

# ***“Risk Goes to College”***

Insurance for Higher Education Institutions

Pinnacle U 2019

*Commitment Beyond Numbers*



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# Agenda

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- Unique Risks & Exposures in Higher Education
- Necessary Coverages
- Emerging Industry Trends
- University Captives in action

# Risks and Exposures - Students

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- Compliance complications
  - Title IX
  - ADA
  - FERPA
- Fraternity/Sorority Hazing
- Study Abroad
- Diseases

# Risks and Exposures - Athletics

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- Concussions/CTE in national spotlight
- La Salle University paid out \$7.5M in 2009 lawsuit
- Not limited to football:

Men's Sport	Once	Multiple
Wrestling	19.5%	8.2%
Football	17.9%	9.5%
Ice Hockey	18.6%	7.1%
Lacrosse	17.8%	7.8%

Women's Sport	Once	Multiple
Ice Hockey	20.9%	8.3%
Field Hockey	15.2%	6.0%
Soccer	13.9%	7.1%
Lacrosse	14.3%	6.2%

# Risks and Exposures - Athletics

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- College athletes also face “non-traumatic” hazards
  - University of California paid \$4.75M after Ted Agu’s death in 2014
- Title IX lawsuits regarding women’s sports

# Risks and Exposures - Faculty

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- Lawsuits from faculty
  - Discrimination based on
    - Gender
    - Race/National Origin
    - Age
  - First amendment infringement
- Lawsuits against faculty
  - “Duty to Defend”

# Risks and Exposures - Property

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- Buildings
  - Large populations in a small area(dorms, educational buildings)
  - Singular disasters can cause huge losses to a school
- Labs/research centers can have high value equipment
- Many buildings have high concentration of electronics
- Special Events
  - Coverage provided by TULIP
  - <https://tulip.ajgrms.com/>

# Risks and Exposures - Data

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- 604 universities had data breach from 2005-2017
- Larger, financially strong institutions breached more frequently
- Hackers can target many universities at once



# Risks and Exposures - Other Exposures

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- Hospitals
- Museums
- Admissions practices
- Automobiles
- Libraries/rare books

# Necessary Coverages

## Students, faculty, and athletics

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- **Loss-of-value Insurance**
  - Some schools protect their athletes from future contract value loss due to injury
- **Personal Property**
  - Some schools offer protection for dorm residents
  - Floods, theft, and fire can cause huge damage
- **Faculty**
  - Some schools offer personal property insurance to faculty
  - Some schools such as Rochester IT protect faculty from damage to university property while under their care

# Necessary Coverages

## University Property

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- Buildings
  - Dorms are full of people and personal property
  - A single fire could cause severe damages
  - New labs, expensive materials, large buildings
- Equipment
  - Theft is fairly common among universities
  - Things break, especially expensive things such as computers, lab tools, relics, electronics
  - Princeton covers all university property, sometimes charging a \$1000 deductible on very expensive items

# Other Coverages

## Miscellaneous

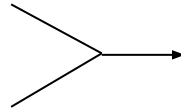
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- Intellectual Property
  - University research sold
  - Private information shared
- Depreciation
  - Sometimes written off, sometimes covered
  - Especially with an abundance of small items, costs can build up
  - Furniture, paint, structure, repairs, department costs
- Public Liability
  - Some things happen on a campus that cannot be prevented
    - Crime, lawsuits, and unexpected costs occur no matter what

# Industry Trends in Higher Education

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- Self-Insured Funds (Healthcare)
- Budgeting constraints
- Growing debts in higher education
- Enterprise Risk Management
- Reputational Risk Awareness



Universities Insuring  
with Captives!



# What is a Captive?

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## Purposes

- Insurance company that finances the risks of its owners/members
- Those insured benefit from profits and vote on courses of action

## Advantages

- Underwriting Profit & Investment Income
- Access to reinsurance
- Risk distribution

## Disadvantages

- Barriers to entry/exit
- Requires additional management & resources
- Capital Adequacy

# Butler University Student-run Captive

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- Goal: Use program as learning tool, help integrate millennials into insurance industry
- Partnered with MJ Insurance with coverages beginning in 2017
- What do they currently insure?
- Projected Phases:
  - I. Provide baseline for insurance company operations
  - II. Expand lines of coverage, feasibility studies
  - III. Setting up fronting arrangement, bringing products to market

# Midwestern Higher Education Compact (MHEC)

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- Aligned in 1991 consisting of 12 member states
- Conglomerate of states' funding for various programs
  - Cyber Insurance
  - **Master Property Program**
  - MHECare Student Insurance
  - Student Exchange Programs
  - Renewable Energy

*Member States:*  
*Illinois*  
*Indiana*  
*Iowa*  
*Kansas*  
*Michigan*  
*Minnesota*  
*Missouri*  
*Nebraska*  
*North Dakota*  
*Ohio*  
*South Dakota*  
*Wisconsin*



# MHEC - Master Property Program

- Operates as group captive
- Goals
  - Provide catered coverage to members
  - Reduce then stabilize costs over time
  - Yield promising dividend returns
- \$14.7M in savings for FY 2018
- \$100B Total Insured Value
- Dividend returns
- 170+ Campuses

Dividends Distributed		
2016	\$ 1,238,582	58 eligible institutions
2015	\$ 1,779,902	58 eligible institutions
2014	\$ 2,265,008	53 eligible institutions
2013	\$ 55,951	50 eligible institutions
2012	\$ 384,048	50 eligible institutions
2011	\$ 50,900	46 eligible institutions
2010	\$ 904,469	46 eligible institutions
2009	\$ 1,360,208	47 eligible institutions
2008	\$ 1,574,787	36 eligible institutions
2007	\$ 1,863,801	37 eligible institutions
2006	\$ 3,086,806	36 eligible institutions
2005	\$ 2,576,309	36 eligible institutions
2004	\$ 1,707,865	33 eligible institutions
2003	\$ 418,294	23 eligible institutions
<b>Total</b>	<b>\$ 19,266,930</b>	

Source: Midwestern Higher Education Compact

# California State Risk Management Authority (CSURMA)

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- Comprehensive RM program across CSU campuses
  - Traditional lines
  - Athletic Injury
  - Rocketry Program
- AORMA - Supplemental program providing business coverages to non-profit auxiliary organizations
  - Various liability lines
  - Workers Compensation

# Fiat Lux - University of California System

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*“The Cadillac of University Captives” - Robert Walling*

- Formed in 2012, Domiciled in Washington DC
- 10 Universities, 280000 Employees, 375000 Students
- Casualty & liability lines primarily- since expanded to many others (28 total)
- Operates using “protective cell” style for external ownership
- 2017 CICA Outstanding Captive Award



# Enterprise Risk Management - Why now?

- Difference from Traditional Risk Management
- Commercial availability
  - Ex: Hartford, Chubb, PSIS, etc.
- “Reputational Risk”
  - Campus Climate
  - Increased Litigation
  - Academic Dishonesty
  - Student Behavior

Traditional RM	ERM
Granular, one-by-one exposure analysis	Holistic approach
Reactive	Proactive
Conventional, Focus on Mitigation and Prevention	Focus on business value and associated goals
Insured	Beyond Insurance

# Questions?

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# Thank you for your Attention

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