

ADVANCED INSURANCE & RISK MANAGEMENT



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What's the first word that comes to mind when you hear 'campus risk'?

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Learning Objectives

- **Analyze** complex risk exposures and emerging risks facing higher education institutions.
- **Evaluate** strategic insurance decisions including retention levels, program structure, and alternative risk financing options.
- **Interpret** insurance market trends to inform institutional decision-making.
- **Apply** risk management principles to real-world campus scenarios including major incidents and crisis events.
- **Integrate** risk management insights into broader institutional strategy.

High-Cost Claims in Higher Ed

From UE Large Loss Report 2026



Large Loss Report 2026

The Large Loss Report 2026 summarizes **41** publicly reported damage awards and settlements of at least \$2.5 million involving K-12 schools, colleges, and universities in 2025.

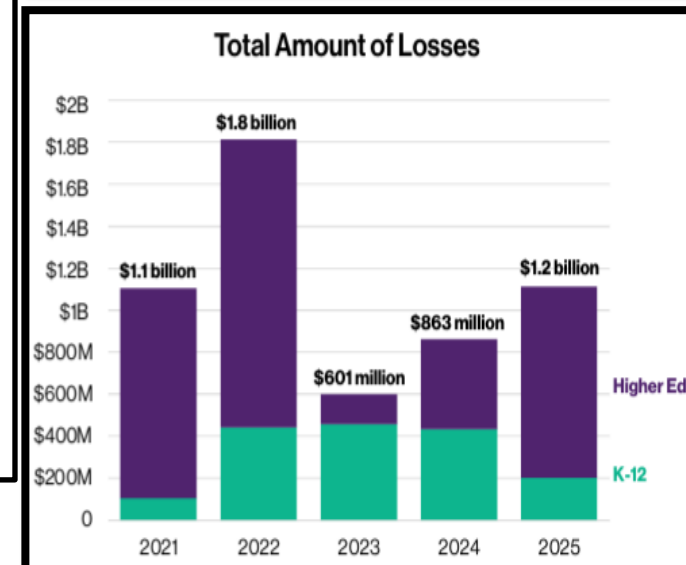
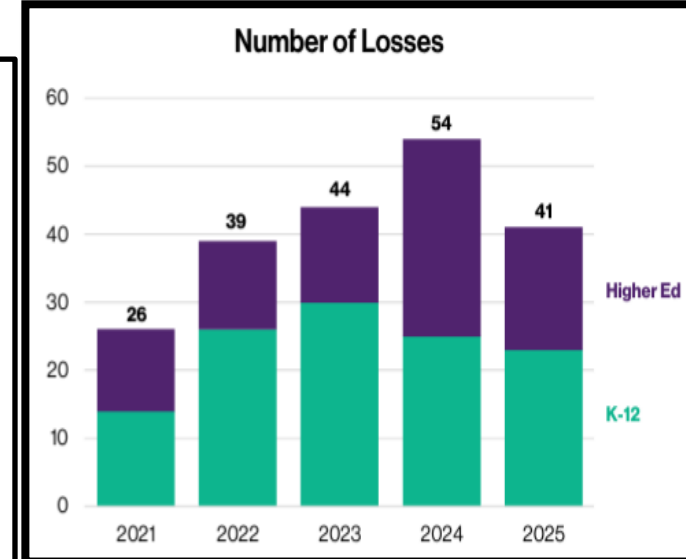
Understanding the current liability landscape is essential, even though not every claim reaches the high costs highlighted in this report. Examples below illustrate the pressures all of education — including United Educators (UE) members — face.

The report serves as a reminder for educational institutions to prioritize strategic risk management and partner with your broker and an insurance carrier to provide specialized risk management resources, expert claims resolution, and education-specific underwriting.



The summaries are provided to inform educational institutions of trends observable in publicly available data. We offer this report as a service to our members. The report in no way indicates UE's assessment of the value of any particular claim. While some losses included in this report reflect trends UE has seen among our members' claims, the topics included are not an indication of the scope of UE coverage, nor is the inclusion of a settlement or award in this report reflective of an opinion by UE or our membership of its reasonableness. Finally, some of the loss outcomes may have changed due to the progress of legal proceedings since they were reported. Some losses occurred in prior years but were not reported until 2025.

*The **UE Large Loss Report 2026** summarizes **41** publicly reported major damage awards and settlements of at least \$2.5 million that affected K-12, colleges, and universities in 2026. That's compared to 54 publicly reported awards and settlements of at least \$2.5 million in 2025.*



High-Cost Claims in Higher Ed (from UE Large Loss Report 2026)

College or University	Description	Category/ Type	Line of Business	Settlement or Award	Total Amount Reported
Michigan State University	Settlement with three surviving victims of the 2023 campus shooting involving traumatic brain injuries and paralysis.	Injury / Wrongful Death	General Liability	Settlement	\$29.75 million
San Diego State University	Settlement with family of student who died after falling from a bunk bed following fraternity event ; fraternities later suspended for rule violations.	Wrongful Death	General Liability	Settlement	\$7.9 million
Johns Hopkins University; Caltech	Settlements in antitrust lawsuit alleging collusion on “need-blind” admissions and financial aid practices.	Antitrust	Educator’s Legal Liability	Settlements	\$18.5 million; \$16.75 million
University of Rochester, University of Washington, Carnegie Mellon University, University of Pittsburgh, Penn State University	COVID-19 tuition lawsuits settled over alleged overcharging during disrupted 2020 classes.	COVID-19	General Liability	Settlement	\$10 million
University of Colorado Anschutz	Settlement with staff and students denied religious exemptions to COVID-19 vaccine mandate.	COVID-19/ Discrimination	Educator’s Legal Liability	Settlement	\$10 million
University of Minnesota	Class action settlement following 2023 data breach ; included dark web monitoring for affected individuals.	Cybersecurity	General Liability	Settlement	\$5 million

High-Cost Claims in Higher Ed (from UE Large Loss Report 2026)

College or University	Description	Category/ Type	Line of Business	Settlement or Award	Total Amount Reported
UCLA	Settlement with Jewish students and professor alleging civil rights violations and antisemitic exclusion during campus protests.	Discrimination	Educator's Legal Liability	Settlement	\$6.45 million
California State University System	Jury found university liable in harassment and retaliation case brought by former associate dean alleging gender-based discrimination .	Discrimination	Educator's Legal Liability	Settlement	\$6 million
Liberty University	Settlement with former president Jerry Falwell Jr. resolving litigation following resignation amid public scandal .	Employment	Educator's Legal Liability	Settlement	\$5.5 million
Columbia University	Settlement in class action alleging misreported data to U.S. News & World Report inflated prestige and tuition value.	Fraud / Misrepresentation	Educator's Legal Liability	Settlement	\$9 million
Western Iowa Tech Community College	Settlement with former J-1 visa students alleging misleading recruitment and exploitative work placements .	Fraud / Misrepresentation	Educator's Legal Liability	Settlement	\$2.5 million
Columbia University & New York–Presbyterian Hospital	Massive settlement involving hundreds of victims sexually abused by former physician Robert Hadden ; <i>related payouts now exceed \$1 billion</i> .	Sexual Misconduct	General Liability	Settlement	\$750 million combined



High-Cost Claims in Higher Ed (from UE Large Loss Report 2026)

Important notes: While this summary provides insights on the liability landscape, it is important to remember there are many factors that influence a verdict or settlement, and the value of any individual claim cannot be extrapolated from these reports. In addition, please note the following about these large losses:

- (a) Summaries are drawn solely from published accounts.
- (b) **Social inflation**, the increased cost of litigation above general economic inflation, has dramatically increased the cost of claims.
- (c) **Settlements do not indicate admissions of guilt.** Despite any settlements paid, colleges and universities typically denied liability or wrongdoing.
- (d) The specific line of business (LOB) or coverage can vary depending on the terms of the policy, the nature of the claim, and the jurisdiction. The provided information makes probable assumptions, but exact coverages should always be confirmed with the specific policy language or through consultation with an insurance professional or legal counsel.
- (e) Claims were publicly reported between January 1, 2025 and December 31, 2025.

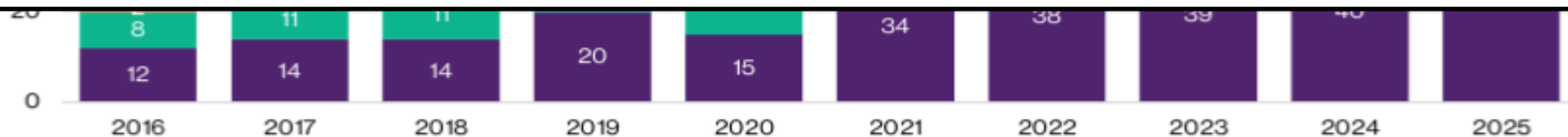
An analysis of the Large Loss Reports from 2015-25 shows troubling trends for K-12 schools and higher education institutions.



Damage Awards and Settlement Trends

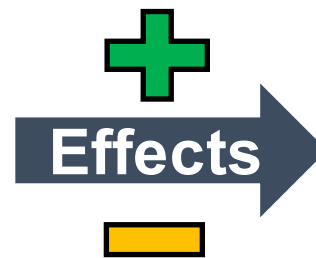
Mitigating Risks and Claims Inflation

A **key takeaway** for education leaders is to continue to focus on risk mitigation. Proactive claims management through careful defense counsel selection and thoughtful communication can help achieve fair and effective claims resolution while mitigating claims inflation.

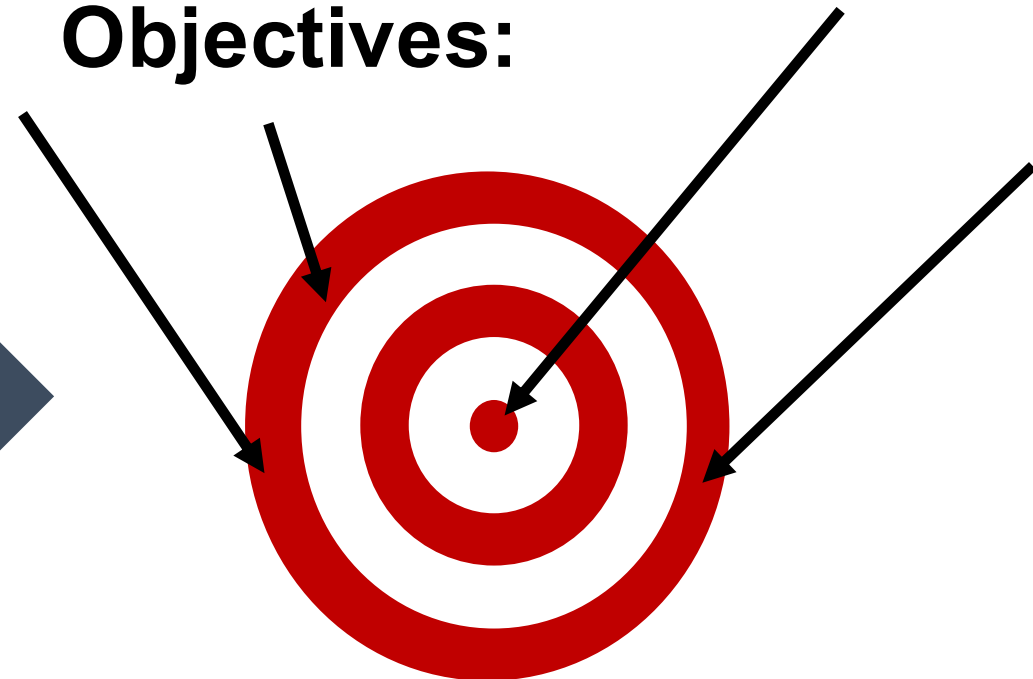


What is Risk?

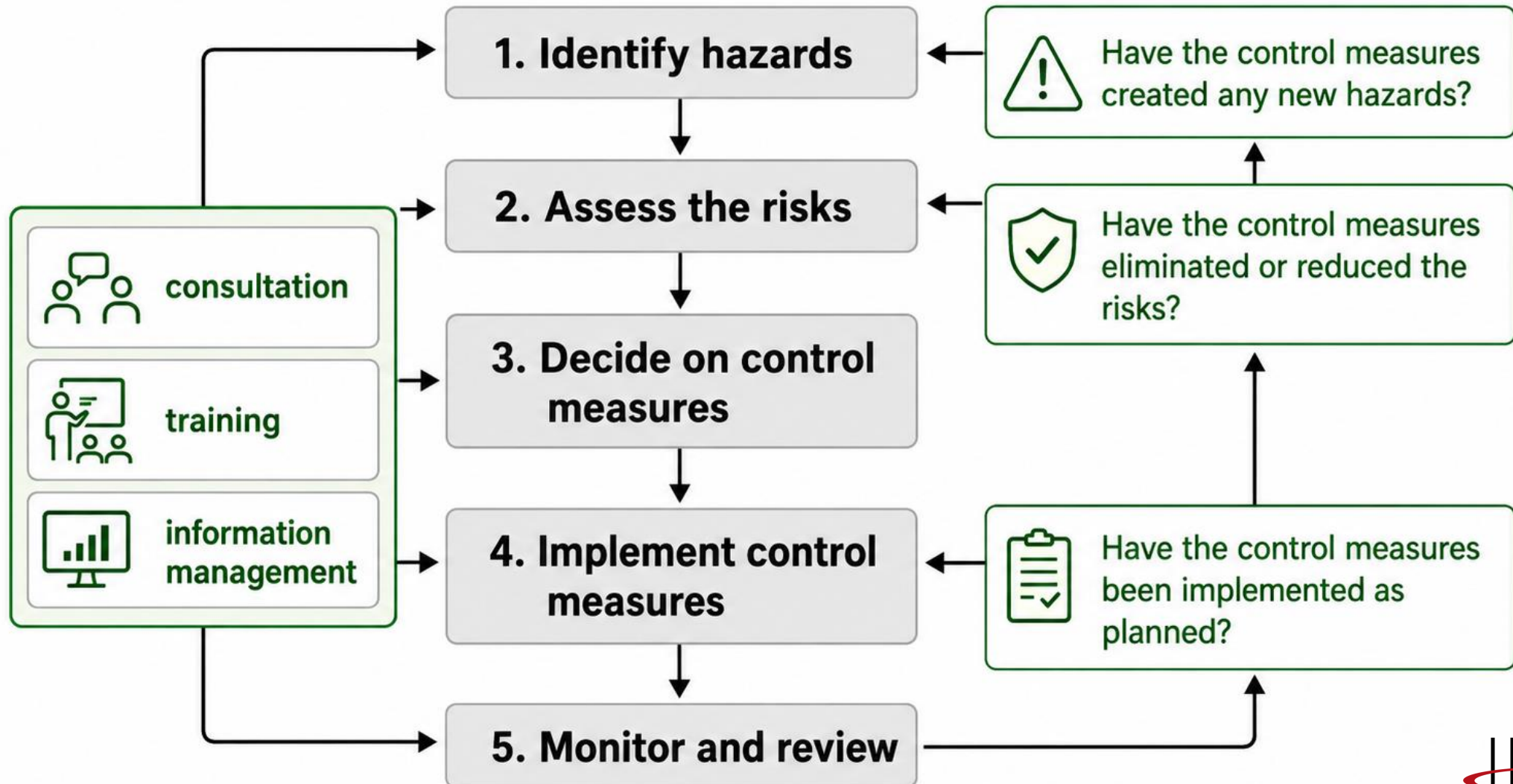
- Risk is “the effect of uncertainty on objectives”
(ISO 31000, 2018)
- Uncertainty can be internal or external factors that have the potential to impact (either positively or negatively) the organization’s ability to achieve the Strategic Direction



Objectives:

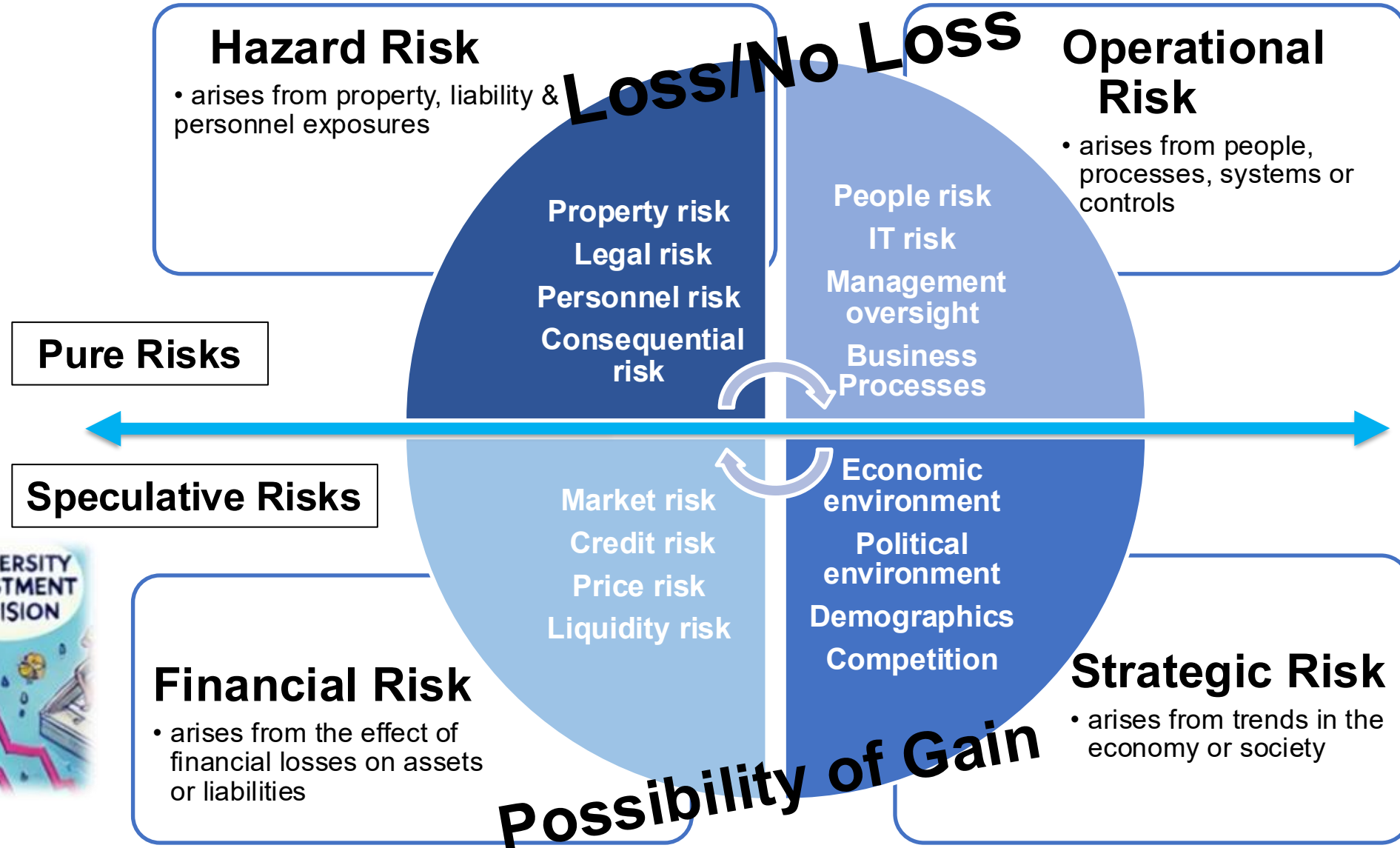


The Risk Management Process



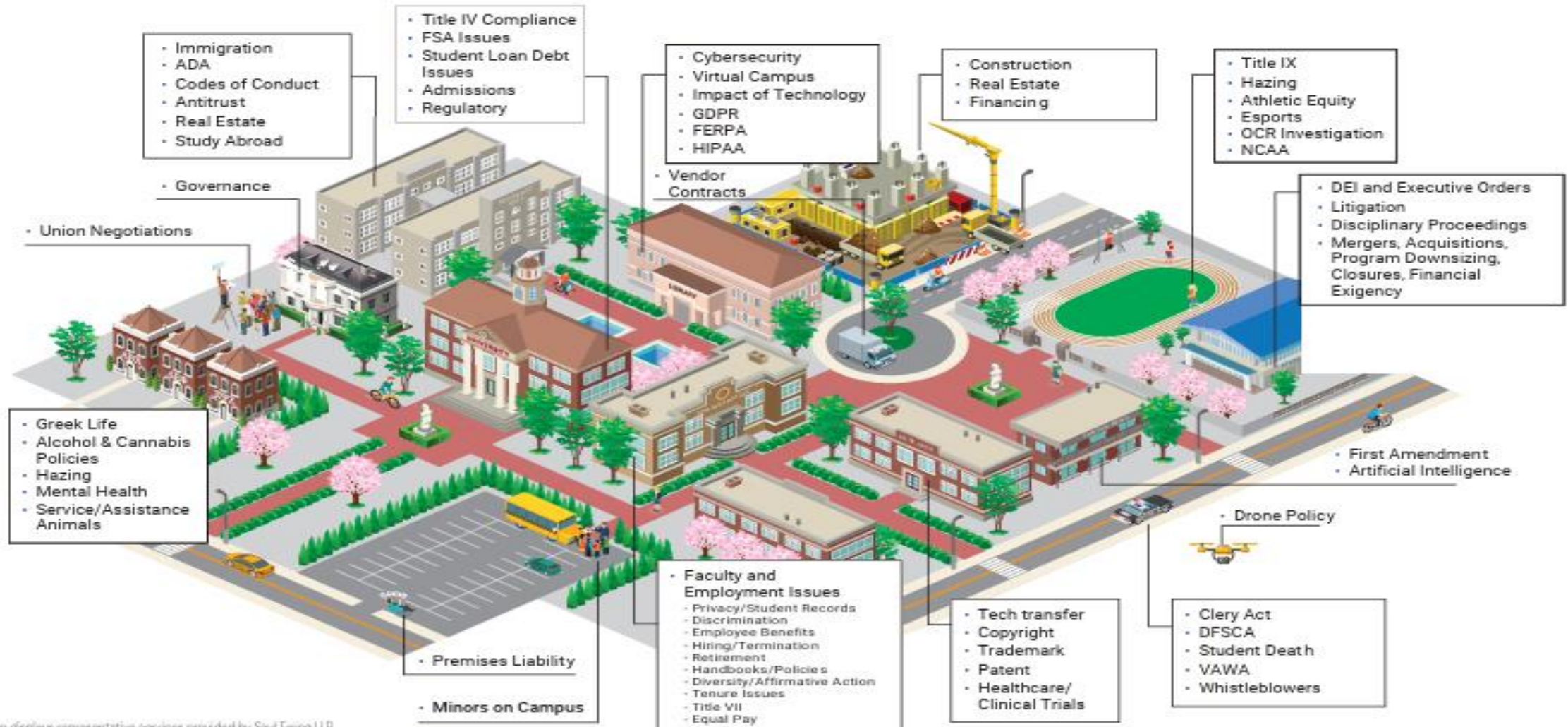
Step 1: Identify Risks

theinstitutes.org.
(2018) ARM_54 (3rd
ed.).



HIGHER EDUCATION PRACTICE

Covering Your Campus's Legal Issues



This illustration displays representative services provided by Saul Ewing LLP. For a full overview of our Higher Education Practice, click [here](#).

Step 1: Identify Risks

risk register - a matrix to record the likelihood of a scenario and its associated risks along with their probability, consequences, and impacts for the organization



Note: risk identification isn't a one-time activity. Organizations should monitor risks throughout the year, adding new ones as needed. Start each year with a formal risk identification to consider all new and existing risks on the risk register.

Tools from

UNIVERSITY RISK MANAGEMENT & INSURANCE ASSOCIATION



Competency Set #1: Risk Management Technical Skills

- Risk identification
- Risk analysis
- Risk control
- Risk financing and transfer
- Claims management
- Project management
- Technology integration
- Holistic risk perspective

Competency Set #2: Strategic Management

- Organizational and business acumen
- Strategic planning
- Fostering strategic alliances
- Change management

Competency Set #3: Inclusive Leadership

- Management
- Staff development
- Communication
- Self-awareness and self-management
- Relationship management
- Diversity, equity, inclusion, and belonging (DEIB) leadership skills

Competency Set #4: Organizational Engagement

- Understanding institutional operations
 - Academic affairs and accreditation
 - Athletics
 - Auxiliary operations
 - Campus safety and security
 - Capital projects
 - Compliance
 - Environmental health and safety
 - Facilities
 - Finance
 - Global operations
 - Governance
 - Human resources
 - Information technology and cyber security
 - Internal audit
 - Legal
 - Medical centers and teaching hospitals
 - Procurement
 - Research
 - Student affairs
 - Youth Programs


academy

URMIA Risk Inventory

ORGANIZATION AND CLASSIFICATIONS

Within each of the 24 risk categories, risk areas are identified as circumstances that give rise to risk. The Risk Inventory lists “risk factors” related to each risk area that may make the circumstance more or less risky depending on the institution. Each risk area is further broken down into five classifications:

<u>STRATEGIC</u>	High-level goals, aligned with and supporting the mission
<u>OPERATIONAL</u>	Effective and efficient use of the institution’s resources
<u>REPORTING</u>	Reliability of the institution's external and internal reporting
<u>COMPLIANCE</u>	The institution’s compliance with applicable laws and regulations
<u>REPUTATION</u>	Damage caused by any of the prior four that spills over to how the university is valued or perceived

URMIA Risk Inventory Examples

RISK AREA

Athletics program compliance

Equitable athletic experience

Acceptance of impaired real estate

Improper use of gifts

Inconsistent naming policies

Employee grievance procedures

Strategic workforce planning

Campus emergency preparation

Media and social media portrayals

Institutions of Higher Education share similar risk exposures with small to medium-sized cities or medium to large corporate organizations, including weather, fire, terrorism, HR, etc. However, IHEs also face unique risks specific to their industry.

URMIA Risk Inventory

LATEST RISK INVENTORY UPDATES AND EMERGING RISKS								
DATE OF CHANGE	CATEGORY	RISK AREA	RISK FACTORS	STRATEGIC	OPERATIONAL	REPORTING	COMPLIANCE	REPUTATION
8/10/2025	Artificial intelligence	AI errors	AI models can produce hallucinations which give the appearance of plausible answers, references, results, but that are completely made up, incorrect, or both		X			X
8/10/2025	Artificial intelligence	Compliance	Managing current and future government regulations and policies on AI use.				X	X
8/10/2025	Artificial intelligence	Data Bias	Bias and fairness Machine learning models are trained on existing datasets, which means that any bias in the data can skew results.		X	X		
8/10/2025	Artificial intelligence	Deceptive Practices	AI models can produce inauthentic videos and images which can cause deception. Videos and images originating from an institution can damage reputations and sway opinion		X	X		X
8/10/2025	Artificial intelligence	Financial	Content devaluation when AI-generated works are treated as public domain material; reduced commercial value.		X			X
8/10/2025	Artificial intelligence	Governance	Balancing the benefits of allowing various AI models (e.g. ChatGPT) for use in academia and college operations while ensuring the safety and integrity of the use. Governance process must exercise due diligence, be methodical, but also be quick and responsive to change. Rapid change also makes careful, methodical assessments near-impossible.	X				X

ACTIVITY: KNOWLEDGE CHECK

Do not edit
How to change the
design



**What are the university's:
largest operational risks?
largest financial risks?
largest reputational risks?**

Step 2: Analyze (assess) Risks

Key Risk Measures

Exposure: any condition that presents a possibility of gain or loss, whether or not an actual loss occurs

Likelihood: a qualitative estimate of the certainty with which the outcome of a specific event can be predicted

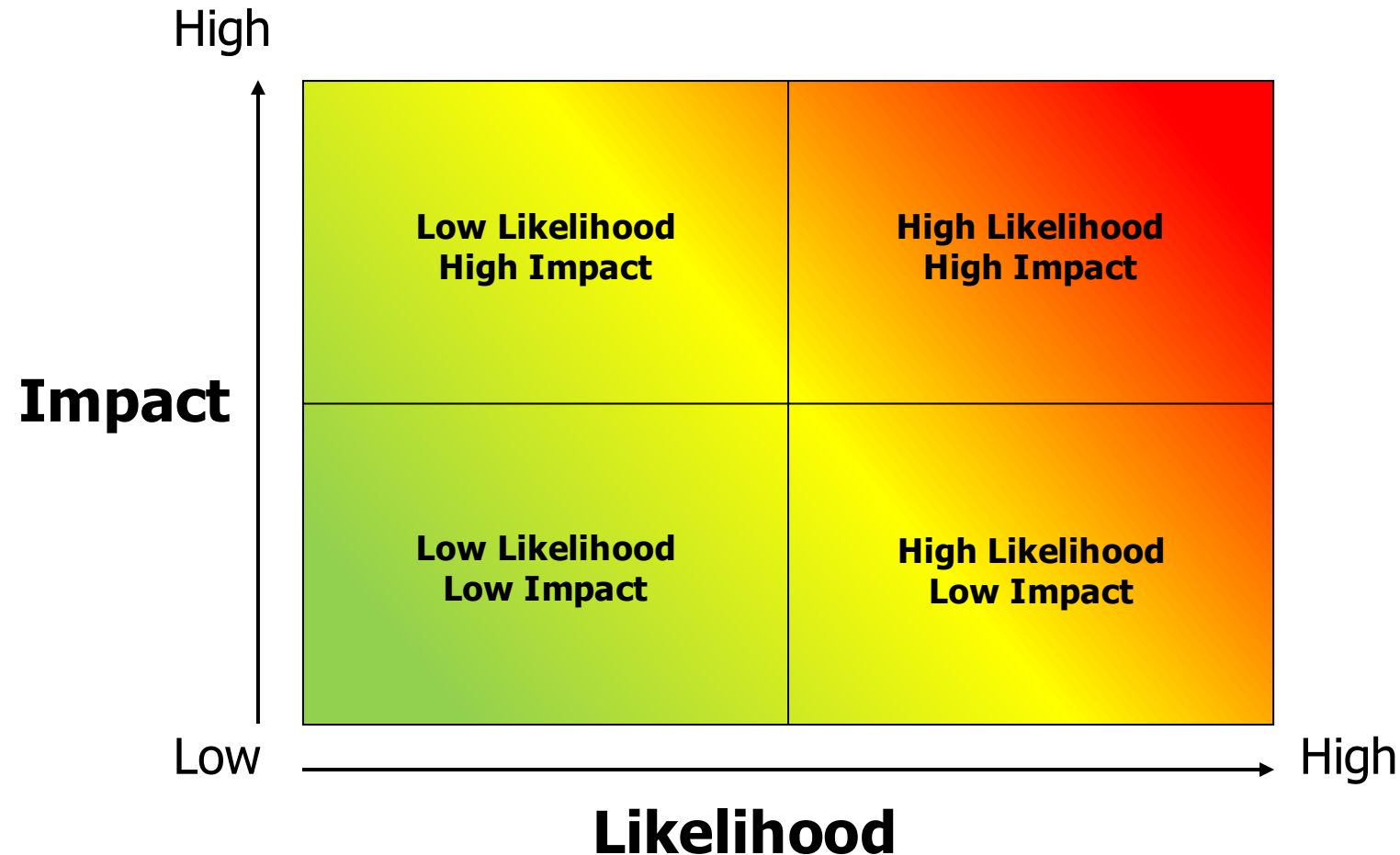
Consequences: the effects, positive or negative, of an occurrence

Risk velocity: the speed at which a risk can impact an organization once it materializes

Time horizon: estimated duration

Step 2: Analyze Risks

Evaluate the risks based on likelihood/frequency and severity/impact; place on the heat map

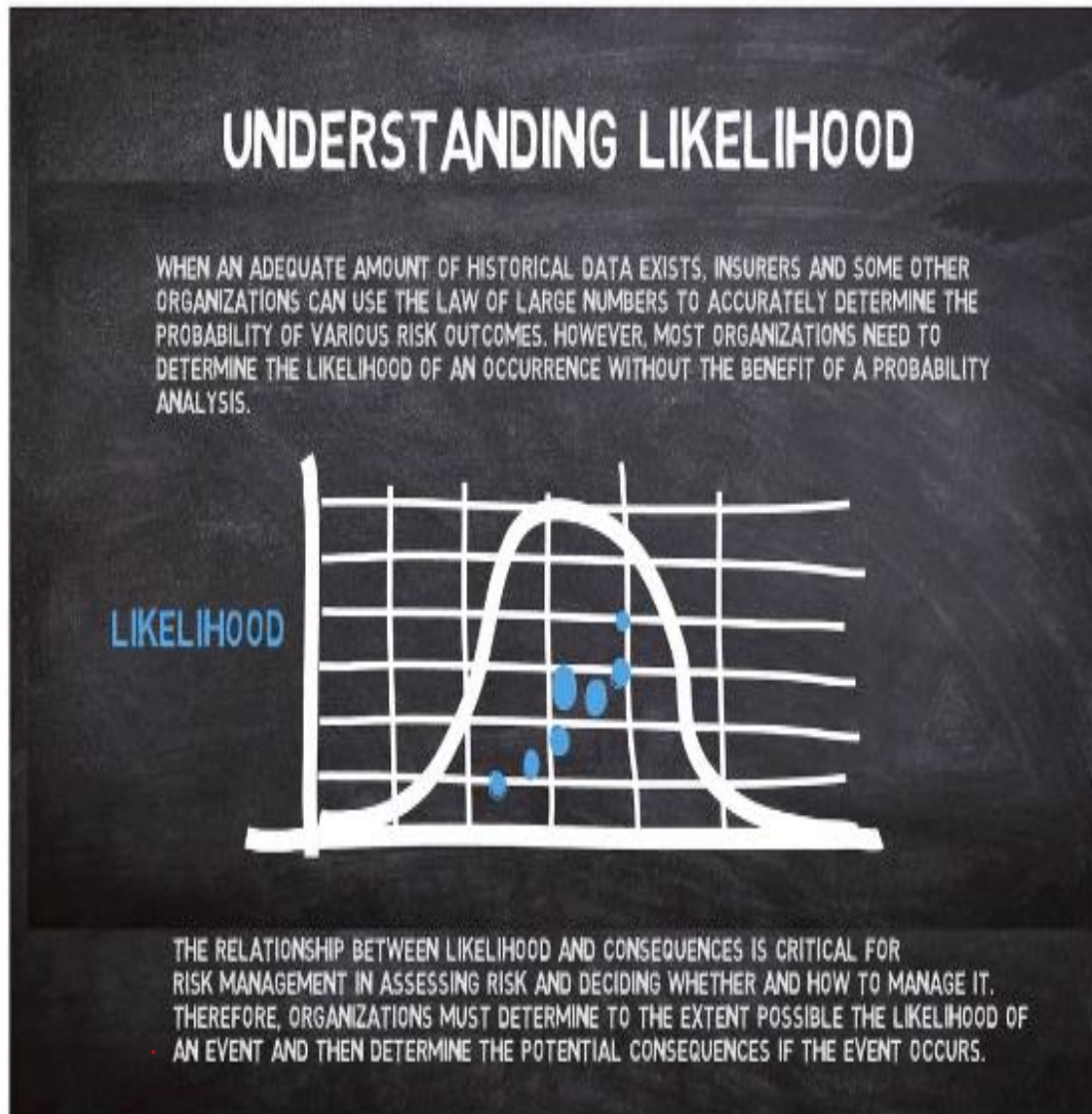


Heatmap Example



Step 2: Analyze Risks

Understanding Likelihood

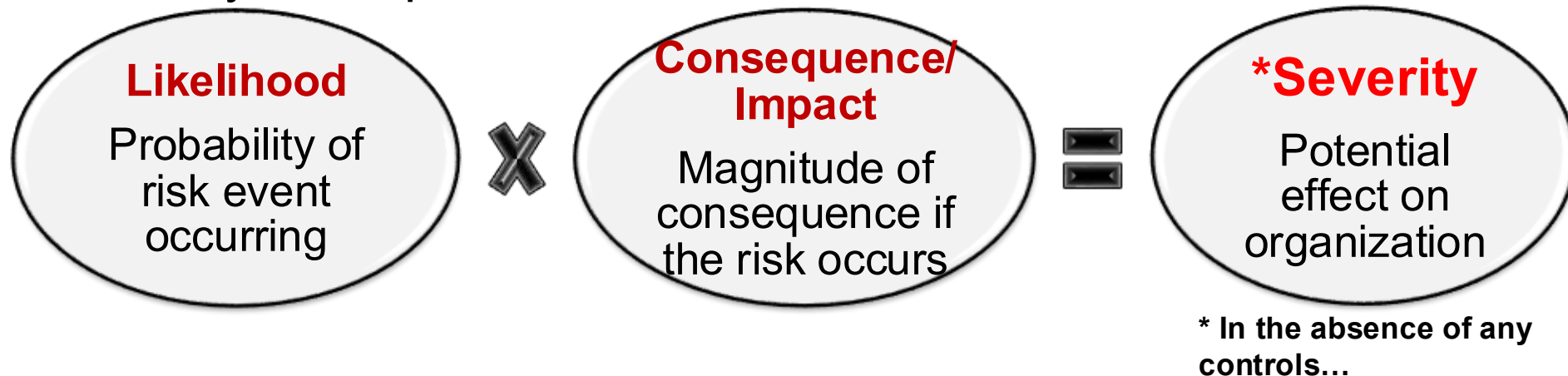


The **Law of Large Numbers** is a concept in probability & statistics which states that the more losses of a similar-type you experience (frequency), the more predictable the total number and amount of future losses would be, for a given period.

Stated differently, as similar losses increase over time, they become more predictable.

Step 2: Analyze Risks

The purpose of risk analysis and evaluation is to understand the nature and characteristics of the risk, in order to support decisions about additional action that may be required.



Step 2: Analyze Risks

SAMPLE UNIVERSITY RISK REGISTER

Risk	Score*	Score Rating*
Athletics Program Compliance	8.00	Medium
Athletics Injury Response	3.00	Low
Lack of Athletics Success	9.00	High
Equitable Athletic Experience	20.00	High
Acceptance of Impaired Real Estate	10.00	High
Improper Use of Gifts	6.00	Medium
Inconsistent Naming Policies	6.00	Medium
Media and Social Media Portrayals	8.00	Medium
Fundraising Goals	3.00	Low
Alumni Program Vendors	4.00	Medium
Alumni Engagement	2.00	Low
Employee Discrimination and Harassment	12.00	High
Faculty and Staff Quality	3.00	Low
Employee Grievance Procedures	16.00	High
Hiring of Non-Effective or Disruptive Employees	9.00	High
Strategic Workforce Planning	15.00	High
Faculty and Staff Diversification	12.00	High

**Institutions decide on scale measures, based on preference.*

Step 3: Decide on Risk Treatment Techniques

Goal: to select and implement options for addressing the risk, while balancing achievement of objectives, costs, and effort.
There are four primary risk control options:

RETAIN

How? Make an informed decision that additional action is not required. Monitor.

RISK CONTROL

Plan mitigation activities to **PREVENT OR REDUCE** the likelihood or consequences

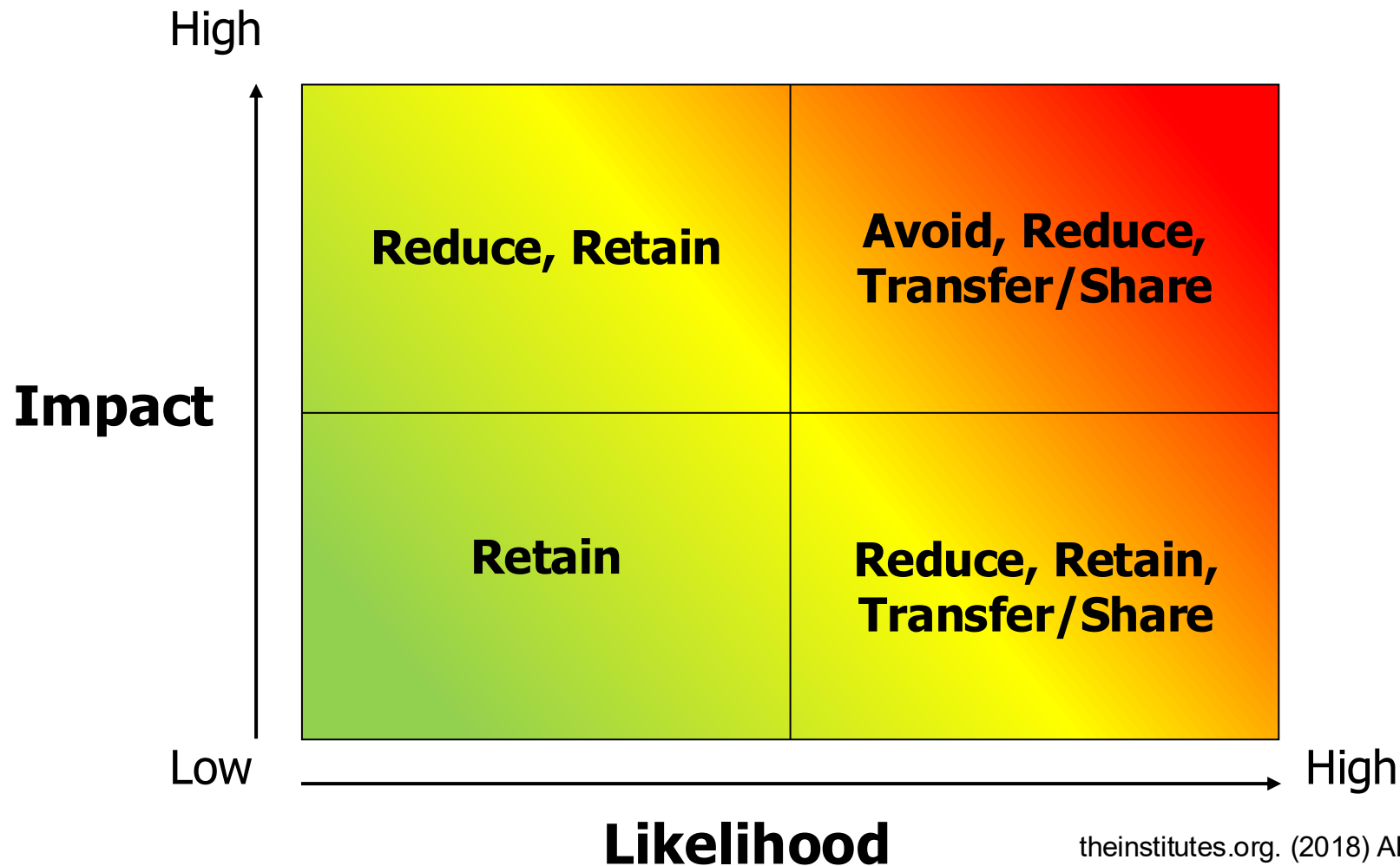
TRANSFER /SHARE

Transfer OR Share risk with Insurance or Non-insurance (e.g., contract, waiver, lease, etc.)

AVOID

Remove the risk source or decide not to start or continue with the activity

Step 3: Decide on Risk Treatment Techniques



- ☐ **Risk Control** - transfers exposure
- ☐ **Risk Financing** - transfers cost only

Frequency & severity of emerging infectious diseases are increasing

Hence, better risk management solutions are required in the future

Every year there are **5 new** emerging infectious diseases reported & the WHO publishes ~ **100** Disease Outbreak News¹

Metabiota² predict the probability of another pandemic of the same or greater magnitude as COVID-19 to be **22%-28%** within the next 10 years.

Airfinity's³ latest risk modeling suggests that there is a **27.5%** chance that a pandemic as deadly as COVID-19 could occur within the next 10 years.

UK National Risk Register 2023

highlights a **5-25%** likelihood of a pandemic over a 5 year period.

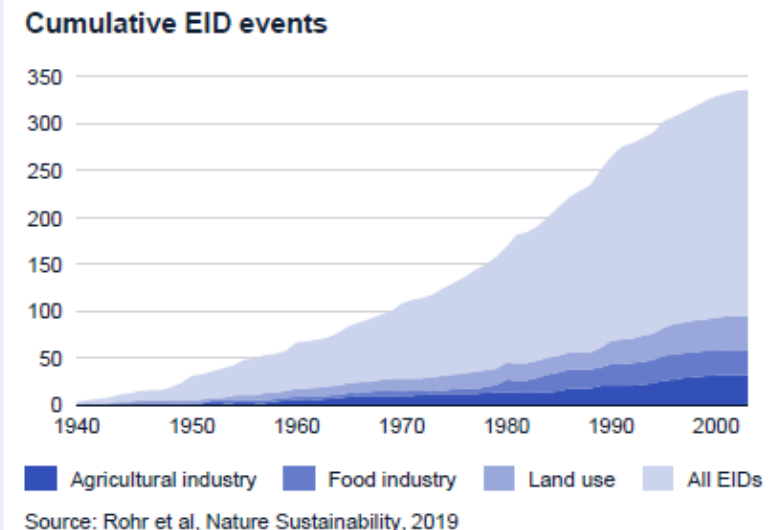
Major contributors to this phenomenon are



There have already been **3 significant coronavirus outbreaks** within 17 years

- **SARS** (2002/2003)
- **MERS** (2012/2015)
- **COVID-19** (2019 and on-going)

Increasing trend:
Emerging Infectious Diseases (EIDs)



Pandemic is the most likely catastrophic event in the next five years.

(Source: UK National Risk Register)

¹ WHO standard reporting for outbreaks that could spread internationally or disrupt international travel or trade

² Rebranded Ginkgo Bioworks in 2022 (Cheney, devex, 31 July 2021)

³ London-based disease forecasting company (Fortune, Apr 18, 2023 and Bloomberg, Apr 14, 2023)

- **Details:** Universities of varying sizes with diverse operations (instruction, housing, research, athletics, and events). Revenue depends on tuition, housing/dining, research, and auxiliary services.
- **Motivation:** Maintain educational continuity during a pandemic while managing operational disruptions, increased response costs, and potential revenue losses.

Risk factors:

- **Sector:** High exposure to infectious disease; improved hybrid learning capabilities since COVID-19, but revenue disruption remains a major concern.
- **Region:** State and local public health policies may affect response and recovery.
- **Supply Chain:** Limited dependence on physical supply chains, but enrollment and research may be affected.
- **COVID-19 Experience:** Significant revenue losses (housing, dining, events) and increased costs for remote learning and campus safety.
- **Recoverability:** Academic operations can resume relatively quickly, but lost housing and event revenue is often unrecoverable.
- **Business Continuity:** Preparedness improved significantly following COVID-19.

ACTIVITY: KNOWLEDGE CHECK

Case Study Exercise:
Investing in Pandemic Resilience

Scenario: Your university has retained many of the improvements implemented during COVID-19, including hybrid learning capabilities, emergency communications, and basic business continuity plans.

The **Board of Trustees** has approved **\$1 million** to further strengthen the university's preparedness for the next pandemic or widespread infectious disease event.

Your Task: As the University's Executive Leadership Team, **decide how to invest the \$1 million**. You may fund as many initiatives as your budget allows—but you **cannot exceed the budget**.

Investment Option	Cost
1. Upgrade HVAC and ventilation in high-use buildings	\$400,000
2. Expand student health services and outbreak response	\$250,000
3. Increase emergency operating reserves	\$300,000
4. Business continuity planning and annual tabletop exercises	\$100,000
5. Upgrade classroom technology for expanded hybrid learning	\$350,000
6. Purchase pandemic business interruption insurance (up to \$2.5 million coverage)	\$100,000
7. Enhance crisis communications and emergency notification systems	\$150,000
8. Strengthen cybersecurity for remote learning and operations	\$300,000

Implement Risk Treatment Techniques Using Risk Control Methods

Risk control focuses on preventing losses or reducing their frequency and severity through operational, administrative, physical, and contractual measures.

Administrative Controls

Policies
Training
Compliance

Physical Controls

Security
Access Control
Fire Protection

Operational Controls

BCP
Cybersecurity
Emergency
Planning

Contractual Controls

Leasing
Waivers
Disclaimers
Hold Harmless



Key Takeaway: Risk control attempts to prevent losses *before* they occur, while risk financing focuses on paying for losses *after* they occur.

University Risk Control Examples

Cybersecurity

Phishing simulations & MFA

Study Abroad

Travel training & emergency protocols

Res. Halls

Key card access systems

Athletics

Concussion management protocols

Laboratories

Hazardous material training

Events

Crowd management & security planning

Title IX

Mandatory reporting training

Fleet Vehicles

Driver certification programs

Strong risk management programs combine both risk control and risk financing strategies.

Risk Control Methods (Contractual): *Noninsurance transfer of risk*

- Leasing
- Contracting
- Hold Harmless Agreements
- Waivers
- Disclaimers

Noninsurance transfer of risk: Leasing

An organization that leases property instead of owning it practices risk control by allowing the property owner to retain the risks related to property ownership.

- Avoid ownership risk
- Exceptions (e.g., gross negligence, certain safety responsibilities, etc.)

Noninsurance transfer of risk: Hold Harmless Agreements

- Transfers financial consequences via indemnification

Indemnification ~ promise to pay

- Two Parties: Indemnitor & Indemnatee

- ✓ The party that uses a hold-harmless **agreement to transfer the financial consequences of loss to a second party** is commonly referred to as the **indemnitor**; the **second party, which agrees to indemnify** the indemnatee, is referred to as the **indemnatee**.



Hold Harmless Clause

[ˈhöld ˈhärm-ləs ˈklôz]

A statement in a contract absolving one party of legal liability for any injuries or damages suffered by another party.

 Investopedia

Types of Hold Harmless Agreements

Hold-harmless agreements can be classified according to the extent of responsibility they transfer financial responsibility. A hold-harmless transfers only the financial consequences of certain loss exposures, not the loss exposures themselves, to the indemnitor.

Limited

- ❑ e.g. General Contractor agrees to indemnify Building Owner for losses that result from General Contractor's sole fault.

Intermediate

- ❑ e.g. General Contractor agrees to indemnify Building Owner for losses that result from General Contractor's sole fault or the joint fault of GC and Building Owner.

Broad

- ❑ e.g. General Contractor agrees to indemnify Building Owner for losses that result from General Contractor's sole fault, both parties' joint fault, or Building Owner's sole fault.

Limitations

- Legal + financial
- Many jurisdictions have *anti-indemnity statutes* that prohibit broad form, intermediate form, or both – esp. for public entities.
- In some jurisdictions that do not have anti-indemnity statutes, judicial rules (established by courts) limit the use of hold-harmless agreements.

Noninsurance transfer of risk: Waivers

The intentional relinquishment of a known right. An *exculpatory clause* (exculpatory agreement) is *similar to a waiver*.

- Goal: Limit lawsuits



Noninsurance transfer of risk: Disclaimers

A disclaimer is a **statement intended to limit legal responsibility** by notifying individuals of risks or limitations of liability, and **attempts to shift some responsibility to the participant/user**

Common Examples

- "Use at your own risk"
- Parking lot liability notices
- Website terms and conditions
- Event ticket language
- Study abroad participation notices

Important Considerations

- Do not automatically eliminate liability
- Must be clearly communicated
- Enforceability varies by state law
- Courts may still find negligence
- Often used with waivers and contracts

Key Takeaway: Disclaimers are noninsurance risk control tools used to communicate risk and limit liability exposure, but they do not guarantee legal protection.

Step 3: Risk Treatment - TRANSFER

A common method for transferring risks is risk financing through the purchase of **INSURANCE**.

Depending on the type of risk, there is often a specific insurance **coverage** available to address the particular risk exposure.



Insurance Cycle

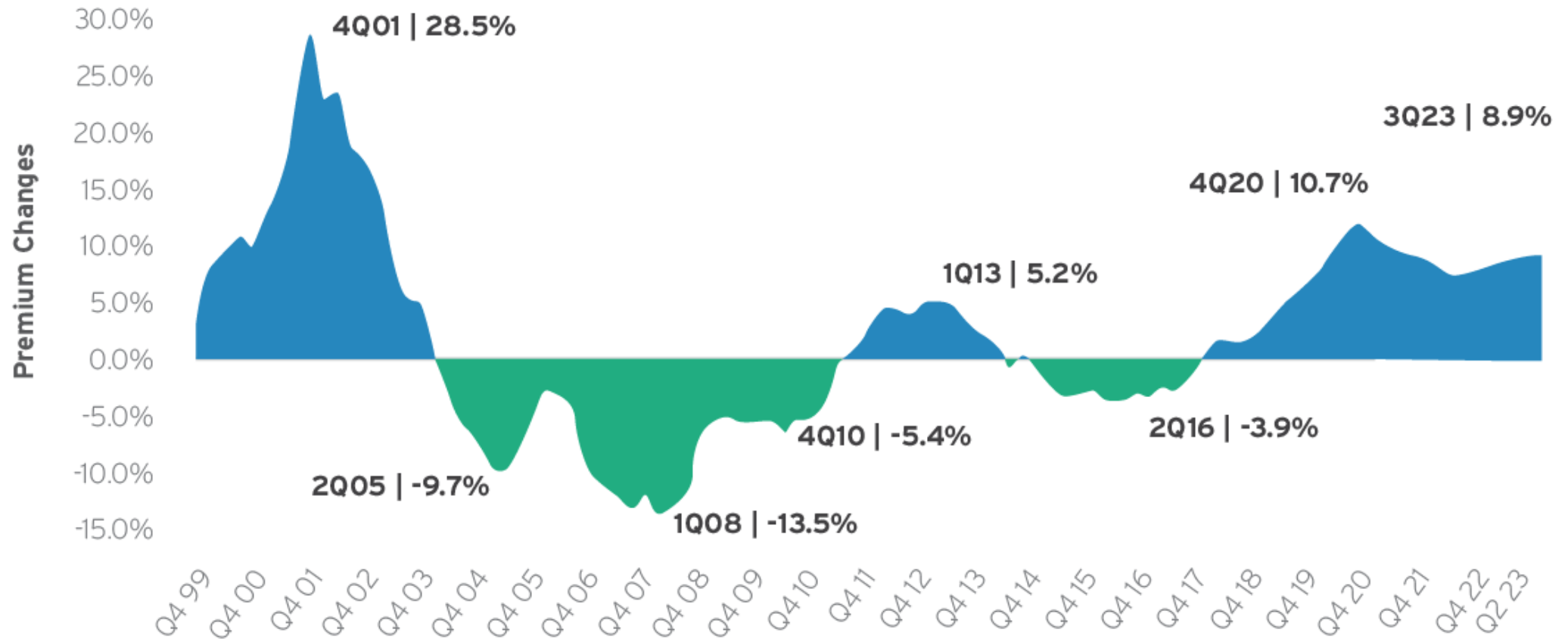


HISTORY:

1. 1986 "Capacity Crisis" → formation of United Educators
2. 2009 Competitive market driven by 2008 recession
3. 2011 Jerry Sandusky PSU (Sexual Abuse & Molestation "SAM")
4. 2014 NFL concussion settlement (TBI)
5. 2015 Concussion movie (Traumatic Brain Injury "TBI")
6. 2016 AIG mandatory TBI exclusion
7. 2017 Larry Nasser MSU (SAM)
8. 2019 George Tyndall USC (SAM) and Richard Strauss OSU (SAM)
9. 2020 "Perfect Storm"
 - Losses growing in frequency and severity
 - Social inflation and nuclear verdicts (\$200-\$300M+)
 - Insurer Rate Inadequacy
 - ⇒ Long-term decline in interest rates, low insurance rates, depressed profits
 - Coverage vs Cost vs Capacity Issues lead to
 1. - Increased rates/premium → "sticker shock" in the midst of a budget crisis
 1. - Restricted or excluded coverages → fewer markets offering SAM and TBI
 2. - Reduced capacity/limits
 - COVID-19

Insurance Cycle

Average Premium Changes, 1999-2023

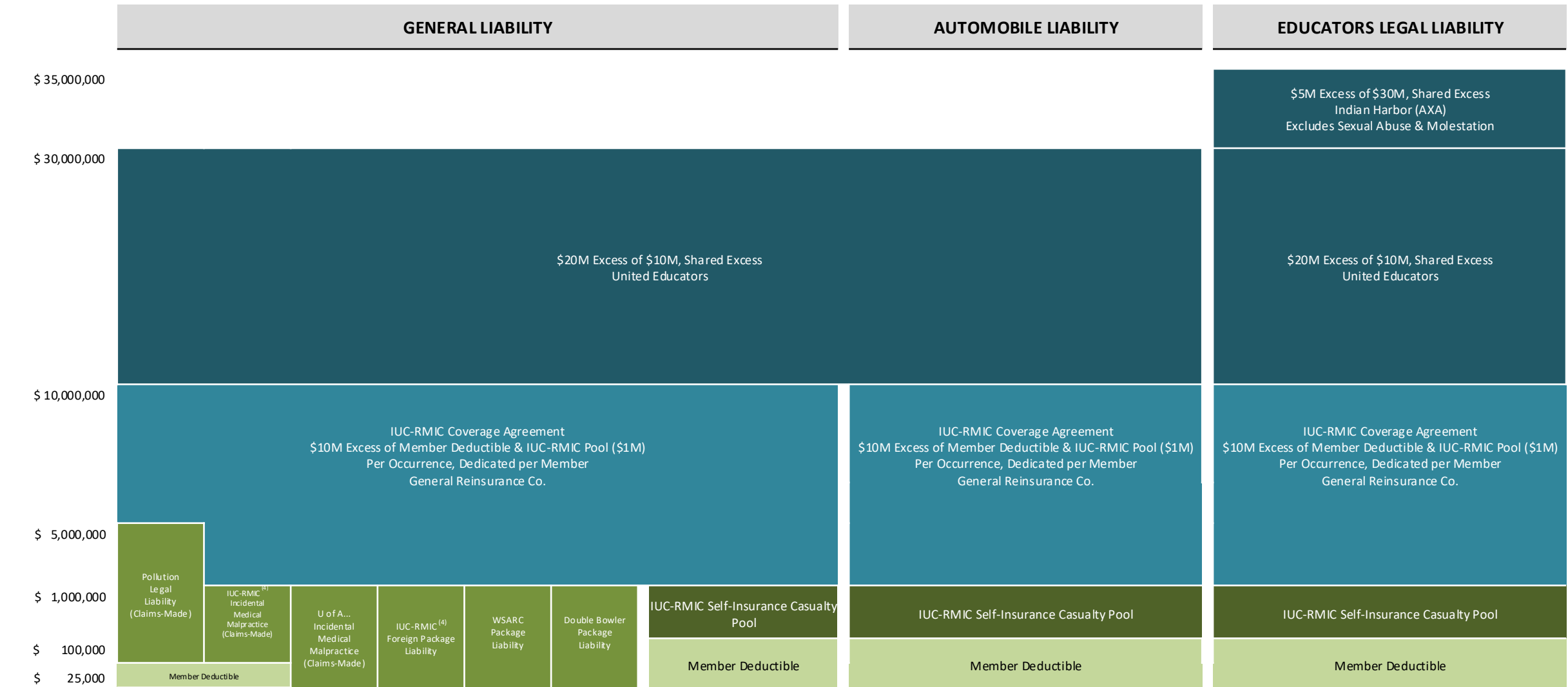


Source: The Council of Insurance Agents & Brokers

Typical University Group Casualty Program*

Group Casualty Program

July 1, 20xx to June 30, 20xx



* For example purposes only

University Group Casualty Program*

Group Property Program						
July 1, 20xx to June 30, 20xx						
	PROPERTY PROGRAM				Base Deductibles (see below)	CAT Deductibles (see below)
\$1,500,000,000	\$400M Excess of \$1.1B Per Occurrence, Shared with All Members Chubb (Bermuda) - 100%			Policy Limit	Insurance	Insurance
\$1,100,000,000	\$500M Excess of \$600M Per Occurrence, Shared with All Members					
	Chubb (Bermuda) - 50%	Zurich - 50%				
\$600,000,000	\$500M Excess of \$100M Per Occurrence, Shared with All Members			Various		
	Lexington (AIG) - 50%	Zurich - 50%				
\$100,000,000	\$100M Excess of Member Deductible & RMIC Pool (2) Per Occurrence, Dedicated per Member subject to various Subliimits including Flood			\$1,000,000	RMIC Self-Insurance Pool (Capped)	
	Lexington (AIG) - 50%	Zurich - 50%				
\$350,000	RMIC Self-Insurance Pool (refer to diagrams to the right) \$250,000 per Occurrence for Base Deductibles subject to a \$700,000 Annual Aggregate Applicable Losses between \$100,000 to \$350,000 erode the \$700,000 Annual Aggregate			\$350,000	RMIC Self-Insurance Pool	Member Deductible
\$100,000	Member Deductible			\$100,000	Member Deductible	

* For example purposes only

Determining Deductibles & Self-Insurance Levels

Organizations determine deductibles and self-insurance levels by balancing expected losses, premium savings, financial capacity, and volatility.

Step 1: Analyze Historical Losses

Frequency, severity, trends, and outliers

Step 2: Forecast Expected Losses

Actuarial modeling and broker projections

Step 3: Compare Risk vs Cost

Premium savings vs retained volatility

Step 4: Assess Financial Capacity

Liquidity, reserves, and cash flow

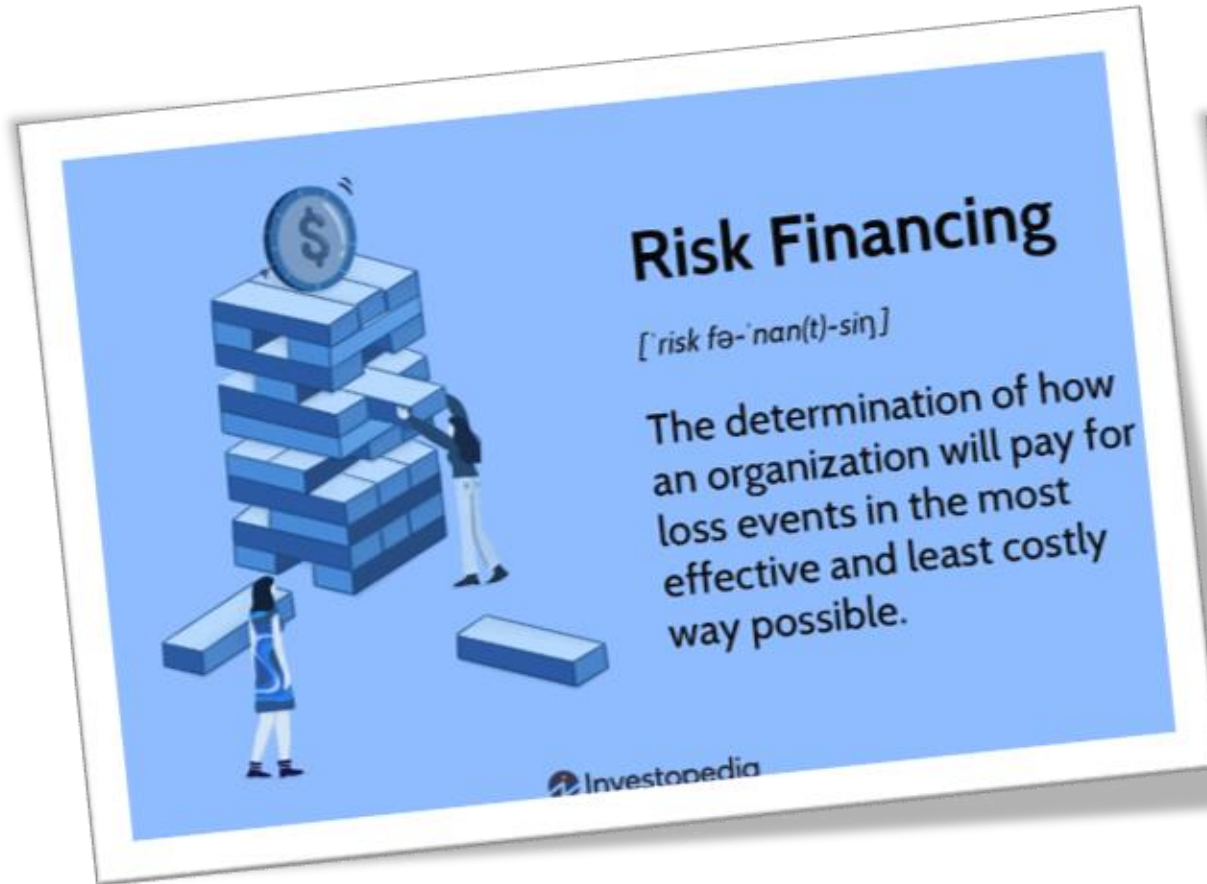
Step 5: Retain Predictable Losses

Insure catastrophic exposures

Step 6: Monitor & Adjust

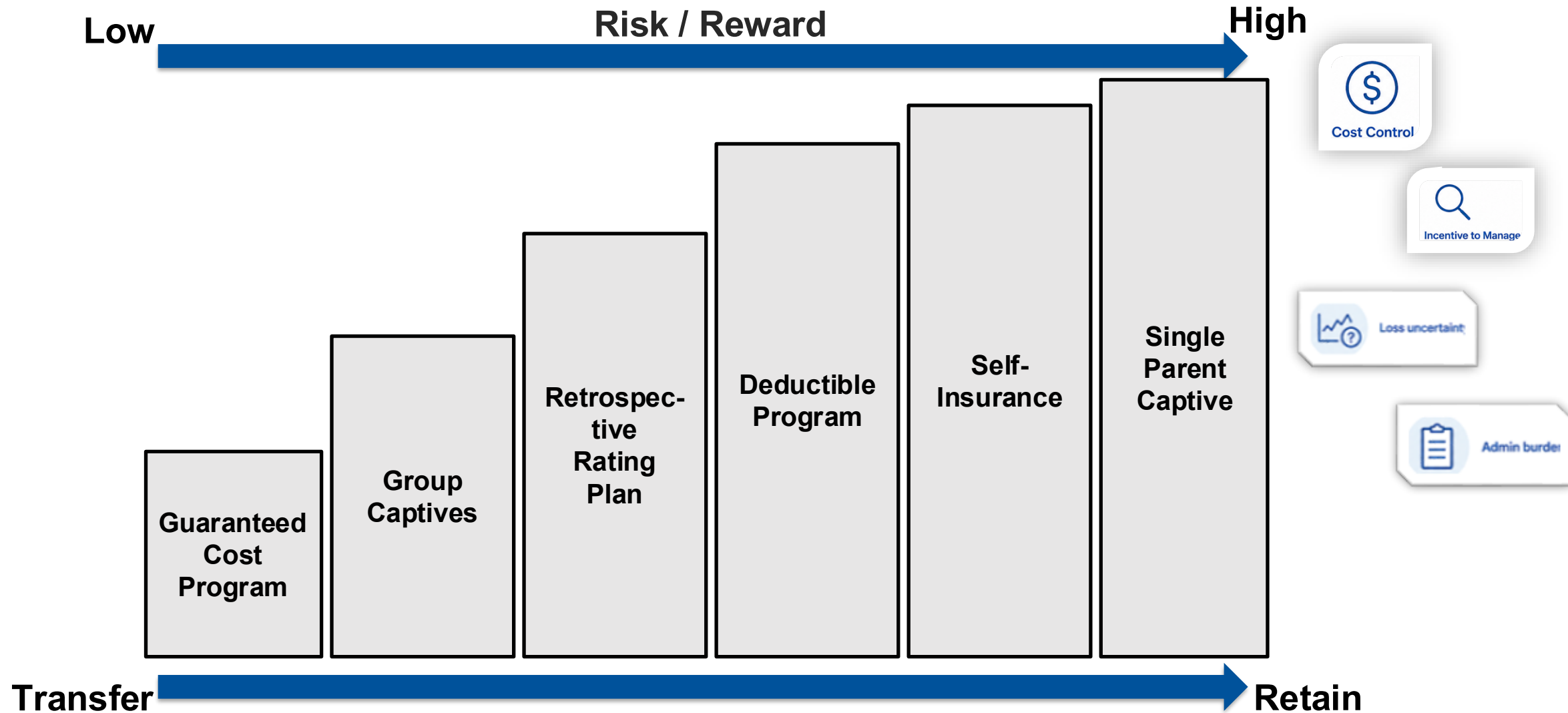
Review annually and refine allocations

Step 4: Implement Risk Treatment Techniques Using Risk Financing & Alternative Risk Financing



Risk Financing Continuum

Increasing retention generally requires greater financial strength and risk management maturity.



Organizations moving further right on the continuum assume greater retained risk in exchange for potential cost savings and financing flexibility.

Comparing the Structures

Structure	Retention Level	Key Feature
Guaranteed Cost	Low	Fixed premium; insurer assumes most risk
Group Captive	Moderate	Shared ownership and pooled risk diversification reduces individual volatility
Retro Plan	Moderate	Premium adjusts based on actual losses - insurer pays claims - insurer administers program - premium adjusts later based on experience
Deductible Program	Higher	Organization directly pays retained losses - organization is directly paying losses - cash flow volatility increases - liquidity requirements increase - claims management involvement increases
Self-Insurance	Very High	Organization funds most losses internally
Single Parent Captive	Highest	Formal insurance company owned by organization

Guaranteed Cost Insurance

Fixed
Premium

Guaranteed cost insurance is a traditional insurance arrangement in which the insured pays a fixed premium and the insurer assumes most of the financial risk.

Advantages

- **Predictable insurance costs**
- **Minimal retained financial risk**
- **Simplified budgeting** and cash flow
- Claims administration handled by insurer
- Suitable for **smaller institutions**

Disadvantages

- **Limited control over claims** management
- **Less opportunity for cost savings**
- **Premiums** may **rise** during **hard markets**
- No participation in underwriting profits
- **Less flexibility** than alternative financing

Most Risk Transferred to Insurer



Key Takeaway: Guaranteed cost insurance provides predictable costs and broad risk transfer, but offers less flexibility and fewer long-term cost-saving opportunities.

Group Captives



Group
Captive

A group captive is an insurance company owned by multiple organizations that pool risks together to finance losses collectively.

Advantages

- Potential **long-term cost savings**
- Greater **control over claims and risk management**
- Possible **return of underwriting profits**
- **Shared risk and reduced volatility**
- Encourages **strong safety culture**

Disadvantages

- **Shared exposure** to other members' losses
- **Capital and collateral requirements**
- Governance and coordination **complexity**
- Potential for **additional assessments**
- Increased **administrative demands**

Key Takeaway: Group captives allow organizations to share risk, gain greater control over insurance costs, and participate in underwriting results.

Examples:

- **United Educators (UE)** is a member-owned group captive insurance company
- **The Midwestern Higher Education Compact (MHEC)** is an interstate organization that helps Midwestern states collaborate to improve higher education access, affordability, and quality through shared programs and cost-saving initiatives.
- **VMC Indemnity Company (VMCIC)**, functions as a captive insurer for the University of Vermont Health Network's medical malpractice and liability exposures.

Retrospective Rating

Premium
Adjusts

Retrospective rating is a commercial insurance arrangement in which the **final premium is adjusted based on the insured's actual loss experience** during the policy period.

Advantages

- Potential for **lower long-term insurance costs**
- Encourages **strong loss prevention** efforts
- **Premium reflects actual loss** experience
- Maintains insurer claims expertise
- **Greater flexibility** than guaranteed cost programs

Disadvantages

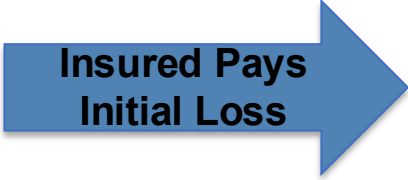
- **Premium uncertainty** and **cash flow volatility**
- **Poor loss experience increases final premium**
- **More complex administration** and calculations
- **Requires strong claims and safety management**
- **Less predictable** budgeting

$$\text{Final Premium} = \text{Basic Premium} + \text{Actual Losses}$$

Key Takeaway: Retrospective rating links insurance cost directly to loss experience, creating incentives for effective risk management while increasing premium variability.

Deductible Plan

Insured Pays
Initial Loss



A deductible plan is an insurance arrangement in which the insured retains losses up to a specified deductible amount before insurance coverage applies.

Advantages

- **Lower insurance premiums**
- Encourages **active risk management**
- **Retains predictable losses** internally
- **Maintains catastrophic** protection
- **Greater flexibility** than guaranteed cost plans

Disadvantages

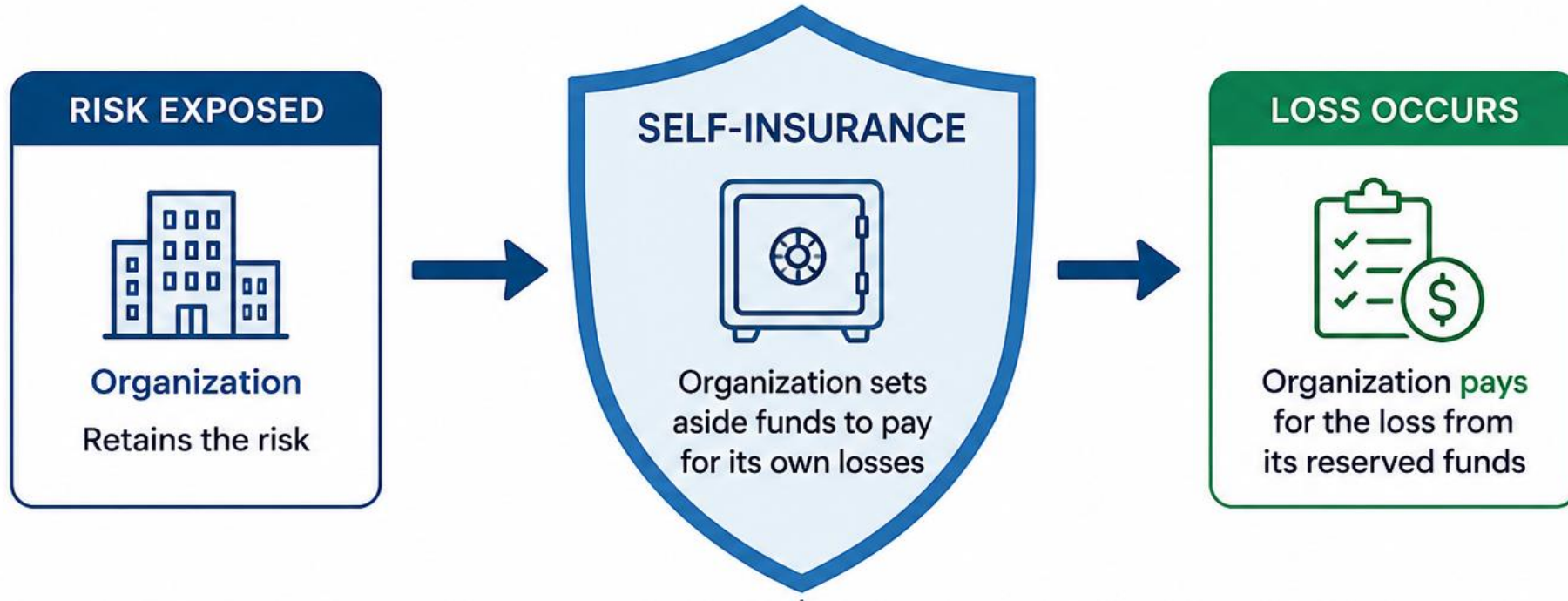
- **Greater retained financial risk**
- Potential **cash flow volatility**
- Requires **strong liquidity**
- More **internal claims oversight**
- **Poor loss experience increases retained costs**

Higher deductibles generally reduce up-front premium cost.

Key Takeaway: Deductible plans reduce insurance premiums by retaining predictable losses while preserving insurance protection for severe or catastrophic events.

Self-Insurance

The organization retains the risk and pays for its own losses.



Self-Insurance

Quick Note:

- The term “***self-insurance***” is often used informally whenever an organization retains any loss amount, such as through a deductible. ***However, self-insurance is actually a distinct method of risk financing.***
- **Typical Structure:** retain small predictable losses and insure/transfer large catastrophic losses
- **Decision factors:** liquidity & cash flow • financial strength • predictability of losses • risk appetite • administrative capability

Self-Insurance

Retain
Losses

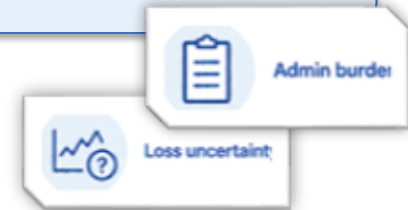
Self-insurance is a **formal risk financing strategy** in which an organization **retains and funds predictable losses internally** while **purchasing insurance for catastrophic exposures**.

Advantages

- Potential **long-term cost savings**
- **Greater flexibility** in funding losses
- Encourages **strong loss prevention**
- **Improved cash flow** management
- **Reduced dependence on insurance markets**

Disadvantages

- **Greater retained financial risk**
 - requires **strong liquidity and reserves**
- Potential **cash flow volatility**
- **Administrative and claims management** burden
- Potential **state regulatory filings**, compliance & reporting obligations, actuarial reserve documentation
- **Poor loss experience directly impacts finances**

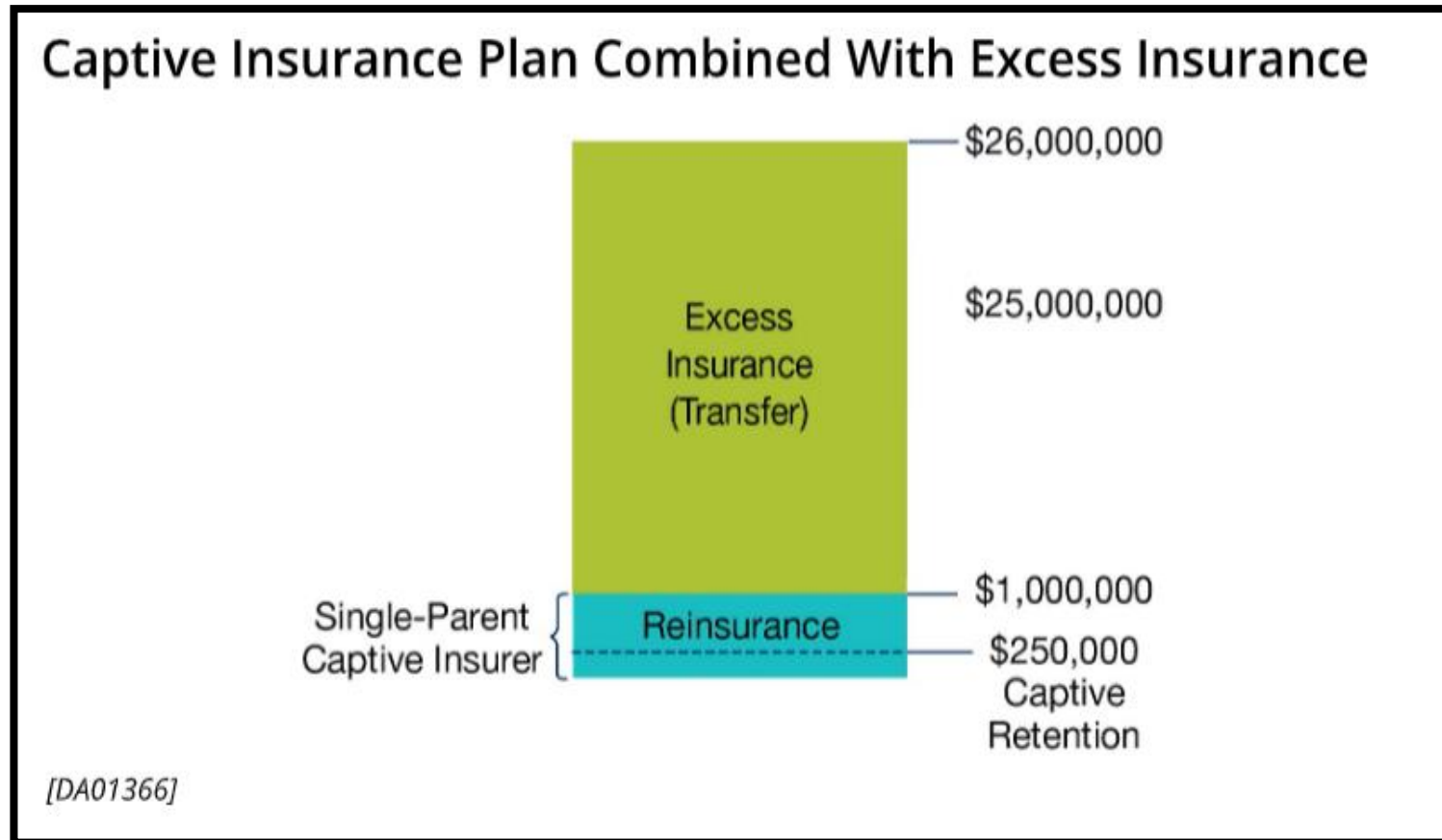


Organizations often retain predictable losses and insure catastrophic exposures.

Key Takeaway: Self-insurance increases control, flexibility, and potential cost savings but requires strong financial discipline and effective risk management.

Single Parent Captive

*An organization that's willing to **retain a significant share of its own losses in exchange for greater flexibility** can form its own subsidiary insurer to address its risk financing needs.*



Single Parent Captive

Single
Captive

A single parent captive is an insurance company owned by one organization that finances and manages its own risks.

Advantages

- Potential **long-term cost savings**
- **Maximum control over claims and risk management**
- **Customized coverage** and financing structure
- Possible **underwriting and investment income**
- Improved **cash flow flexibility**
- Potential **tax and strategic benefits**

Disadvantages

- **Requires significant capital**
- Greater **retained financial risk**
- **Regulatory filings and compliance obligations**
- **Governance and operational complexity**
- Requires **actuarial and claims expertise**
- Potential **cash flow volatility**

Large universities and healthcare systems often use single parent captives to finance:

- Property
- Workers compensation
- General Liability
- Professional liability
- Cyber liability
- Employee benefits

Form own insurance company; combines retention + transfer

Key Takeaway: Single parent captives provide maximum control and financing flexibility but require substantial capital, expertise, and regulatory oversight.

Risk Financing Decision Framework

RISK PROFILE	FINANCING OPTION
Predictable / Low Severity	Retain or Self-Insure
High Frequency	Consider Deductibles
Low Frequency / High Severity	Transfer via Insurance
Strong Financial Position	Higher Retentions Possible
Limited Liquidity	Lower Retentions Preferred
Sophisticated Risk Management	Captives / Alternative Financing

As organizations move toward greater self-insurance, financial discipline, actuarial analysis, and reserve management become increasingly important.

Step 5: MONITOR & REVIEW

- I. To accurately determine its level of risk, an organization must examine the effectiveness of its current risk control measures.
- II. The organization should verify whether each measure is capable of achieving the intended level of treatment or control and whether its effectiveness can be demonstrated when required. Verification depends on the existence of records and documentation of the control's performance in relation to the risk.
- III. Control assessment can be quantitative, qualitative, or both.

Step 5: MONITOR & REVIEW

The purpose of monitor and control is to assure and improve the quality and effectiveness of process design, implementation and outcomes. Two (2) key indicators:



KPI

**Key
Performance
Indicator**

Measures how well something is being done; performance of a specific activity at a predetermined level within a specific amount of time.



KRI

**Key
Risk
Indicator**

Provides early warning to identify a potential event or exposure that may harm continuity of the activity, project or mission.

Valuable Insurance Benchmark KPIs

Key metrics used to evaluate property insurance and risk financing programs

KPI	Why Useful
Premium per \$100 TIV	Most common property insurance benchmark
Retention per occurrence	Measures financing sophistication
TCOR as % of operating budget	Strategic risk financing measure
Claims frequency	Indicates operational performance
CAT exposure concentration	Evaluates portfolio catastrophe risk
Insured value per sq ft	Assesses valuation adequacy

Benchmark KPIs help organizations evaluate insurance program performance, retention strategy, and overall total cost of risk.

Total Cost of Risk (TCOR)

Definition

- TCOR measures the full financial impact of an organization's risk management program — beyond insurance premiums alone.

Basic Formula

TCOR = Premiums + Retained Losses + Admin Costs + Risk Control Costs + Indirect Costs

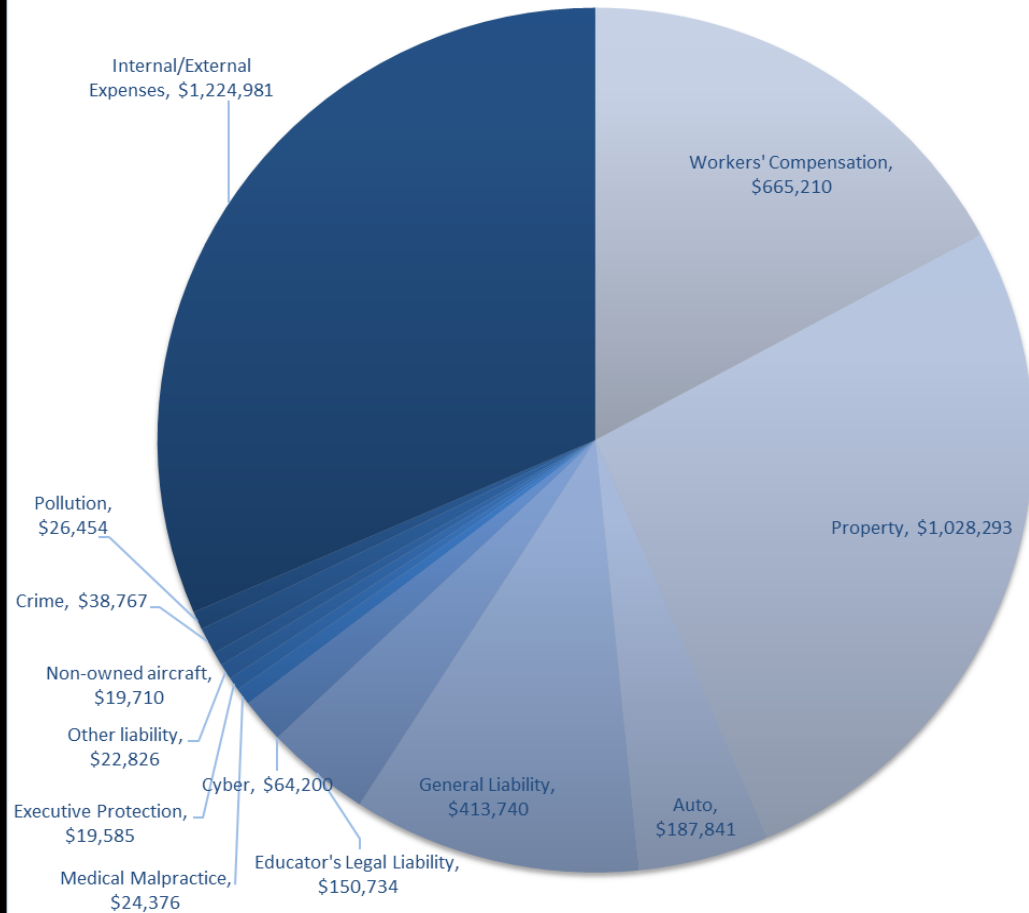
- **Why It Matters**

- Measures the true cost of risk
- Supports internal and external benchmarking & strategic decision-making
- Encourages prevention and resilience investments
- Useful KPI for boards, CFOs, and ERM reporting

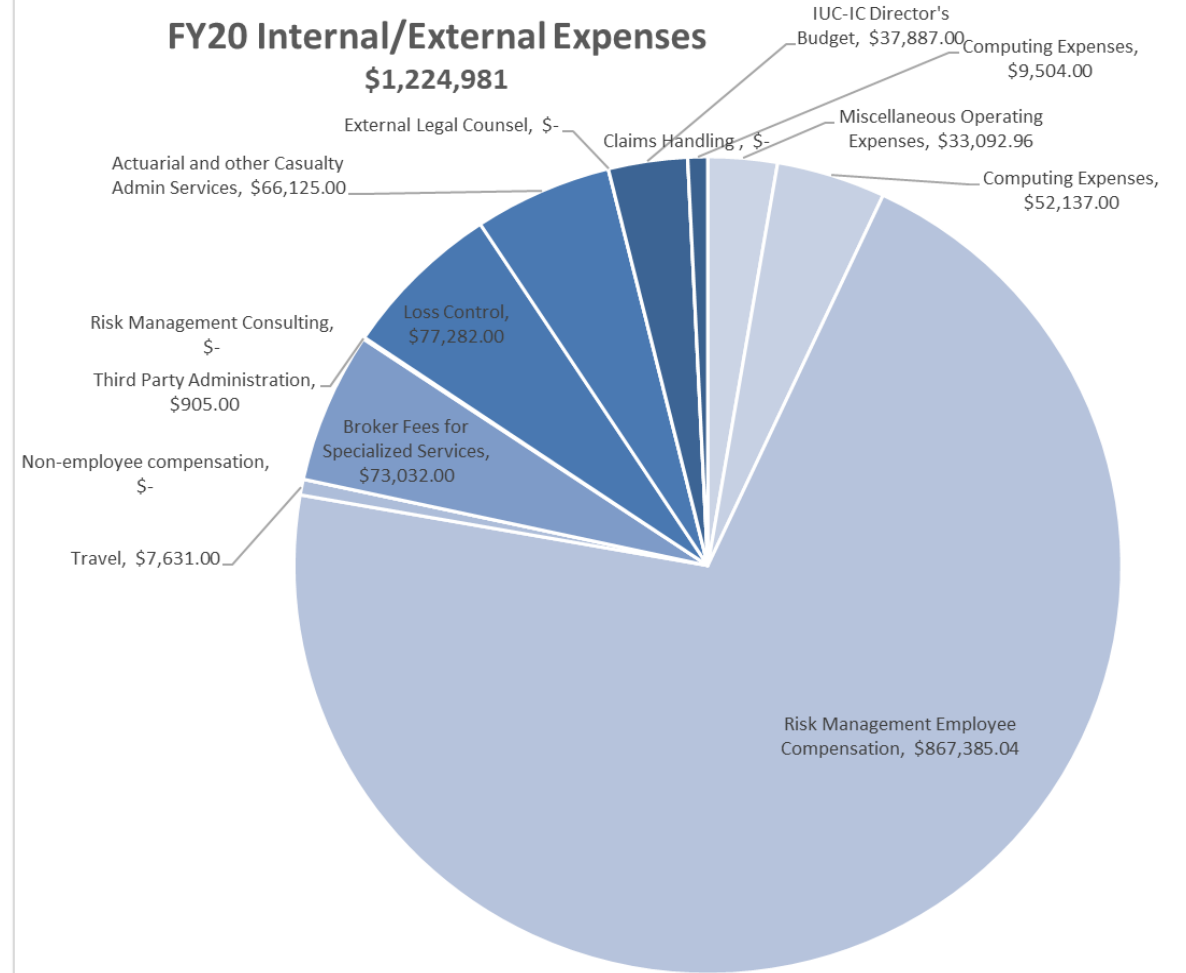
Example: \$4M premiums + \$1.2M retained losses + other admin costs (RM budget, etc.) = \$7M TCOR

TCOR as a KPI

**FY20 UC Total Cost of Risk
\$3,886,716**



**FY20 Internal/External Expenses
\$1,224,981**



Risk Appetite

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Explanation		Overall risk-taking philosophy	Willingness to accept uncertain outcomes or period to period variation	When faced with multiple options, willingness to select an option which puts objectives at risk	Willingness to trade off against achievement of other objectives
Rating	Pillars>>>	Philosophy	Tolerance for Uncertainty	Choice	Trade off
5	Open	Will take justified risks	Fully anticipated	Will choose option with highest return; accept possibility of failure	Willing
4	Flexible	Will take strongly justified risks	Expect some	Will choose to put at risk, but will manage consequence	Willing under right conditions
3	Cautious	Preference for safe delivery	Limited	Will accept if limited and heavily outweighed by benefits	Prefer to avoid
2	Minimalist	Extremely conservative	Low	Will accept only if essential and limited possibility/extent of failure	With extreme reluctance
1	Averse	"Sacred" – Avoidance of risk is a core objective	Extremely low	Will select lowest risk option always	Never

Risk Appetite

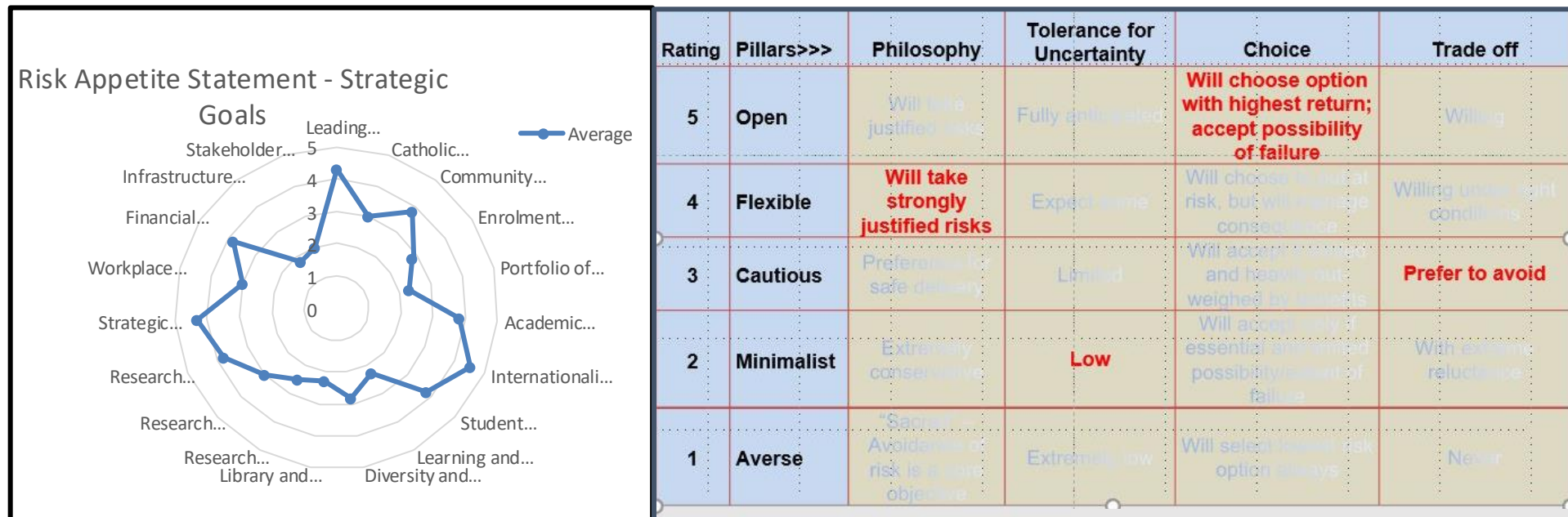
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Risk Appetite

Example:

*“In assessing our risk appetite, the University of [xxx] has an overall **risk taking philosophy** that **we will take strongly justified risks** with a **low** tolerance for uncertainty. When faced with multiple options, we **will choose options with the highest return and will accept a possibility of failure.** We **prefer to avoid** trade off against the achievement of other objectives.”*



Risk Appetite

Example:

"In assessing our risk appetite, the _____ has an overall

Institution Name

risk taking philosophy that _____

Philosophy

with a _____ tolerance for uncertainty. When faced with multiple options,

Tolerance for uncertainty

we _____

Choice

_____. We _____ trade off

Trade off

Against the achievement of other objectives."

Check Up: Session Summary:

- ✓ **Analyze** complex risk exposures and emerging risks facing higher education institutions.
- ✓ **Evaluate** strategic insurance decisions including retention levels, program structure, and alternative risk financing options.
- ✓ **Interpret** insurance market trends to inform institutional decision-making.
- ✓ **Apply** risk management principles to real-world campus scenarios including major incidents and crisis events.
- ✓ **Integrate** risk management insights into broader institutional strategy.

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Thank you!

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