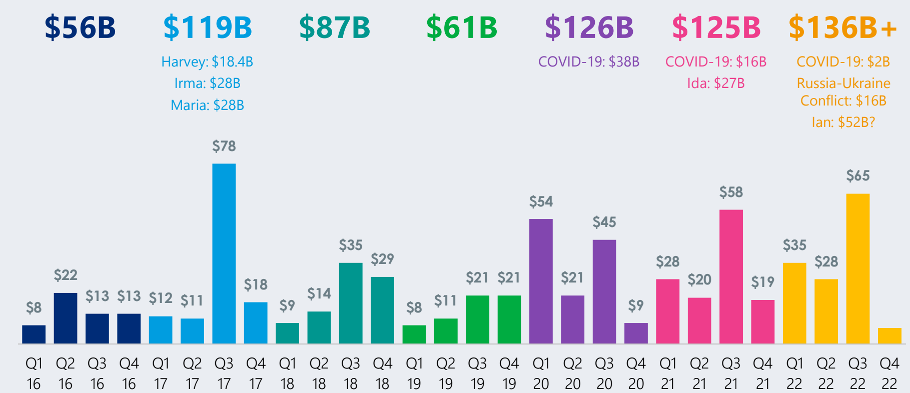
Property Market Update

US Property Rates and Global Property Losses

Rate Variance: US Property Portfolio (all industries)



Significant Global Insured Losses 2016 to 2022 ($B)



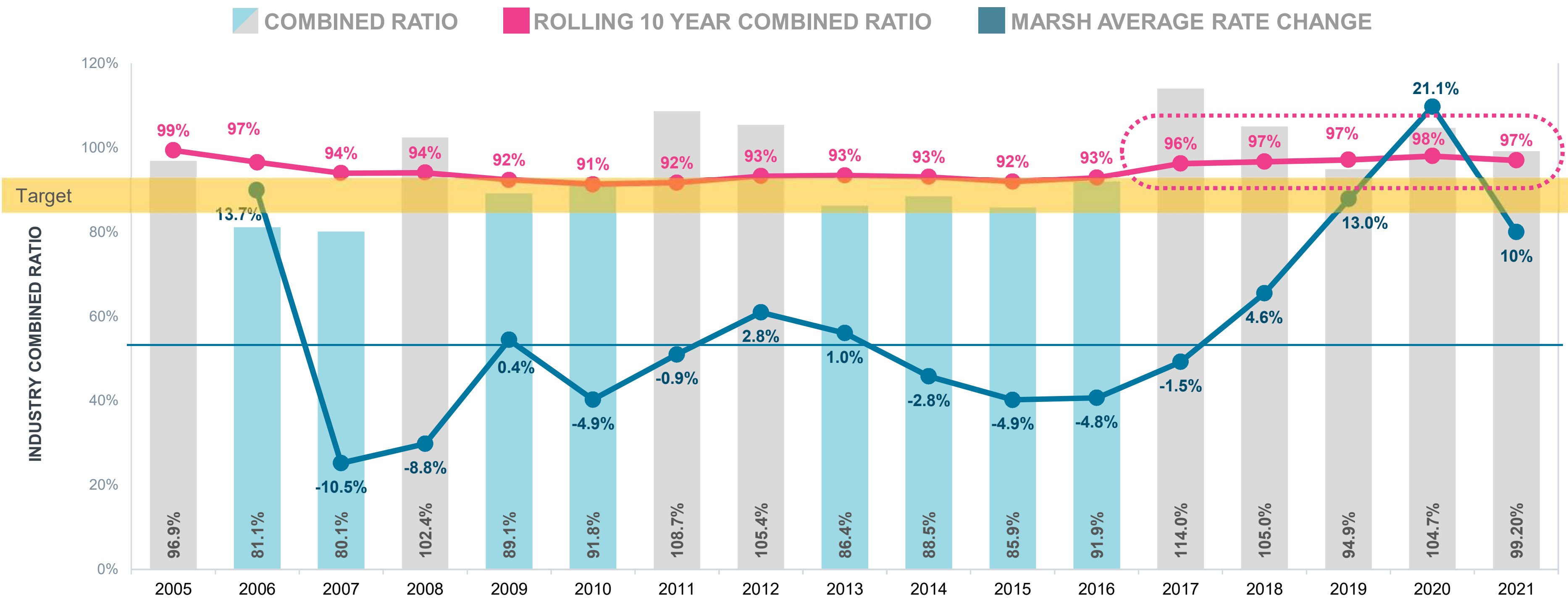
- Marsh U.S. property portfolio has experienced **21 Consecutive Quarters** of rate increases since Q4 2017.
- Average Property rate increase for Q4 2024 **reached 10.8%** with an upward trend from October to December across most all industries and sectors.
- Terrorism take-up rates **remained constant** between 65% - 70%.

- Inflation adjusted trending of historical losses would generate global losses near or above $100B in each of the **past 7 years**
- Secondary natural catastrophe perils, let alone new and unique **unforeseen losses** account for measurable and consistent loss content (i.e. COVID, Russia-Ukraine conflict, Ice Storm URI) and add significant annual loss content (i.e. greater than $20B)
- Market now underwriting to **expected global loss content between $125B - $150B** vs. $50B just 10 years ago

Property Market Update

Historical Underwriting Performance

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



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

Marsh

Property Market Update

Reinsurance Market Dislocation

- **January 1 Treaty Reinsurance renewals reflected shifting market dynamics as Reinsurers adjusted risk appetite and pricing thresholds in their attempt to respond to challenges including.**
  - Impact of climate change
  - Increased exposures and claim development due to inflation
  - Natural Catastrophe modeling accuracy and corresponding impact on insurer capital allocations
  - Legal and legislative environment in certain states (e.g. FL and LA)

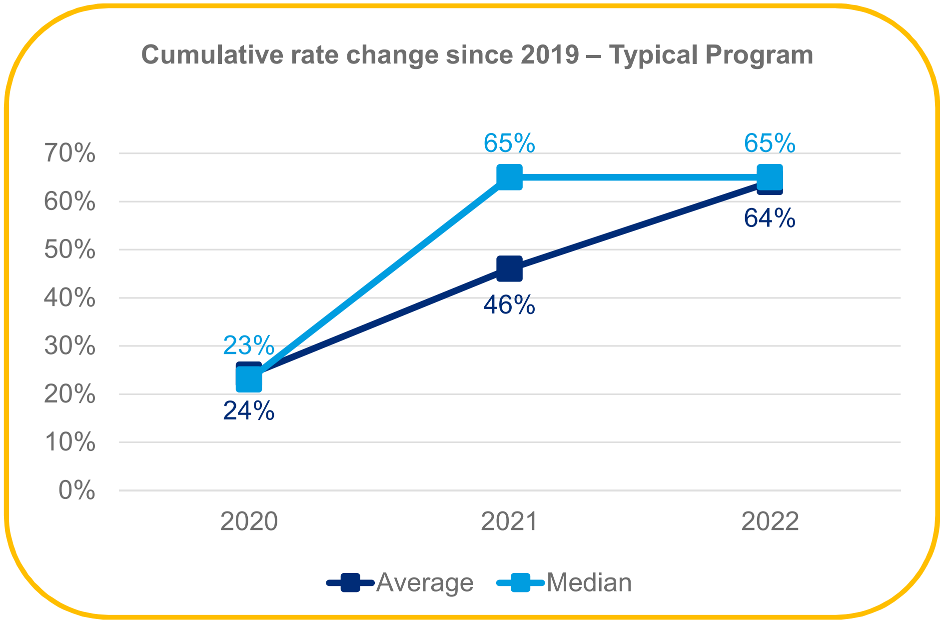
- **Reinsurers were focused on three distinct areas being Pricing, Retention and Coverage.**
  - The retro (i.e. reinsurance of reinsurance) market severely contracted, resulting in an imbalance of supply & demand
  - Loss free natural catastrophe treaty renewals experienced a +40% - 60% risk adjusted increase, while loss impacted programs saw increases topping 140%
  - Retentions increased significantly, while appetite for primary and lower layers decreased
  - Further coverage limitations imposed on Terrorism, SRCC and non physical damage BI coverages

- **Impact on direct Insurers and potential actions:**
  - Insurers will look to pass on increased costs to clients via higher rates, imposed inflation driven trending requirements on vales, let alone higher minimum premiums for capacity
  - With less reinsurance protection, capacity will be restricted as Insurers practice capacity management
  - Continued shift of business from the admitted market to the excess and surplus (E&S) market, allowing Insurers greater flexibility in how they deploy capacity

Property Market Update

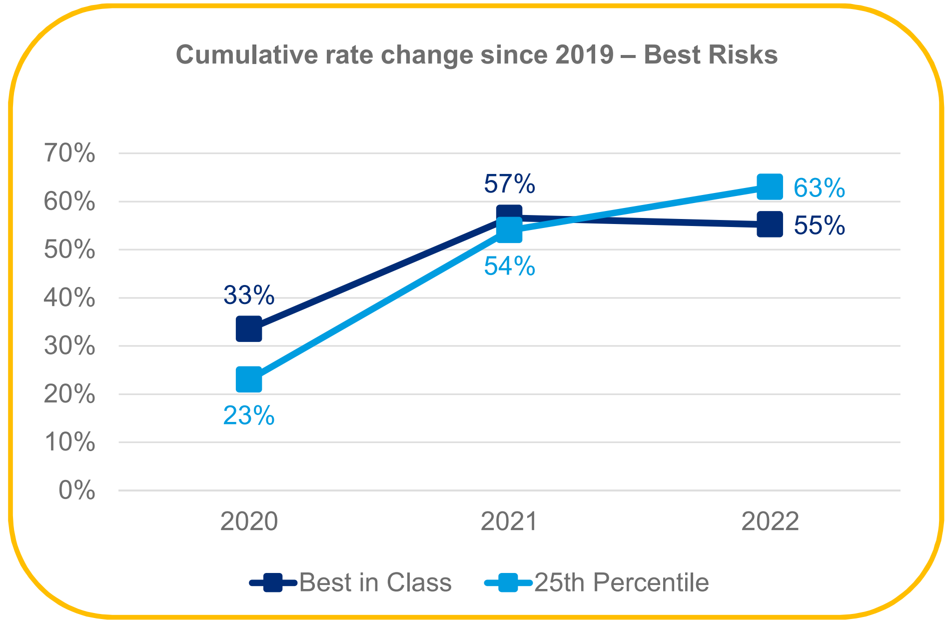
Higher Education Rate Benchmarking History

Average and Median Rate Change



Average increase of 64% over 4 years.

Institutions with the Lowest Rates



Highly-desirable institutions, with minimal natural catastrophe exposure, favorable loss histories and good risk quality have not been immune to large rate changes over the past 4 years.

Property Market Outlook

Key Education Property Insurers

AIG	Allianz (FF)	AXA	Berkshire (BHSI)
Chubb	CNA	Everest Re	FM Global
Hartford	Liberty Mutual	Lloyd’s	Starr
Swiss Re	Travelers	QBE	Zurich

Property Market Outlook

Today's Underwriting View of Natural Catastrophe Perils

Traditional Natural Catastrophe Perils

- Named wind / hurricane
- Earthquake
- Flooding including storm surge

"Secondary" Natural Catastrophe Perils

- Pluvial flooding
- Wildfire
- Winter storm
- Severe convective storm (hail, tornado, wind)

Higher education institutions are disproportionately impacted by these perils because they have more buildings, more roofs and more pipes concentrated in a small geographic footprint than other insureds.

Property Market Outlook

What Insureds Should Expect

- **Anticipated Market Headwinds**
  - Named Storm – pricing increases and capacity reductions
  - Removal or increase of $ caps on catastrophe deductibles
  - Increased “base” all other peril (AOP) deductible on accounts with a high frequency of attritional losses and potential per location deductibles to address winter storm events or water damage as warranted
  - Excess and high buffer layer challenges
  - Placements with significant / predominant exposure to secondary natural catastrophe perils may see significant premium increases and/or increased deductibles
  - Insurer pull back on high hazard Earthquake as they look to balance their portfolios

- **What We Know**
  - Insurers are testing the market by pushing significant rate increases on Q1 renewals
  - Significant Florida and Louisiana exposure accounts, predominately written by E&S carriers are see rate increases in the 30% to 100%+ as capacity restriction are applied
  - Finding replacement, new or additional natural catastrophe capacity is challenging
  - Several admitted property carriers had combined ratios under 100% in 2022, posting a profit for the first time in several years
  - A developing bifurcated market will result in significant variances from one placement to the next
  - Valuation and indemnity limiting (i.e. limit of liability) endorsements remain a focus

Property Market Outlook

Insured's Focus

- **Communicate often** with internal stakeholders to update budget expectations
- Have a clear understanding and **prioritization of objectives** (price-vs-coverage-vs-risk retention, etc..)
- Understand the requirements of **Lender / Third Party Agreements**
- **Do not be late** to the market
- Develop a plan to **differentiate your risk**.
- Have clear data and messaging regarding **inflation and value methodology** embedded in submission materials
- **Meet** with incumbents **and focus** on property risks or protections that may have changed since last renewal
- Review loss control weak spots and **prepare a plan** to address those that do not require significant capital.
- Rebalance Risk **Transfer vs** Risk **Retention** to optimize TCOR
- **Refine** program limits / natural catastrophe limits to be in line with current risk profile.
- Explore **alternative risk solutions** such as Structured Risk / Captives / Parametric / ILS
- Develop **contingency plans** for both price and capacity – identifying which objectives are critical vs. manageable?

Mercer

MERCER HIGHER EDUCATION

Student Health Insurance

Marsh Education Market Update

March 9, 2023

A business of Marsh McLennan

Student Health Landscape

Market update

Inefficient; dominated by a few large carriers

Increasing demand for limited supply of behavioral health services

9% increase in rates projected for 2023 - 2024 school year

Employment trends increasing need for Student Health plans

Uncertainty of plan and cost impact:

- COVID-19
- Dobbs
- International students

On June 24, 2022, the Supreme Court ruled that there is no federal constitutional right to abortion.

The *Dobbs vs. Jackson Women's Health Organization* decision overturns *Roe v. Wade (1973)* and establishes that abortion can be regulated by the states at all stages of pregnancy.

Universities and colleges may wish to assess the effect of this ruling on their student health insurance plans.

Actions that institutions are taking

Travel and lodging policies

Many are reviewing travel and lodging policies that offer reimbursement for travel from a state with no abortion services to a state with services

Travel and lodging policy expansions	Considerations	
• Abortion services • Abortion and/or other covered medical care that may be hard to access due to state law or policy (i.e. gender affirmation) • All medical services that are not available within a certain radius of the patient's home or campus	• Expected use and impacted population • Existing plan design and coverage • Pharmacy coverage and access • Carrier administrative capabilities	• Limitations of benefit (network status, maximum reimbursement, distance) • Role of telemedicine, on-site clinics or point solutions • Legal exposure

Trend updates for 2023

7-9% Medical and 10-14% Pharmacy

Factors leading to trend:

- **Increase in demand for services, behavioral health, physician visits**
- **Behavioral health visits increasing from 45 minutes to 60 minutes**
- **Increase in specialty pharmaceuticals**
- **Increasing frequency and severity of high cost claimants**
- **Steady rise of enrollment, slow rise of international student enrollment**

Marketplace plans are also on a steady increase
Ranging by state from $3,600 to $10,000 for gold level plans

Frequency and severity of high cost claims continues to rise

Impact of increased high cost claims, coupled with the advancement of novel therapies is creating unprecedented challenges

22%

of institutions have a member with over $1M in claims[1]
- 45% were under age 20 in 2020

67%

increase in million-dollar claimants from 2015 to 2020[1]
- Since 2017 +31%

11%

2021 specialty medication cost increase (compared to a 6% overall medical spend increase)[2]

75%

of drugs in pharmacy pipeline are specialty drugs[3]

$2M+

potential cost for a single course of gene therapy[2]

[1] 2021 Sun Life Stop-Loss and Health Research Report
[2] 2021 Mercer National Survey of Employer Sponsored Health Plans
[3] FDA's Center for Drug Evaluation and Research, Advancing Health Through Innovation: 2020 New Drug Therapy Approvals Report

Specialty drugs are huge cost driver for health plans

Specialty drugs outpacing all other medical cost increases:

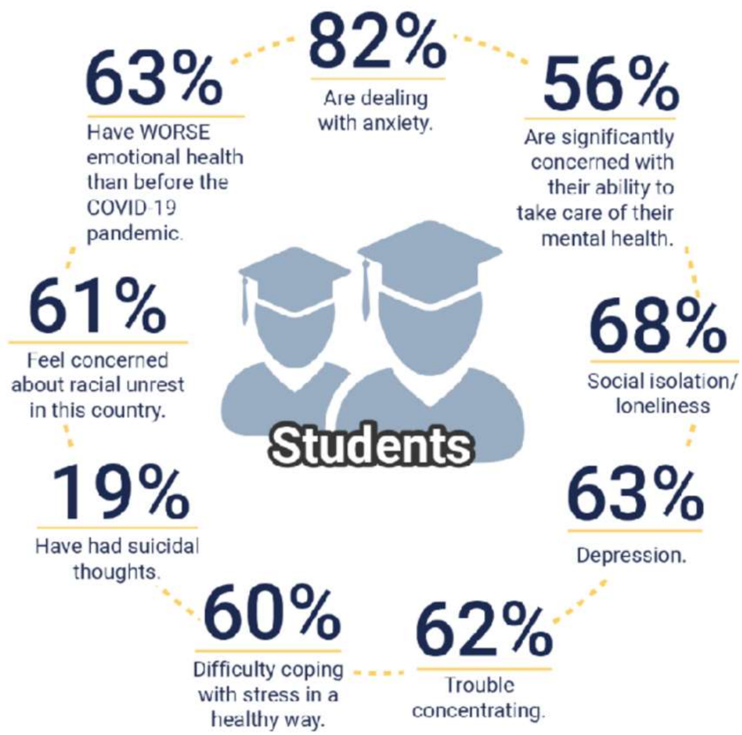
Annual cost increases: 2020-2021

Medical cost	Rx cost	Specialty Rx cost
4.6%	7.4%	11.1%

71% of US Rx cost growth in the last five years was due to specialty pharmacy

Mercer's National Survey of Employer-Sponsored Health Plans

Behavioral health needs continue to escalate



Young adults, parents and caregivers, children and adolescents, and racial and ethnic minorities have experienced disproportionate impacts.

Staff and faculty too…

Behavioral health needs continue to evolve

1 in 4

US workers say they're highly or extremely stressed[1].

53%

of workers are experiencing burnout[5].

<35

workers under 35 ranked mental health as their top concern[1].

63%

of working parents have reported reducing their hours in order to care for a child with a mental health condition[2].

30%

increase in drug overdose deaths from 2019 to 2020[3].

2nd

suicide remains the second leading cause of death among young people between the ages of 10 and 24[4].

Traditional networks do not have the supply of quality providers to meet the increasing and evolving demand.

1—Mercer's Inside Employees' Minds Study of 2,000 workers, August 2021
2—Families in Society
3—Centers for Disease Control
4—Whitehouse briefing 10/19/21
5—Indeed survey on burnout

Driving success

Innovative solutions to impact rates for Student Health

Leverage Campus Populations: Students, Faculty and Staff

Expand Behavioral health access: Non-traditional counseling, SAP, CAPS

Review **specialty medications** coverage and cost sharing; negotiate pharmacy costs

Review **self funding** including pharmacy and stop loss collectives

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