



Insurance | Risk Management | Consulting

2018

Higher
Education
Practice

Liability Benchmark Report



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Introduction



Gallagher's Higher Education Practice is pleased to present the results of our 2018 benchmark survey, which compares the aggregate limits of Excess Liability, Educators' Legal Liability and Cyber Liability coverage purchased by U.S.-based higher education institutions of similar sizes and characteristics. For the first time, the survey also provides benchmarking information for Fiduciary Liability coverage.

The frequency and severity of risk within higher education is in constant flux. Recent high-profile claims and the announcement of large claim settlements speak to the challenges faced by colleges and universities in answering the question, "Do we have sufficient insurance coverage?"

The peer-to-peer comparisons in this document provide insight into decisions administrators will need to make regarding the amount of coverage needed to protect your institution. Like all benchmark reports this study is just one source of information to use in answering the question, "Do we have enough coverage?" Other sources of information we encourage you to consider in making this decision are:

- Insurance carrier reports on large claims and loss trends;
- Global, national and state specific judicial and legislative developments;
- Financial and operational changes on your campus;
- Changes in your institution's claim experience;
- Individualized loss modeling; and
- Similar benchmark reports for other industry groups (healthcare, hospitality, sport franchises, etc.)

We greatly appreciate the 371 institutions who supplied their data by the November 1, 2018 cutoff date. A number of institutions provided exposure and limit information after the cutoff date and while we were able to provide those institutions with individualized benchmark reports, their data is not included in this summary report. We expect to release the next Liability Benchmark Report in 2020.

SURVEY SCOPE, STRUCTURE AND LIMITATIONS

Survey respondents self-reported data on the amount of Excess Liability (XL), Educators' Legal Liability (ELL), Cyber and Fiduciary Liability limits purchased, as of November 2018. This Liability Benchmark report is divided into five principal categories: Aggregate Data, 2-Year Community Colleges, 4-Year Public Universities, 4-Year Private Colleges and Universities and Academic Medical Centers.

In each category, we compare purchasing patterns for institutions based on enrollment size, operating budget and endowment. Endowment levels for 2-year institutions was deemed to be statistically insignificant, so those category comparisons were made only against enrollment and operating budget. It is important to note that, while institutions participating in this survey provided limit information to Gallagher, the survey did not attempt to identify the insurance companies providing coverage, the cost of coverage, sublimits that may work to reduce coverage or any other qualifications on the extent or breadth of coverage. Certain public institutions whose data is included in this report may have statutory immunity within their home state, meaning that they may currently purchase coverage that applies only to federal and out-of-state suits. No distinction was made in this report between this type of coverage and more traditional coverage.

We have noticed regional differences in insurance purchasing in earlier surveys, and have included Region as a differentiator for all categories except Academic Medical Centers. Our initial exposure survey grouped institutions in accordance with IPEDS regional definitions; however, due to low responses from certain regions, we grouped schools into four regions. The states included in each region are identified in the report.

Summary

We hope you find the 2018 Liability Benchmark report a helpful resource when comparing your institution's purchasing practices to those of similarly sized institutions. Notable trends in this year's report include;

We saw a 60% increase in the number of institutions responding to the benchmark survey when compared to 2016. If we include institutions who supplied data after the cutoff date, that number jumps to over a 70% increase.

- We saw a marked increase in the percent of public and private 4-year institutions who reported purchasing higher XL and ELL limits when compared to prior reports. The percent of institutions who reported purchasing additional limits was more than double any prior year.
- Four-year private colleges and universities lead the trend toward purchasing higher limits.
- A total of 56 4-year private colleges with enrollment under 2,000 participated in the survey. Over 30% of those institutions reported purchasing additional XL limits and just under 40% (39.29%) reported purchasing additional ELL limits.
- For 4-year private institutions, endowment levels do not appear to be as strong of an indicator of the amount of limit purchased as enrollment or operating budget. For instance:
 - A total of 39 4-year private institutions with endowment levels excess of 500M participated in the survey. Of these institutions, 56% reported purchasing 100M or more of XL coverage.
 - A total of 21 4-year private institutions with enrollment excess of 10,000 FTE participated in the survey. Of these institutions, 76% reported purchasing limits excess of 100M.
 - Of the 8 institutions with endowments excess of 1B **and** enrollment under 5,000, none purchased limits of 100M or greater.
 - Of the 19 4-year private institutions who reported having an operating budget excess of 500M, 84% purchased XL limits of 100M or more.
- Bucking the trend toward purchasing higher limits, 2-year colleges indicated very little change in XL and ELL limits purchased over the past 2 years.
- Over 40% of responding institutions indicated purchasing additional Cyber Liability limits. Based on our review of benchmark data collected for the 2016 report, we expect that roughly 40% of those institutions who reported purchasing increased Cyber limits were actually first-time buyers of Cyber Liability coverage.
- A total of 271 out of 371 institutions reported purchasing Fiduciary Liability coverage. 86 out of 162 public institutions responding reported purchasing Fiduciary coverage.

The report is organized so that you can quickly go to the section that reflects the characteristics of your college or university. The individualized report which you were sent as a respondent provides more direct peer-to-peer comparisons than we are able to provide in this summary report. If you did not receive an individualized benchmark report, please contact John McLaughlin or your Gallagher account executive.

Once again, I would like to thank the institutions who participated in this survey and submitted data. My appreciation also extends to my colleagues, the Gallagher Higher Education producers who are your brokers, for providing invaluable assistance with the collection of the information in this report. Thanks also to Kyle Held, John Watson and Elizabeth Carmichael for supporting the data collection process and reviewing and editing this document and to all my colleagues across the country in Gallagher's Higher Education Practice who assist our clients each and every day.

If you have any questions or comments regarding our 2018 Liability Benchmark Report, or suggestions on how we can improve the presentation of the information, please contact me at john_mclaughlin@ajg.com.

JOHN P. MCLAUGHLIN – SENIOR MANAGING DIRECTOR

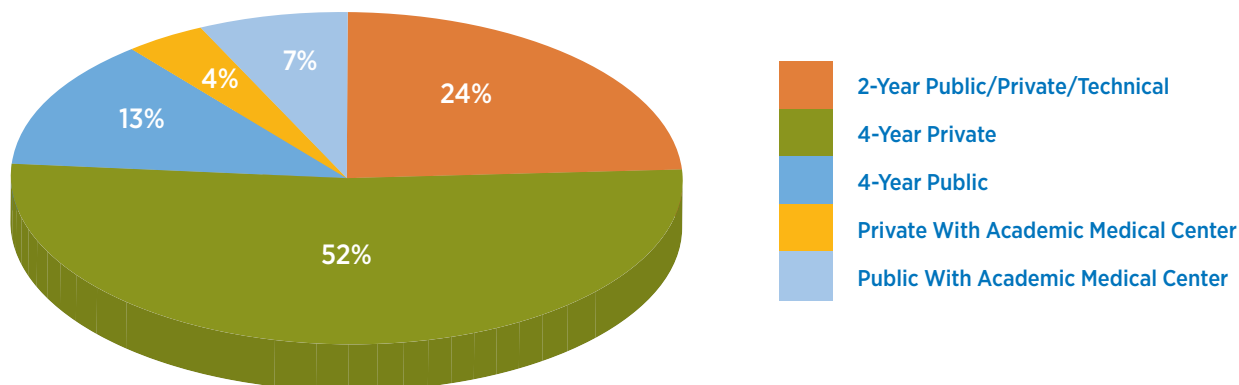
Gallagher Higher Education Practice

Arthur J. Gallagher & Co.

Aggregate Data — Type of Institution

Data sets were collected from 371 institutions: 89 community colleges, 194 private colleges and universities, 47 public universities and 41 institutions identifying as Academic Medical Centers.

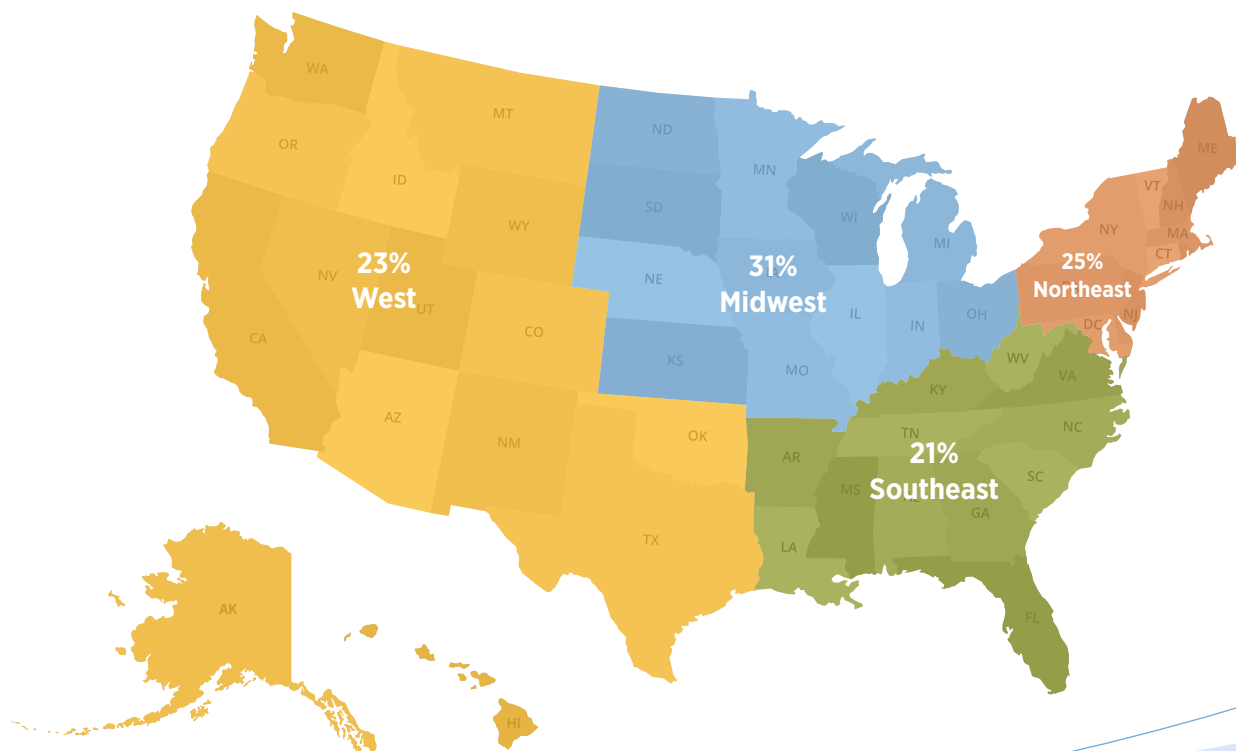
2018: INSTITUTION TYPE



Aggregate Data — Regions

We used the regional divisions utilized by IPEDS to collect regional data of respondents. This resulted in eight specific divisions, in which we had larger responses from some than from others. To protect the anonymity of respondents, we grouped the eight regions into the four illustrated below.

2018:

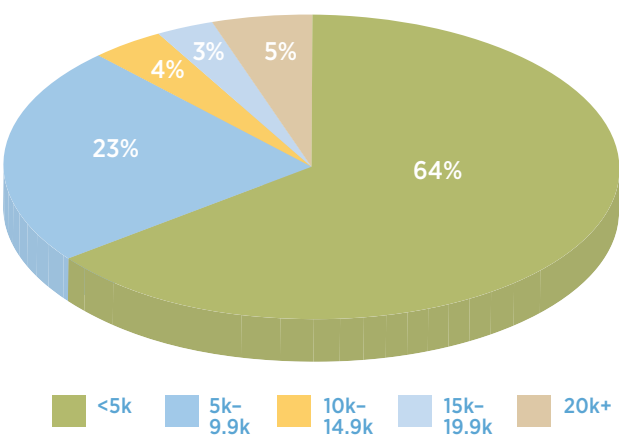
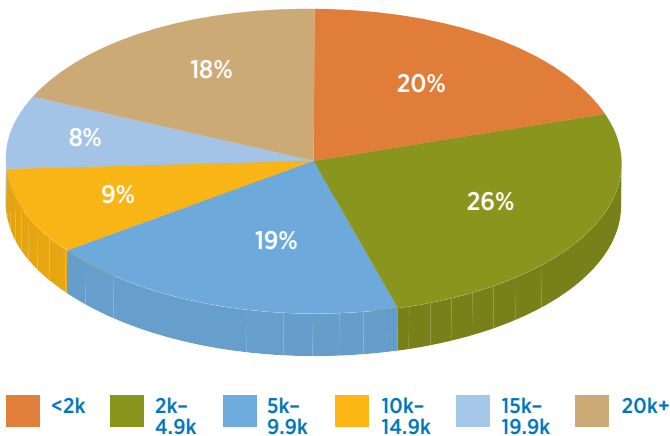


Aggregate Data — Enrollment

All participating institutions reported enrollments. We noted a marked increase in the number of institutions with enrollments in excess of 20,000 (68) participating in this year's survey.

2018: RANGE OF ENROLLMENT (FTE)

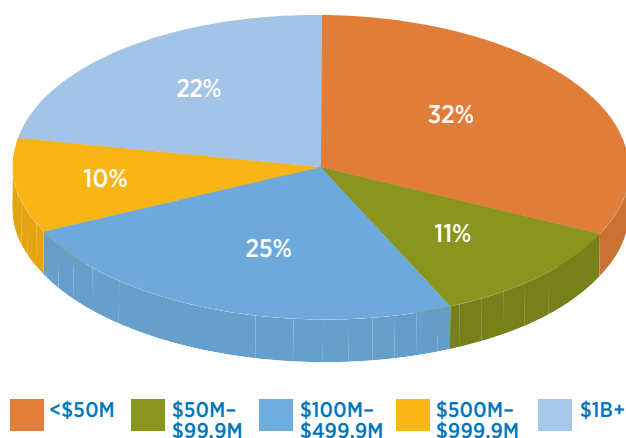
2016: RANGE OF ENROLLMENT (FTE)



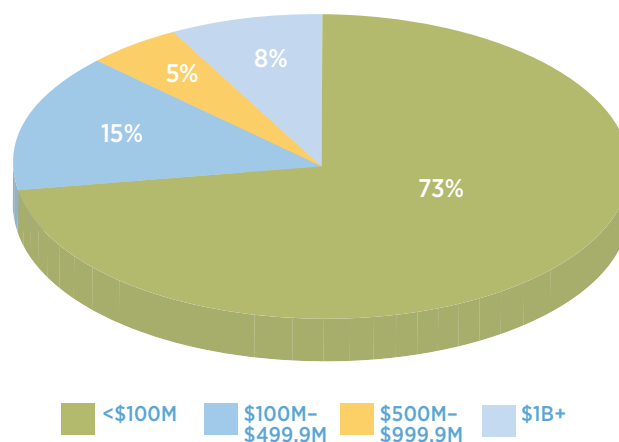
Aggregate Data — Endowment

Gallagher collected endowment data from 271 of the institutions participating in the study. Among our survey respondents, 60 institutions had endowments in excess of \$1 billion and 87 institutions had endowments of less than \$50 million.

2018: RANGE OF ENDOWMENT



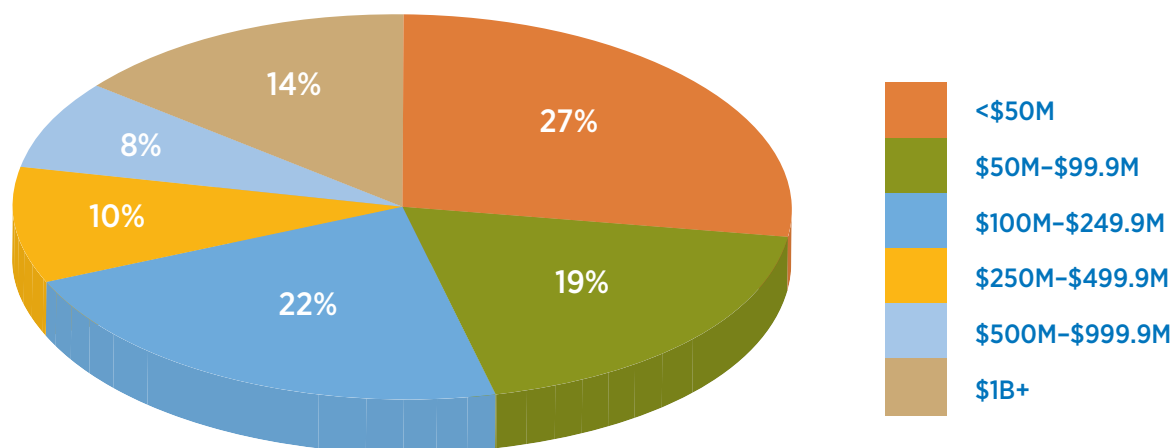
2016: RANGE OF ENDOWMENT



Aggregate Data — Operating Budget

Based on feedback from participants, we added Operating Budget as an additional point of reference from which to benchmark liability limit purchasing patterns in the 2018 report. All participating institutions reported their operating budget.

2018: RANGE OF OPERATING BUDGET

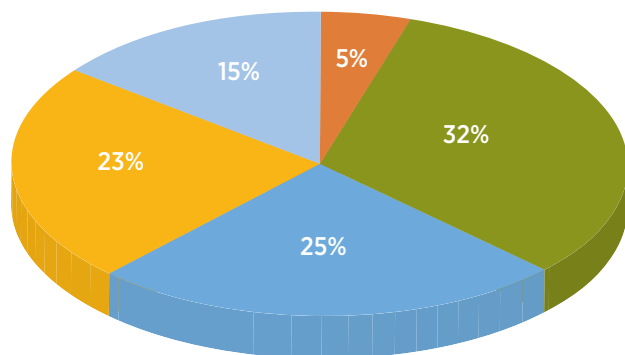


Aggregate Data — Range of XL Limits

Gallagher collected Excess Liability limits (XL) from 334 respondents and 37 respondents chose not to provide limit information. Slightly over 15% of respondents reported purchasing additional XL at some point during the past 2 years. Nearly 15% of respondents reported purchasing XL limits in excess of \$100 million in 2018, whereas only 9% of respondents reported purchasing limits in excess of \$100 million in 2016.

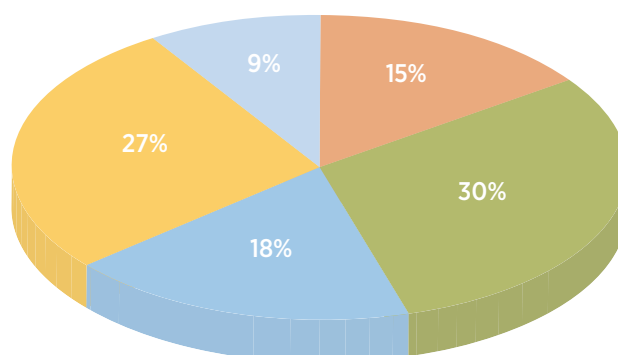
Further in the report, we examine the makeup of institutions who reported purchasing higher limits of XL coverage.

2018: RANGE OF XL LIMITS



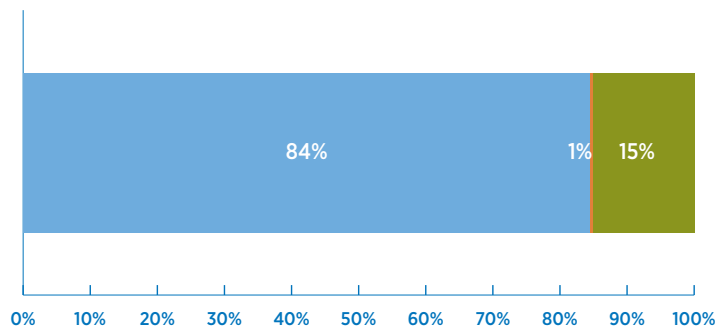
<\$5M \$5M-\$24.9M \$25M-\$49.9M \$50M-\$99.9M \$100M+

2016: RANGE OF XL LIMITS



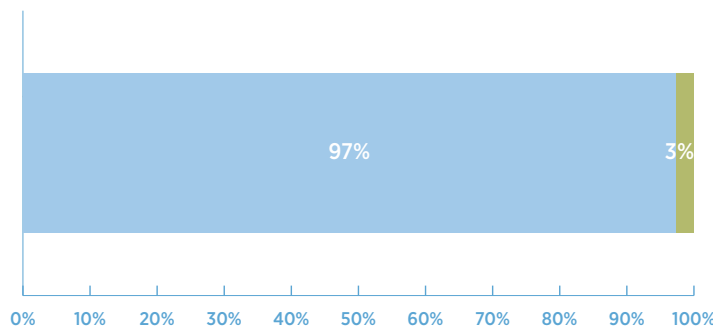
<\$5M \$5M-\$24.9M \$25M-\$49.9M \$50M-\$99.9M \$100M+

2018: CHANGES IN XL COVERAGE



No Change Decreased Increased

2016: CHANGES IN XL COVERAGE



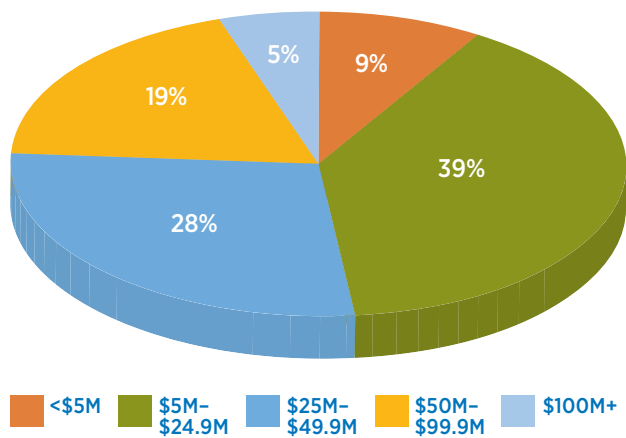
No Change Increased

Aggregate Data — Range of ELL Limits

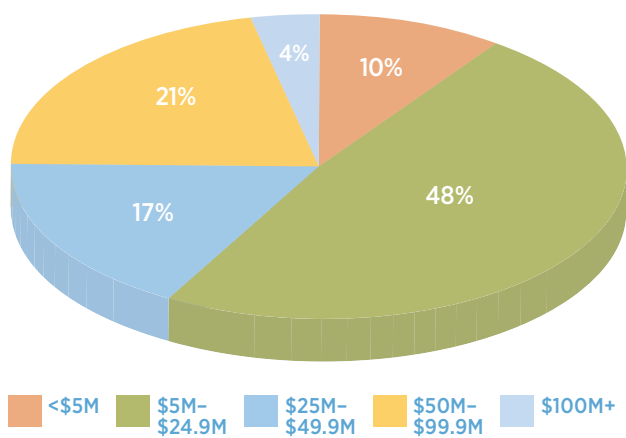
A total of 324 out of the 371 reporting institutions purchased Educators Legal Liability (ELL) coverage. A total of 75 institutions, or just over 23%, reported purchasing additional ELL limits during the past two years, while only 7% of institutions reported increasing ELL limits in the 2016 survey. We noted a marked reduction in the number of institutions purchasing limits between \$5M and \$24.9M and a corresponding increase in the number of institutions purchasing ELL limits in the \$25M to \$49.9M range.

Further in the report, we examine the makeup of institutions who reported purchasing higher limits of ELL coverage.

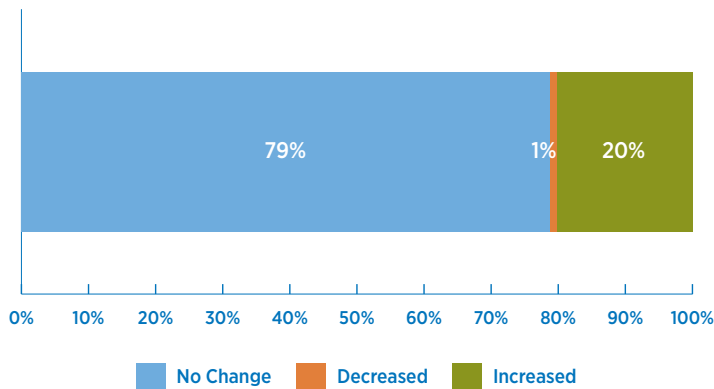
2018: RANGE OF ELL LIMITS



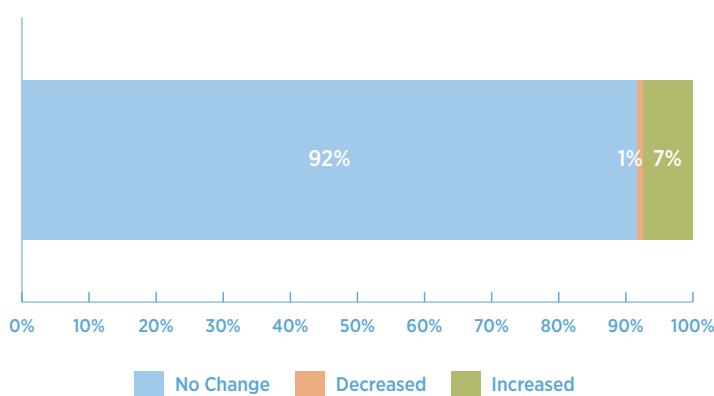
2016: RANGE OF ELL LIMITS



2018: CHANGES IN ELL COVERAGE



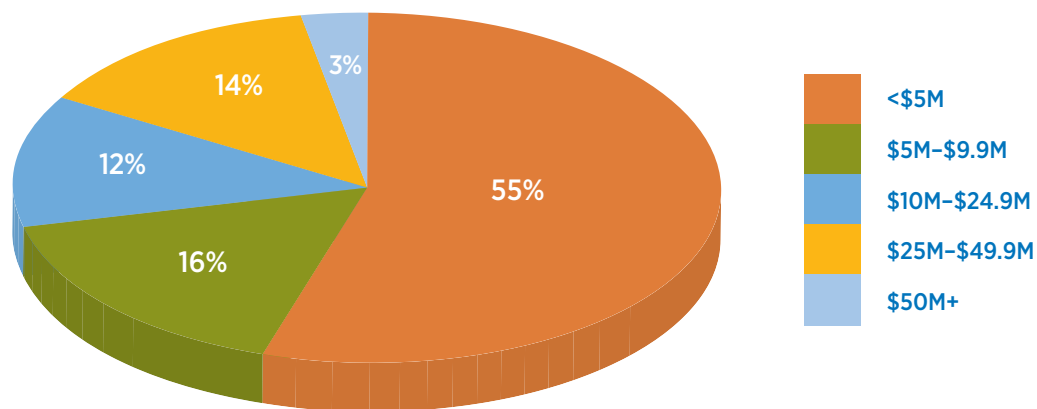
2016: CHANGES IN ELL COVERAGE



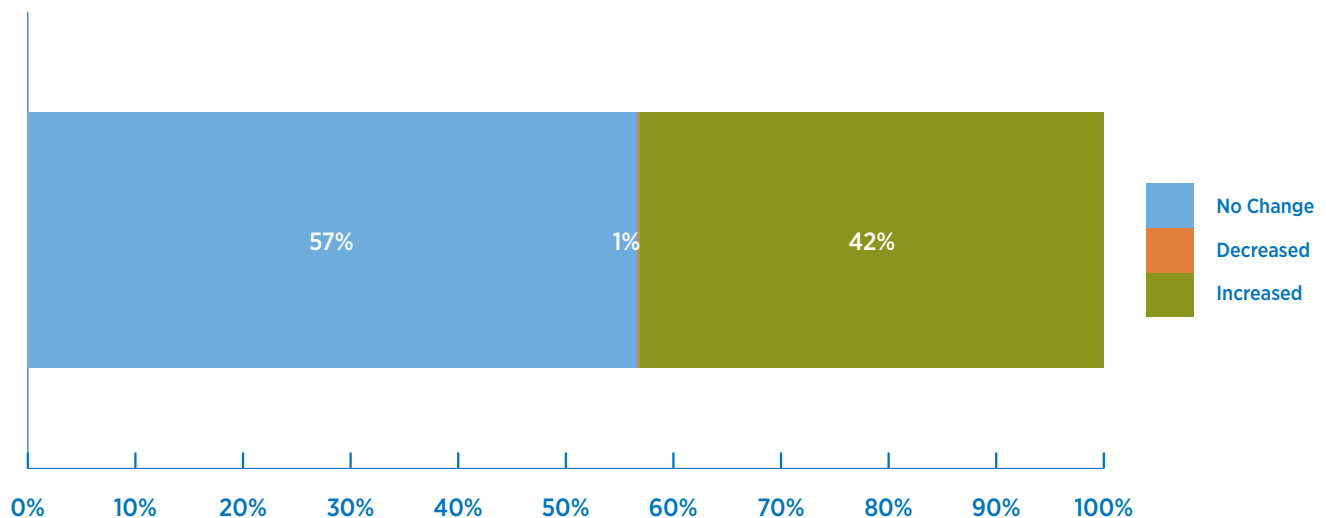
Aggregate Data — Range of Cyber Limits

A total of 313 out of 371 total respondents reported purchasing cyber liability. Over 43% of respondents increased cyber limits over the past 2 years. It was interesting to note that, while none of the participants in the 2016 survey reported purchasing cyber limits excess of \$10M, 29%, or 90 institutions, reported purchasing cyber limits in excess of \$10M.

2018: RANGE OF CYBER LIMITS



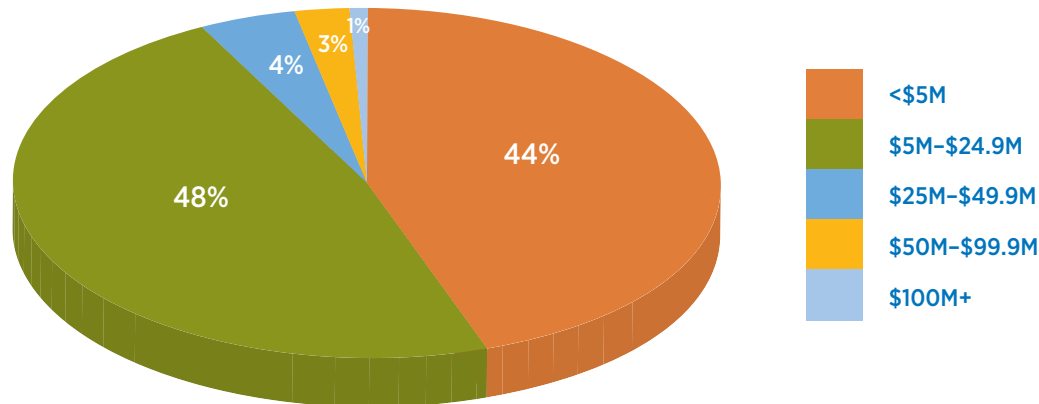
2018: CHANGES IN CYBER LIABILITY COVERAGE



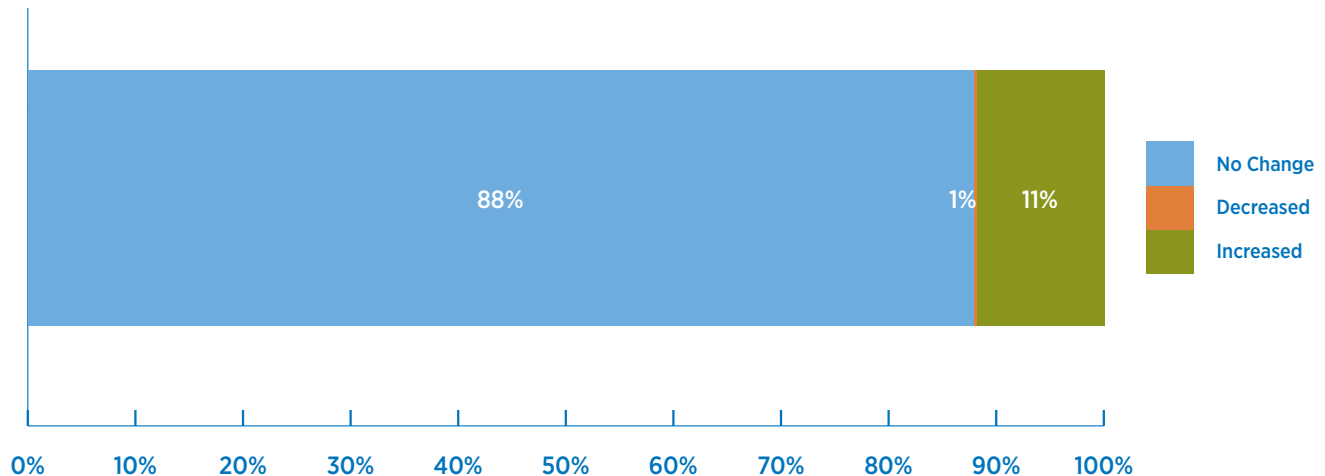
Aggregate Data — Range of Fiduciary Limits

In 2018, we began measuring purchasing patterns of Fiduciary Liability coverage. Of the 371 participants, 271 reported purchasing Fiduciary Liability Coverage. The drop in the number of respondents is attributable to a large number of public institutions participating in their state's retirement plan. A full 92% of respondents purchase less than \$25M in Fiduciary Liability coverage. Just under 12% of participants reported buying increased Fiduciary Limits during the past 2 years.

2018: RANGE OF FIDUCIARY LIMITS



2018: CHANGES IN FIDUCIARY LIABILITY COVERAGE

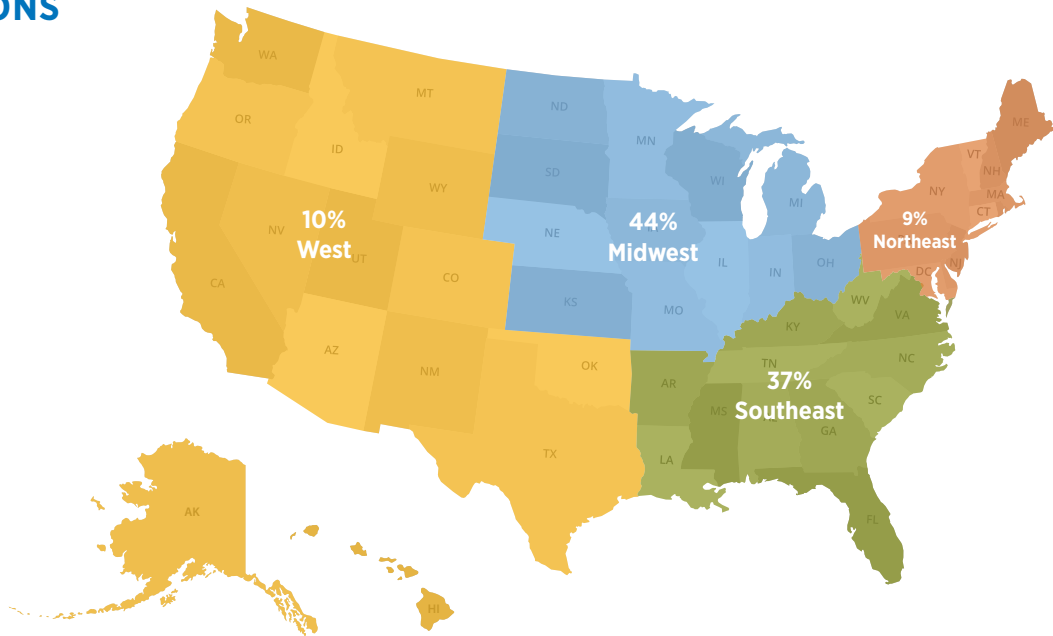


A significantly larger percentage of survey participants indicated purchasing higher limits of XL and ELL coverage than reported doing so in any previous benchmark survey. Over 20% of respondents indicated purchasing higher ELL limits. Of the 20% who reported purchasing additional ELL limits, 60% of them also reported purchasing higher XL limits. A similar, though more pronounced, pattern was noted when evaluating the 15% of institutions who reported purchasing additional XL limits. Of the 15% who purchased additional XL limits, 77% of those institutions reported purchasing additional ELL coverage. This pattern seems to suggest that institutions who made a decision to purchase additional liability coverage did so on a broad basis evaluating the need for both additional XL and ELL limits.

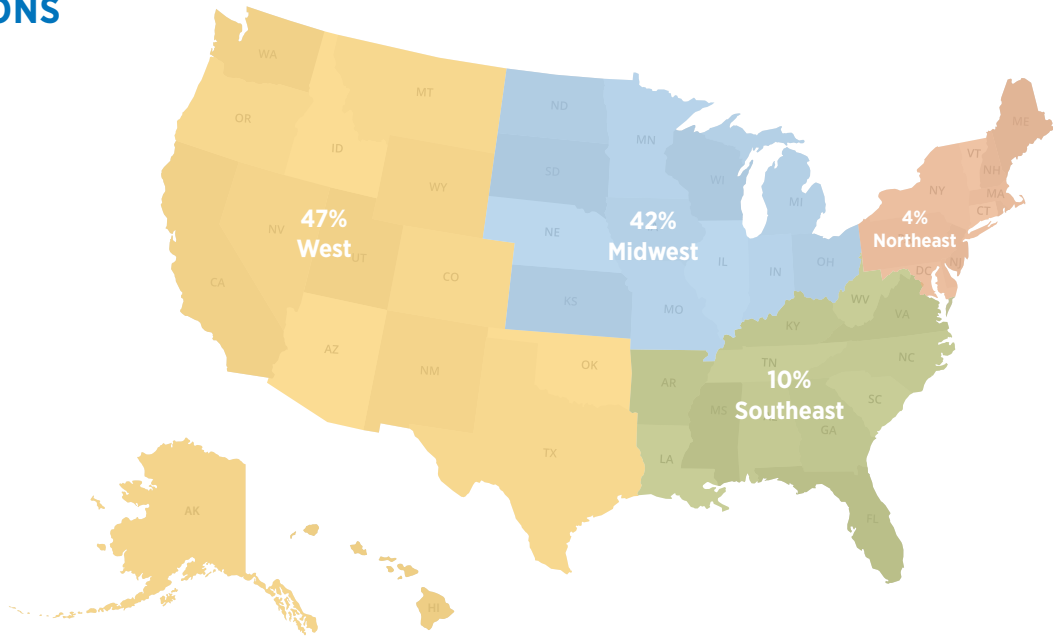
We were not surprised to find a high percentage of institutions chose to purchase additional Cyber limits over the last 2 years. While we did not specifically request this information in the survey, it appears that approximately 20% of those institutions who reported purchasing increased limits of Cyber coverage were first-time buyers of Cyber coverage.

2-Year Institutions — Regions

2018: REGIONS

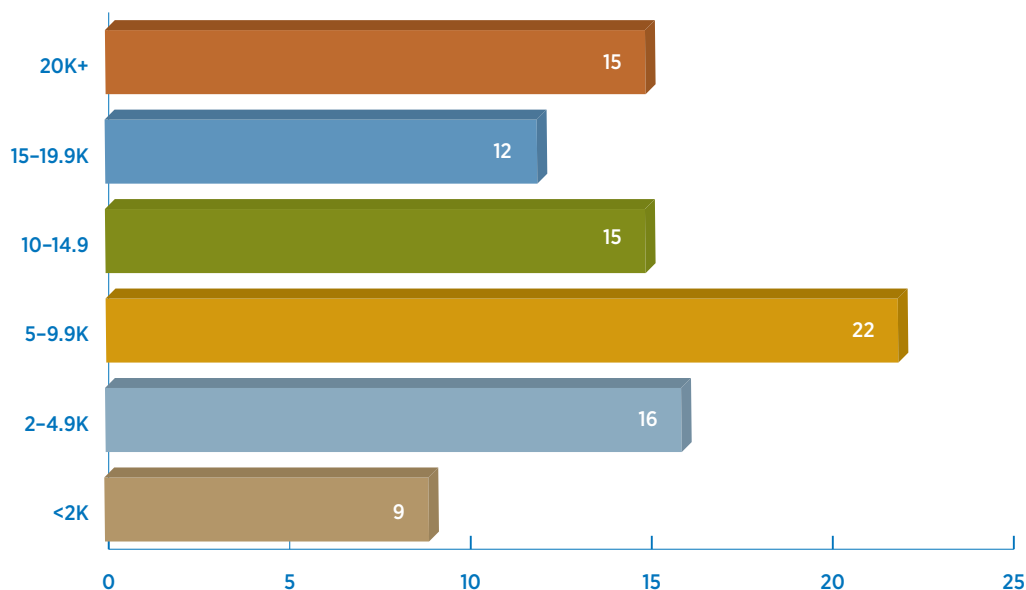


2016: REGIONS



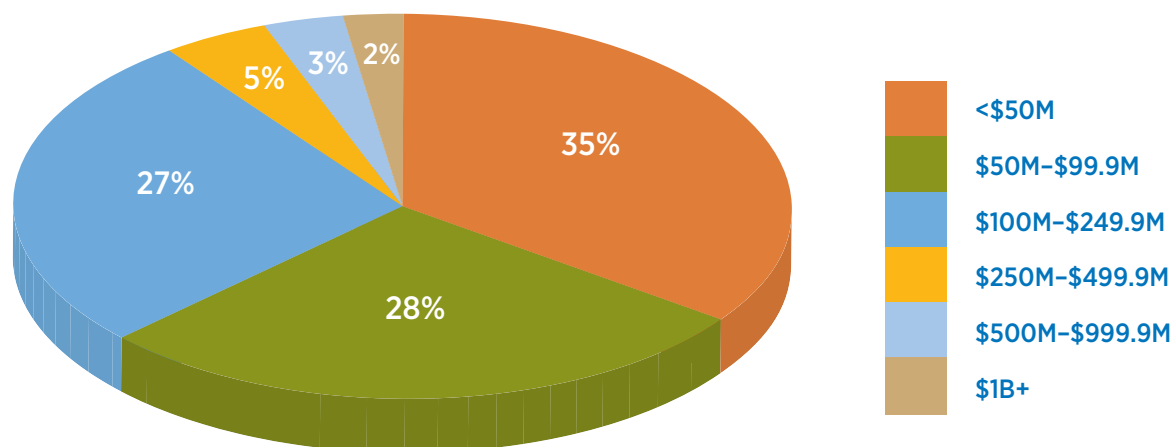
2-Year Institutions — Enrollment

2018: RANGE OF ENROLLMENT (FTE)



2-Year Institutions — Operating Budget

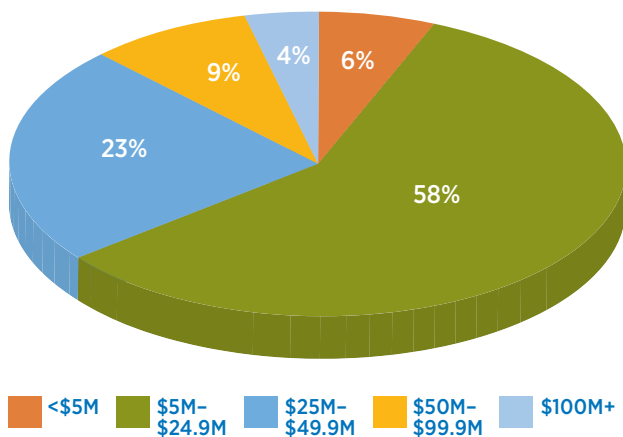
2018: OPERATING BUDGET



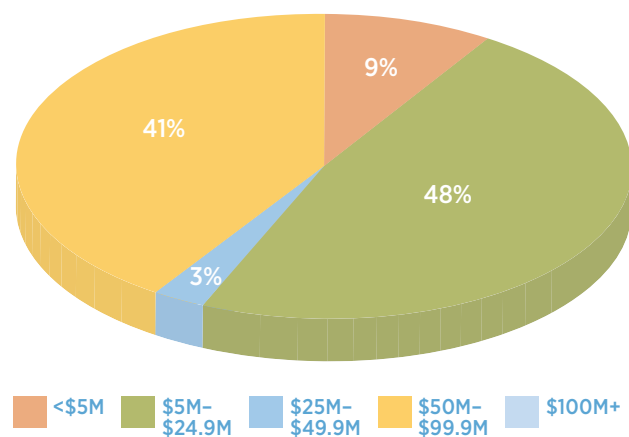
2-Year Institutions — Range of XL Limits

A total of 81 2-year institutions reported purchasing XL coverage. The most common range of XL limit purchased by 2-year institutions is \$5M to \$24.9M. Less than 4% of institutions reported increasing XL coverage during the past two years and only one institution reported reducing the amount of XL coverage purchased.

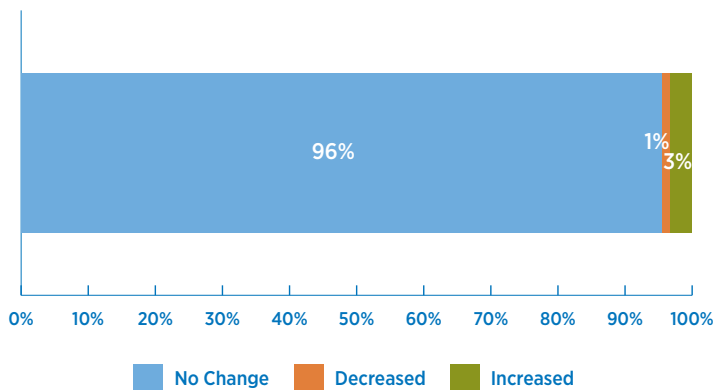
2018: EXCESS LIABILITY



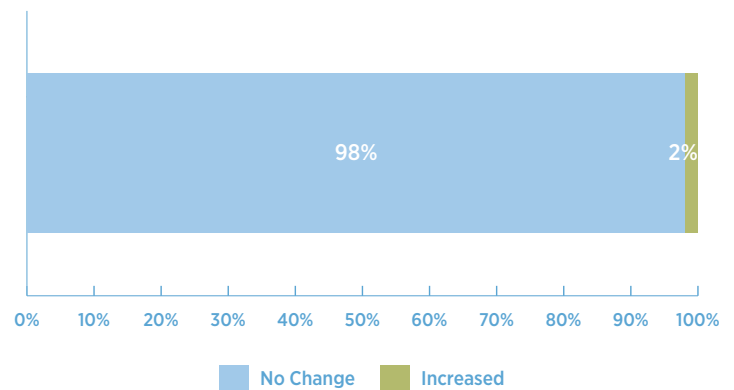
2016: EXCESS LIABILITY



2018: CHANGES IN XL COVERAGE



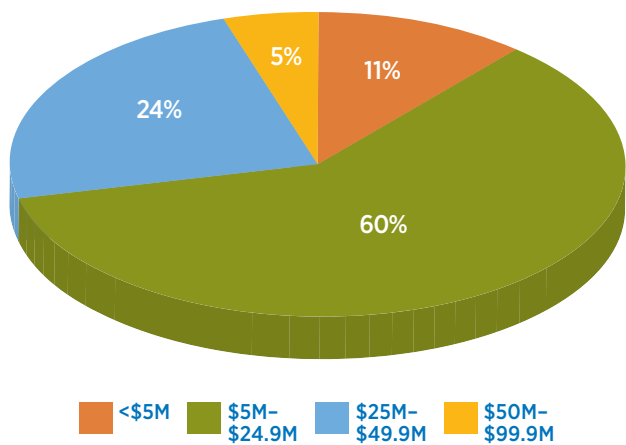
2016: CHANGES IN XL COVERAGE



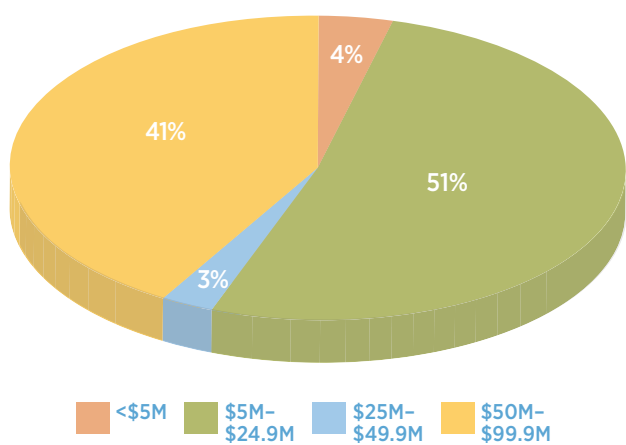
2-Year Institutions — Range of ELL Limits

A total of 80 2-year institutions reported purchasing ELL coverage. Fully 60% of institutions reported purchasing limits in the range of \$5M to \$24.9M, a 9% point increase when compared to those who reported in 2016. Two-year colleges have a much closer correlation between the amounts of XL and ELL coverage purchased compared to other types of higher education institutions. Our report shows that 81% of 2-year institutions purchased XL limits in the \$5M to \$49.9M range and 83% purchased ELL limits in the same range. We believe the close correlation between XL and ELL purchasing patterns is a result of respondent's participating in some form of group purchasing, which often finds members of the group purchasing identical limits across multiple coverage lines.

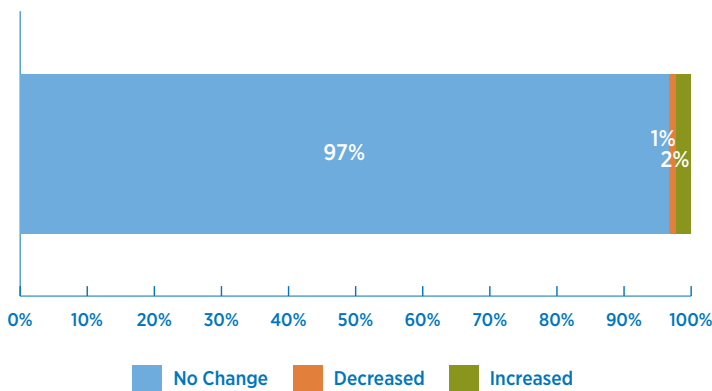
2018: RANGE OF ELL LIMITS



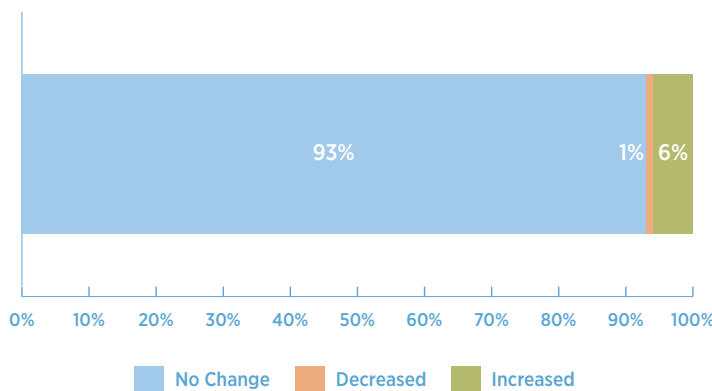
2016: RANGE OF ELL LIMITS



2018: CHANGES IN ELL COVERAGE



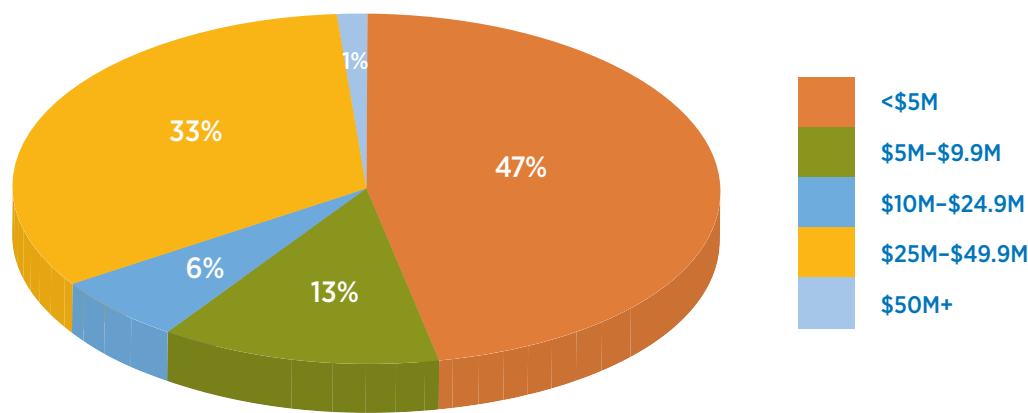
2016: CHANGES IN ELL COVERAGE



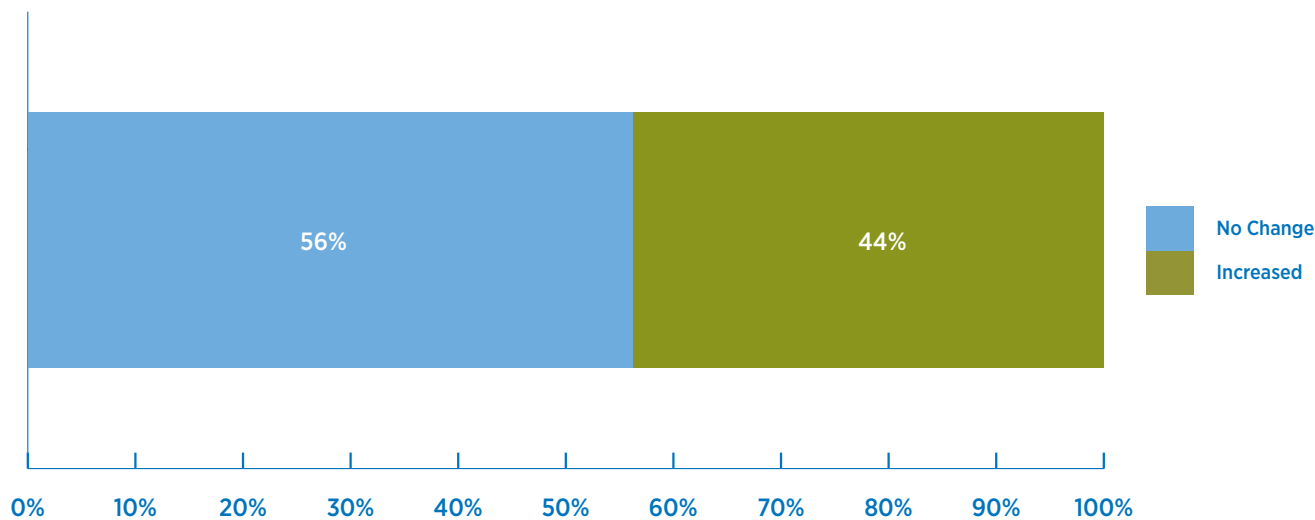
2-Year Institutions — Range of Cyber Limits

A total of 79 out of 89 responding community colleges reported purchasing Cyber Liability coverage. Of those who purchased Cyber coverage, 44% reported increasing limits over the past two years. Also, 58% of responding 2-year institutions purchase Cyber limits less than \$9.9M.

2018: RANGE OF CYBER LIMITS



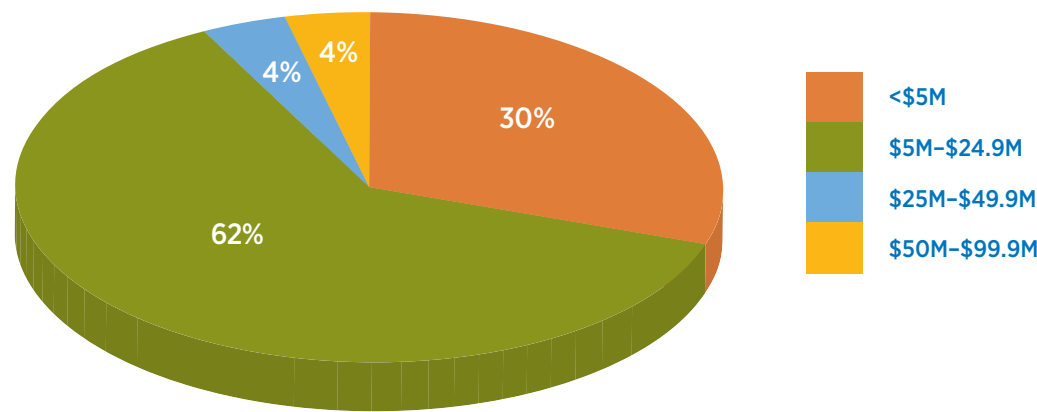
2018: CHANGES IN CYBER LIABILITY COVERAGE



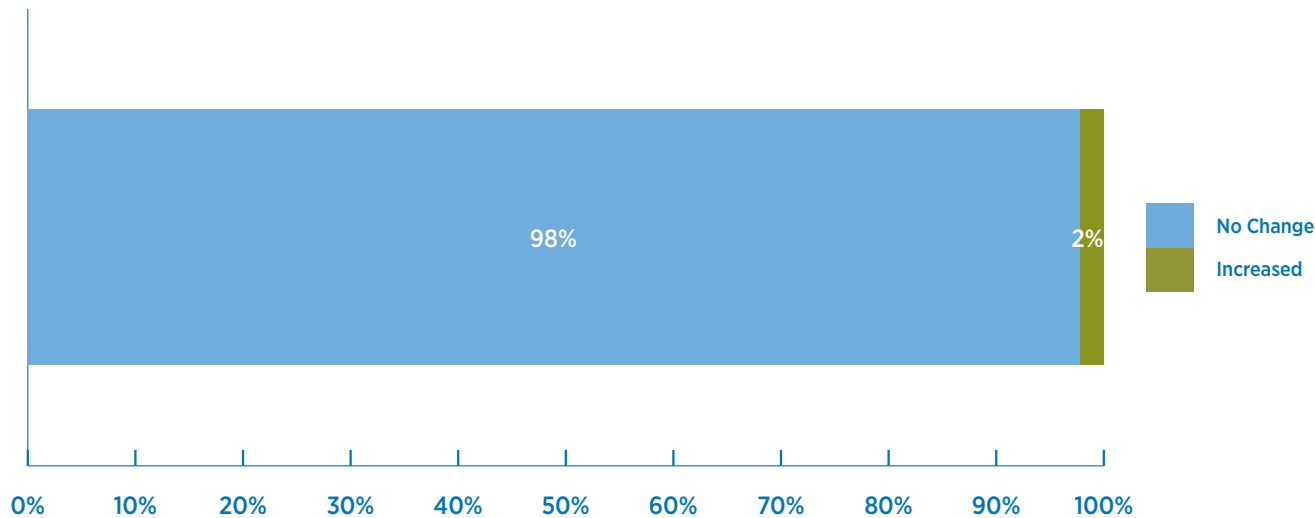
2-Year Institutions — Range of Fiduciary Limits

A total of 53 out of 89 reporting community colleges indicated they purchased Fiduciary Liability coverage. Of those institutions who purchase Fiduciary Liability coverage, 62% purchase limits in the \$5M to \$24.9M range.

2018: RANGE OF FIDUCIARY LIMITS

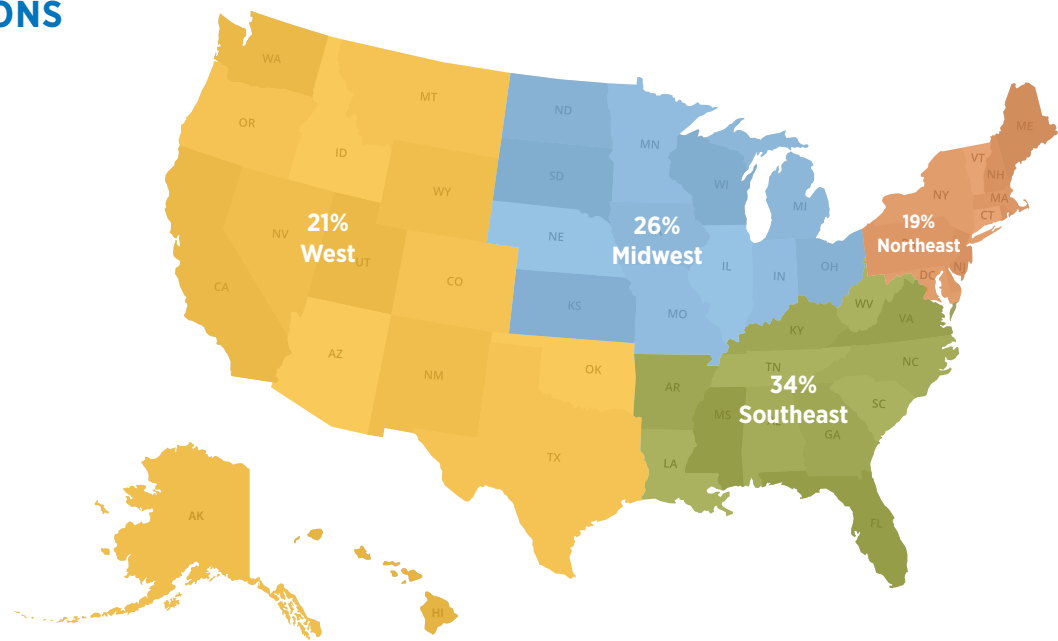


2018: CHANGES IN FIDUCIARY LIABILITY COVERAGE



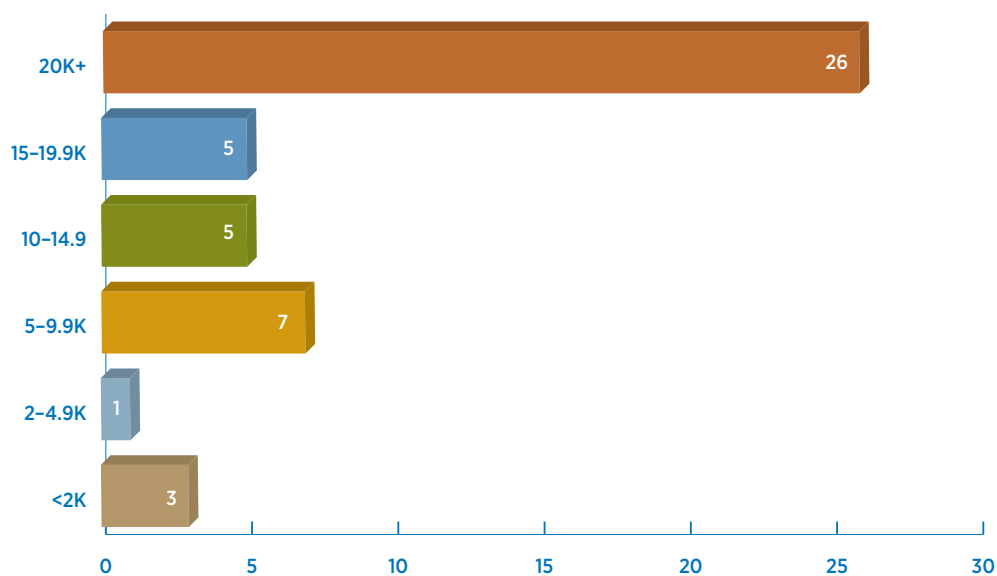
4-Year Public Universities — Regions

2018: REGIONS



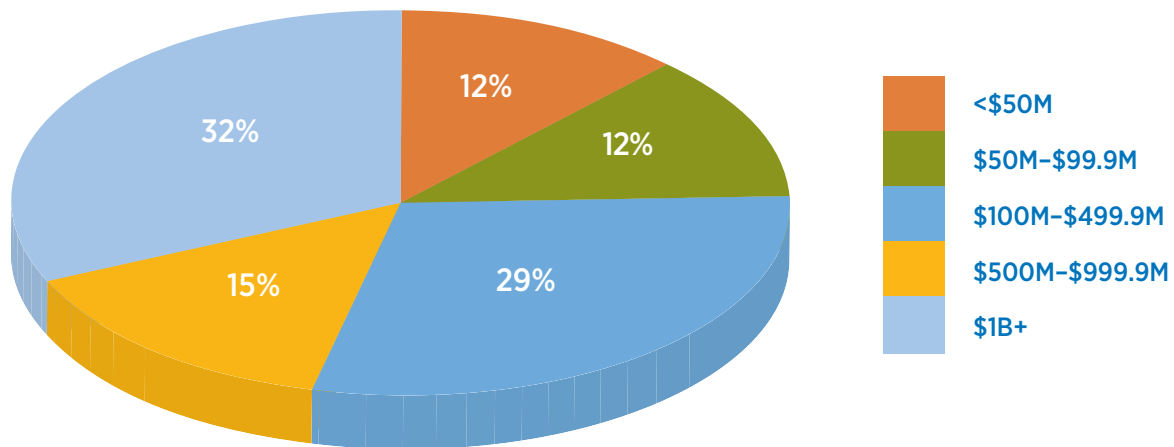
4-Year Public Universities — Enrollment

2018: RANGE OF ENROLLMENT (FTE)



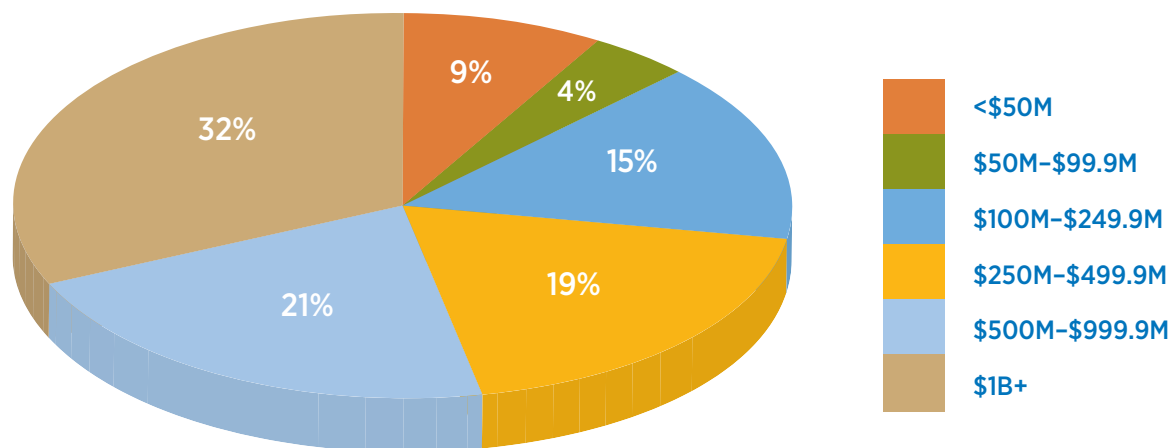
4-Year Public Universities — Endowment

2018: ENDOWMENT



4-Year Public Universities — Operating Budget

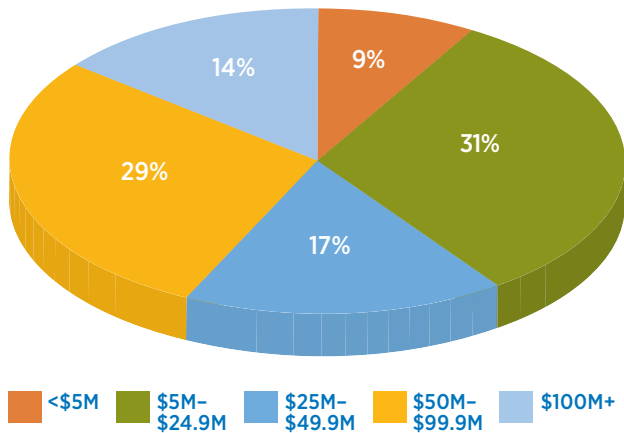
2018: OPERATING BUDGET



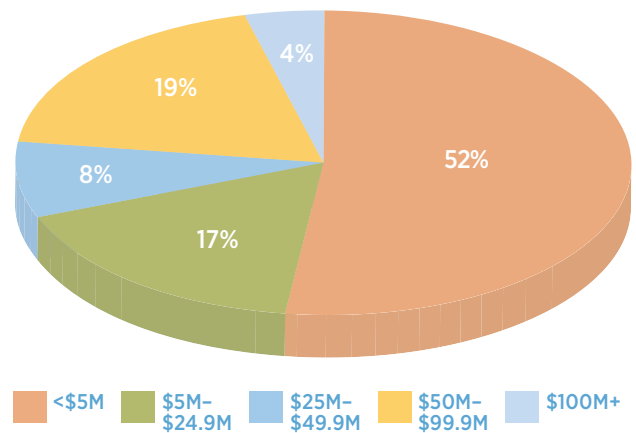
4-Year Public Universities — Range of XL Limits

A total of 15% of 4-year public universities reported changing XL limits during the past two years. In 2016, only 3% of respondents reported increasing their XL limits over the past two years.

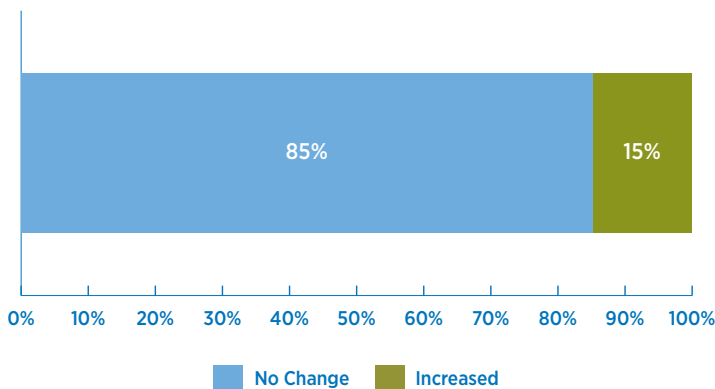
2018: RANGE OF XL LIMITS



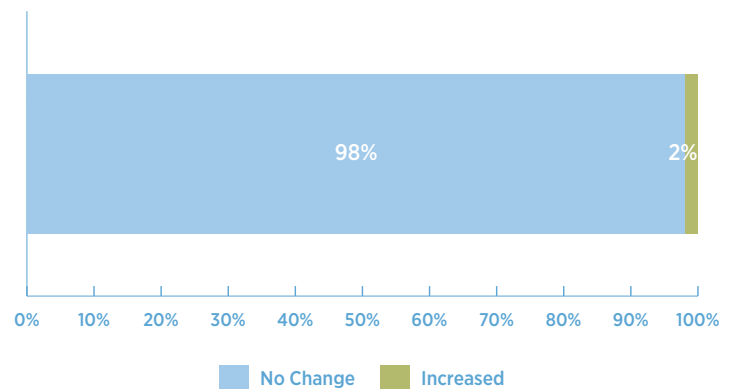
2016: RANGE OF XL LIMITS



2018: CHANGES IN XL COVERAGE



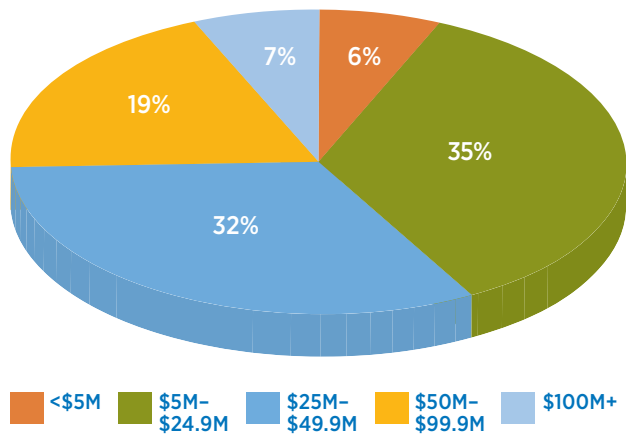
2016: CHANGES IN XL COVERAGE



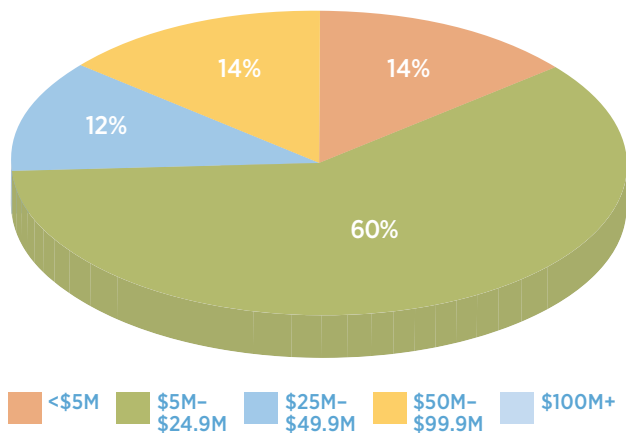
4-Year Public Universities — Range of ELL Limits

In 2016, 74% of universities purchased less than \$25M in ELL coverage. In 2018 that dropped to 42%.

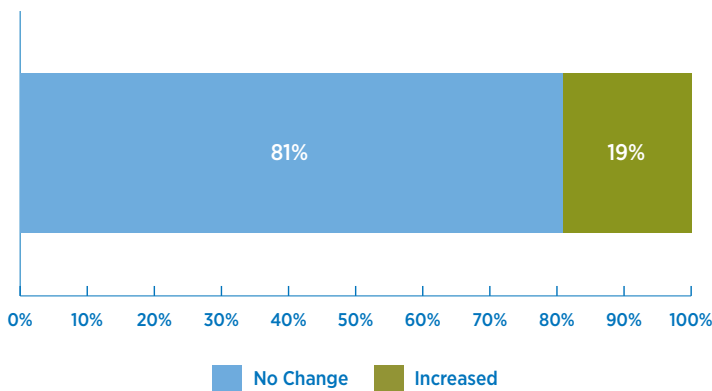
2018: RANGE OF ELL LIMITS



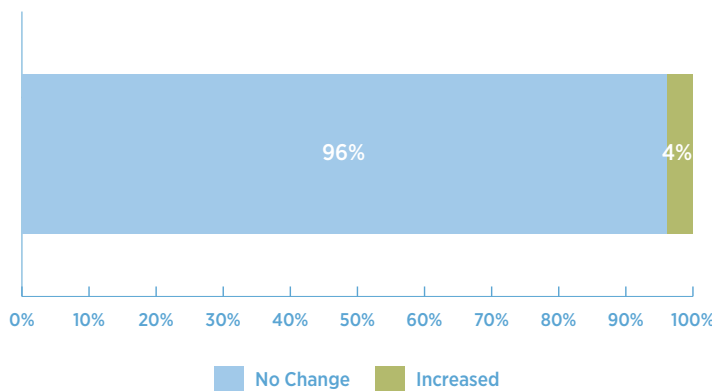
2016: RANGE OF ELL LIMITS



2018: CHANGES IN ELL COVERAGE



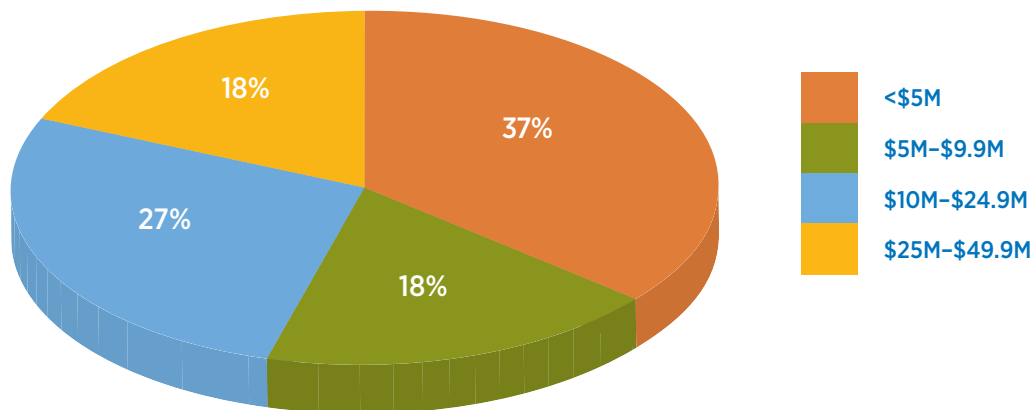
2016: CHANGES IN ELL COVERAGE



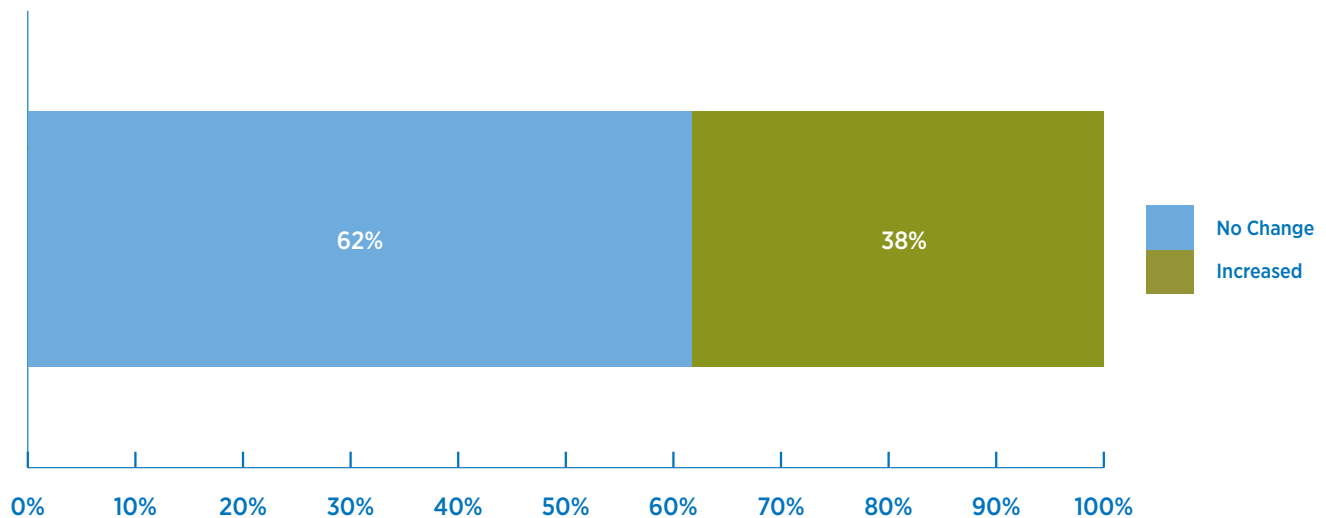
4-Year Public Universities — Range of Cyber Limits

Public universities followed the trend amongst all higher education institutions of purchasing higher limits of coverage. In 2016, 25% of responding public universities reported they did not purchase cyber coverage. We expect that a significant portion of public universities who reported purchasing Cyber limits during the prior two years are first-time buyers of cyber coverage.

2018: RANGE OF CYBER LIMITS

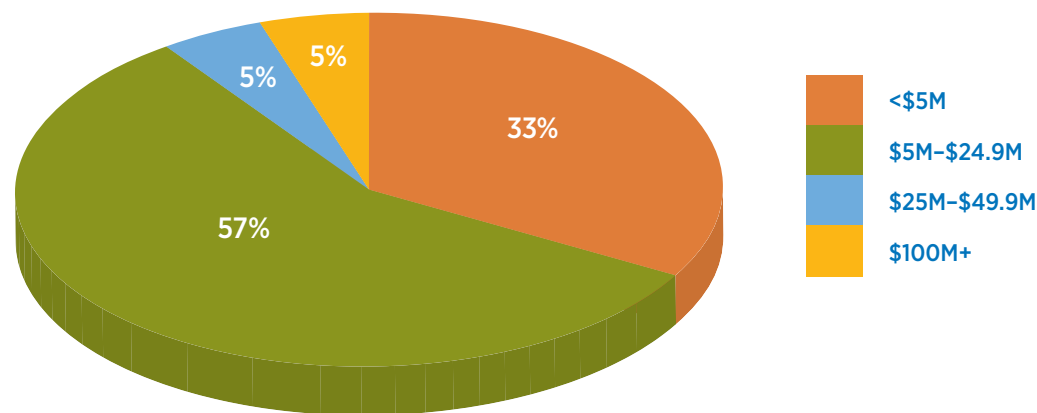


2018: CHANGES IN CYBER LIABILITY COVERAGE

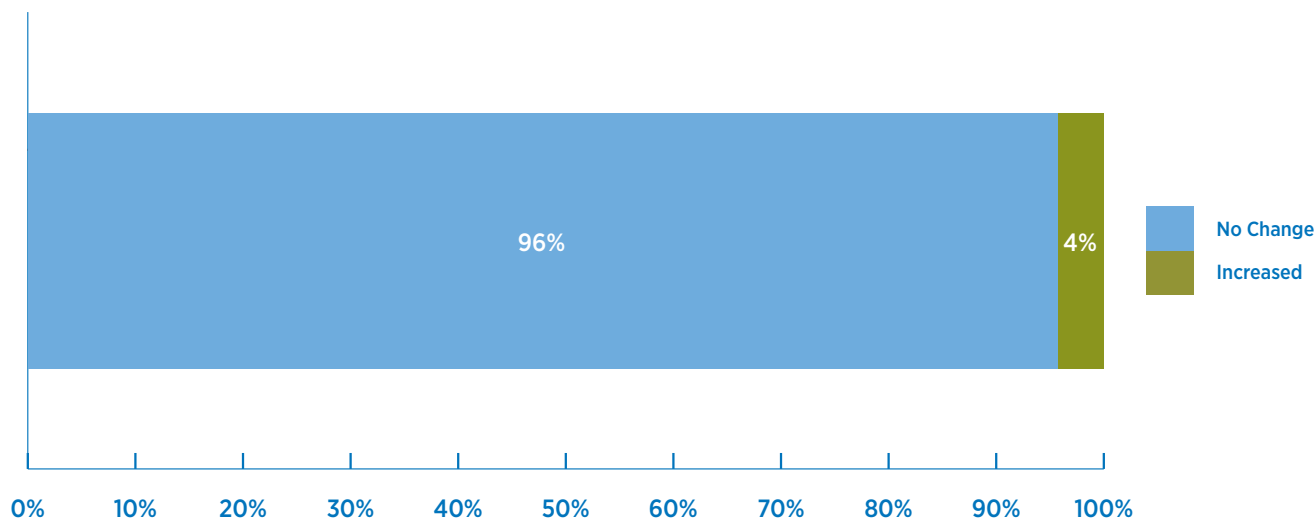


4-Year Public Universities — Range of Fiduciary Limits

2018: RANGE OF FIDUCIARY LIMITS

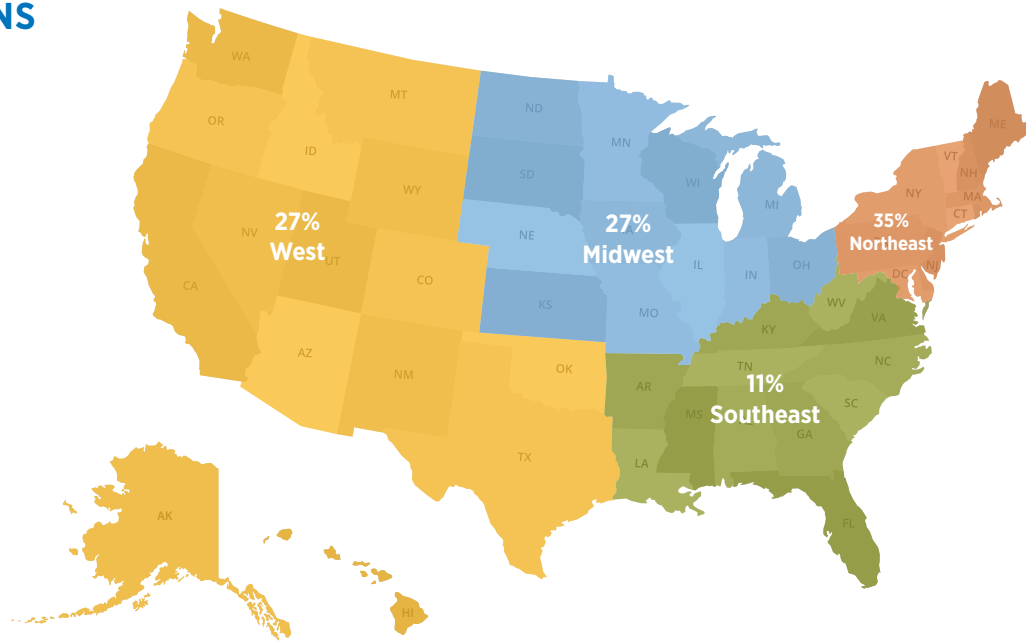


2018: CHANGES IN FIDUCIARY LIABILITY COVERAGE



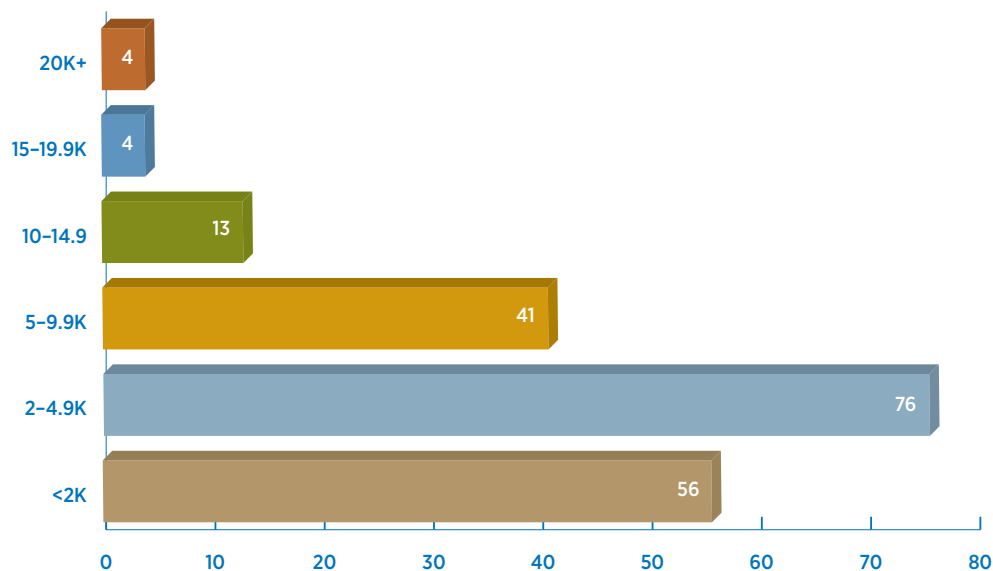
4-Year Private Colleges and Universities — Regions

2018: REGIONS



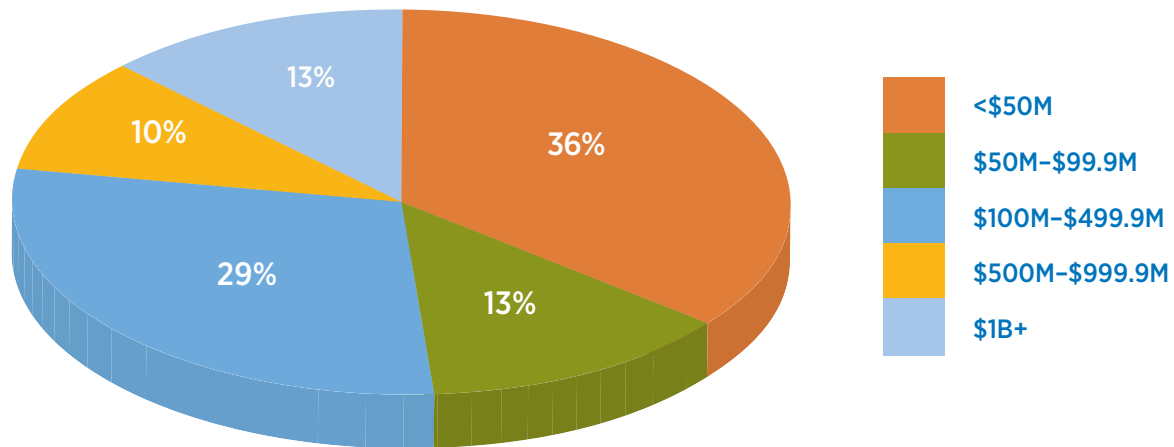
4-Year Private Colleges and Universities — Enrollment

2018: RANGE OF ENROLLMENT (FTE)



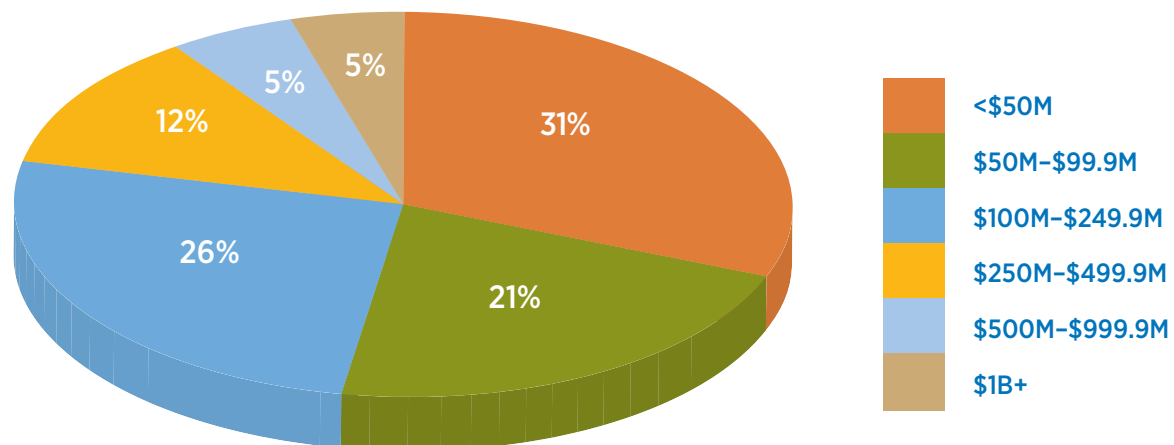
4-Year Private Colleges and Universities — Endowment

2018: ENDOWMENT



4-Year Private Colleges and Universities — Operating Budget

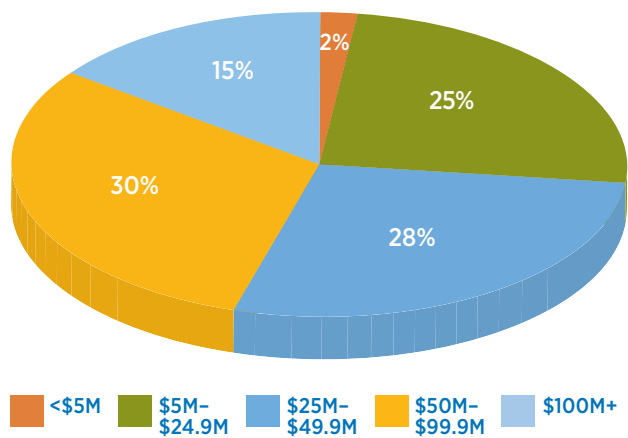
2018: OPERATING BUDGET



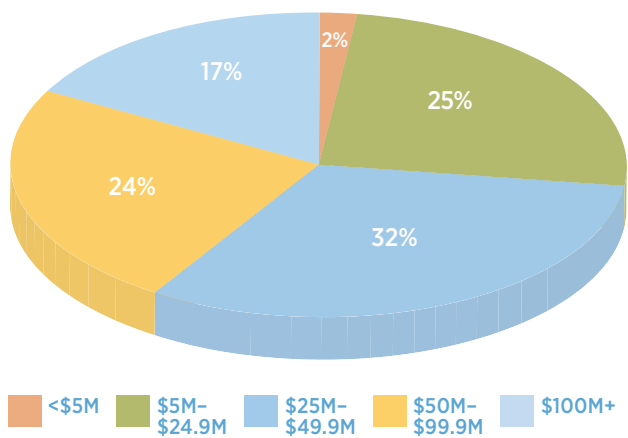
4-Year Private Colleges and Universities — Range of XL Limits

Of 4-year private colleges and universities, 23% reported purchasing increased XL limits. This is a marked increase in the percentage of institutions reporting that they purchased higher XL limits, compared to 2016 when only 3% of respondents reported purchasing higher XL limits and in 2014 when 8% reported purchasing increased XL limits.

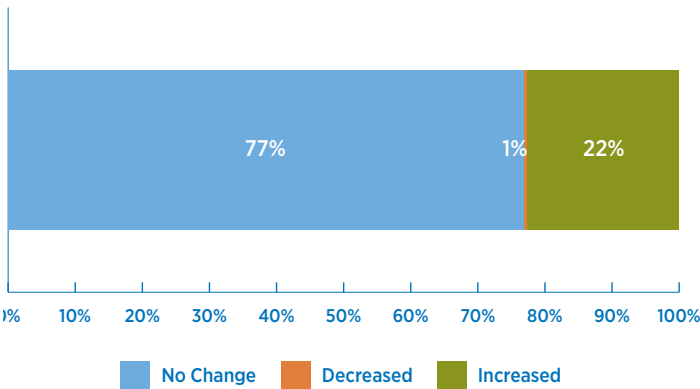
2018: RANGE OF XL LIMITS



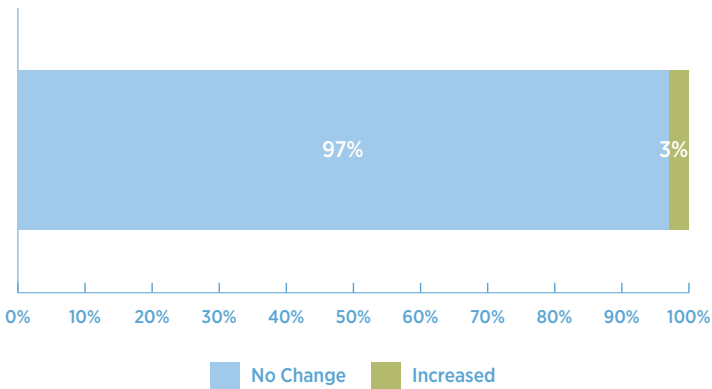
2016: RANGE OF XL LIMITS



2018: CHANGES IN XL COVERAGE



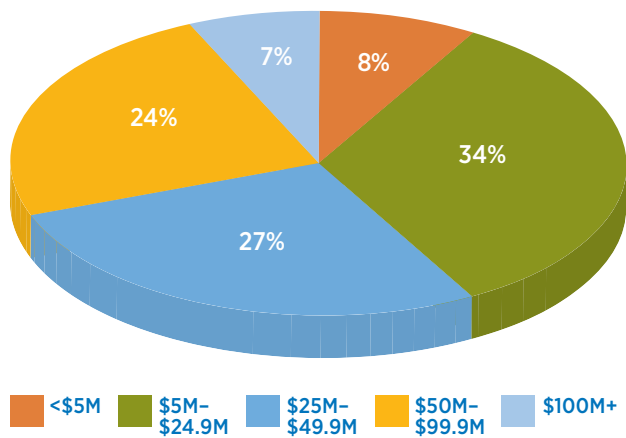
2016: CHANGES IN XL COVERAGE



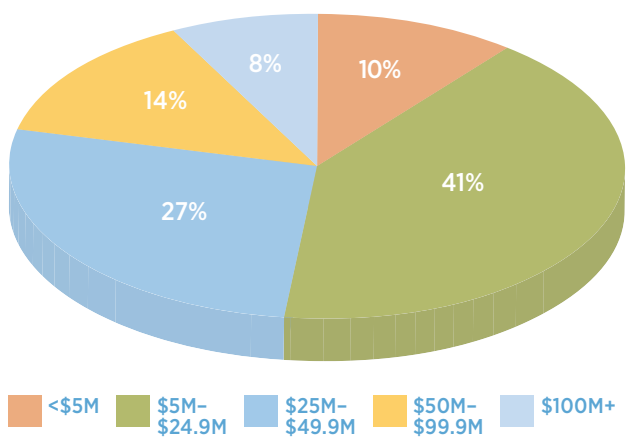
4-Year Private Colleges and Universities — Range of ELL Limits

The trend of 4-year private colleges and universities purchasing higher limits of ELL continues. However, the fact that 28% of respondents in this category reported purchasing increased limits suggests concern at the Board and Senior Administrator level about the adequacy of ELL limits.

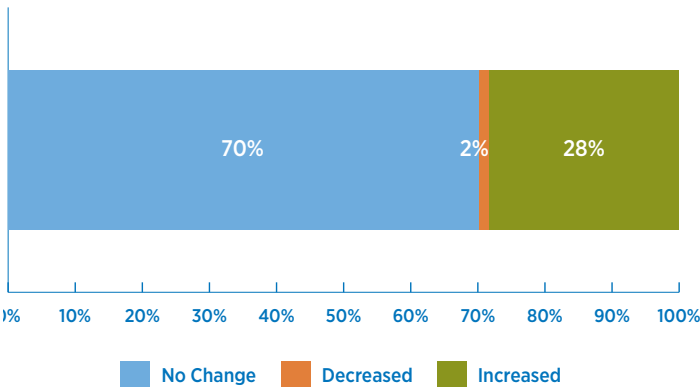
2018: RANGE OF ELL LIMITS



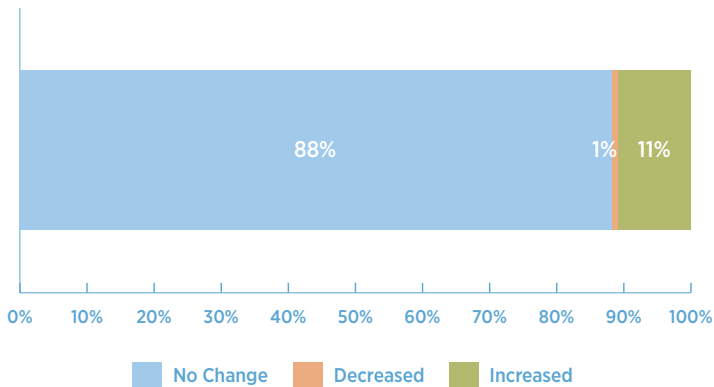
2016: RANGE OF ELL LIMITS



2018: CHANGES IN ELL COVERAGE



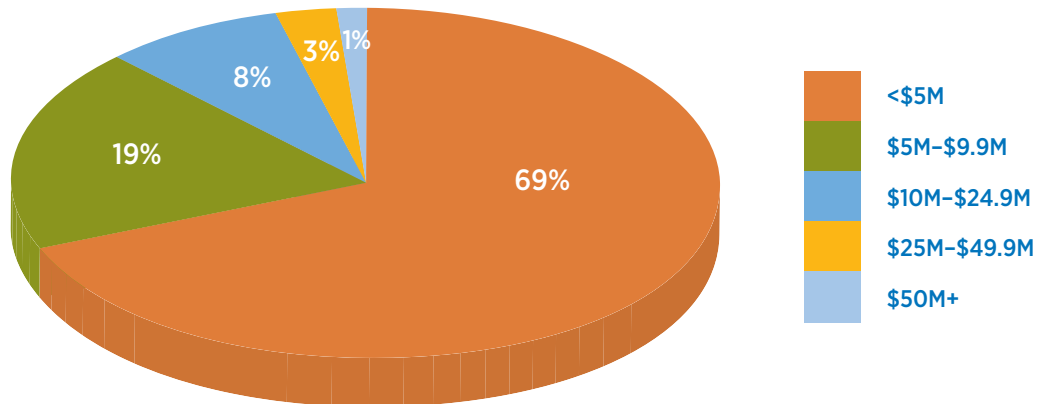
2016: CHANGES IN ELL COVERAGE



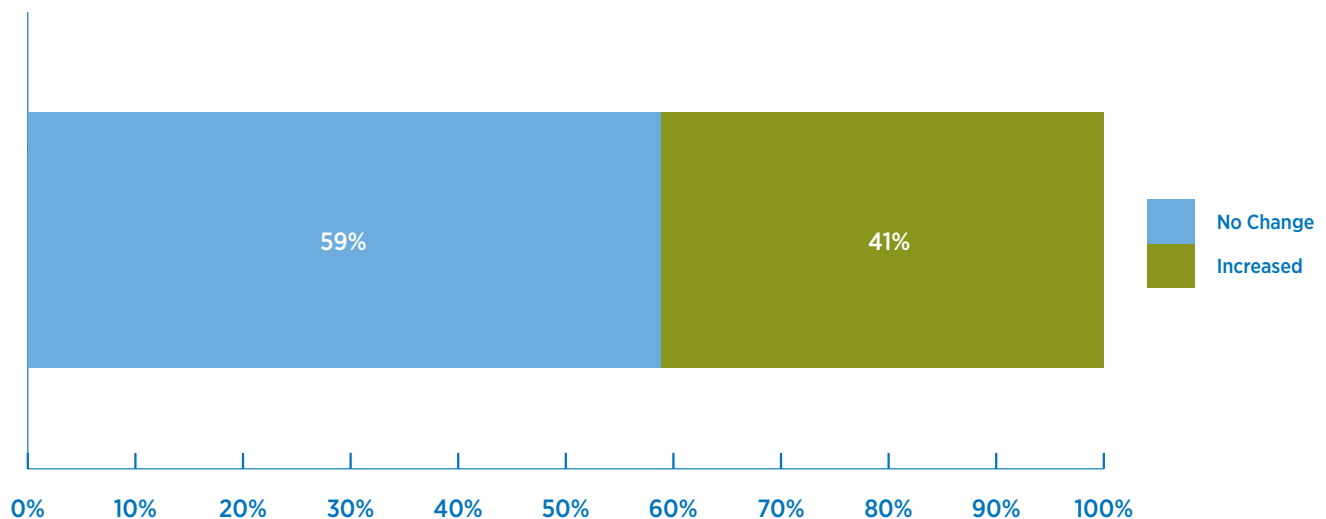
4-Year Private Colleges and Universities — Range of Cyber Limits

In 2016, 46% of 4-year private colleges and universities reported not purchasing cyber liability coverage. We suspect a large percentage of the 41% reporting purchasing increased limits are first-time buyers.

2018: RANGE OF CYBER LIMITS

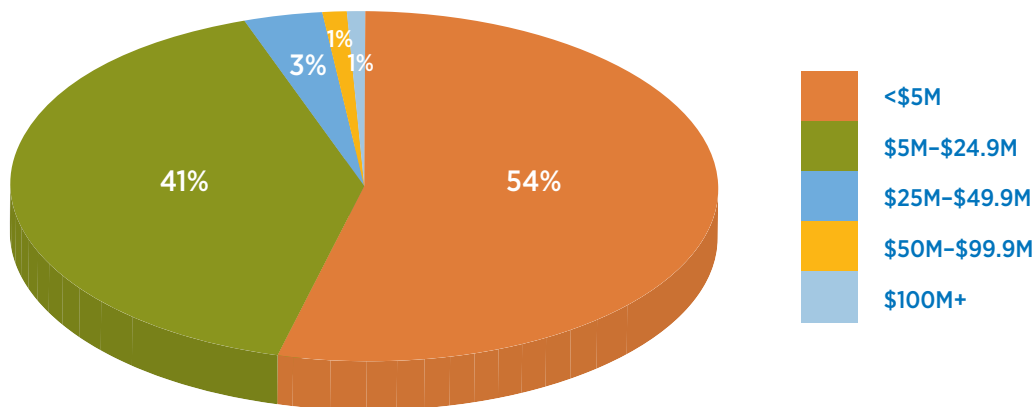


2018: CHANGES IN CYBER LIABILITY COVERAGE

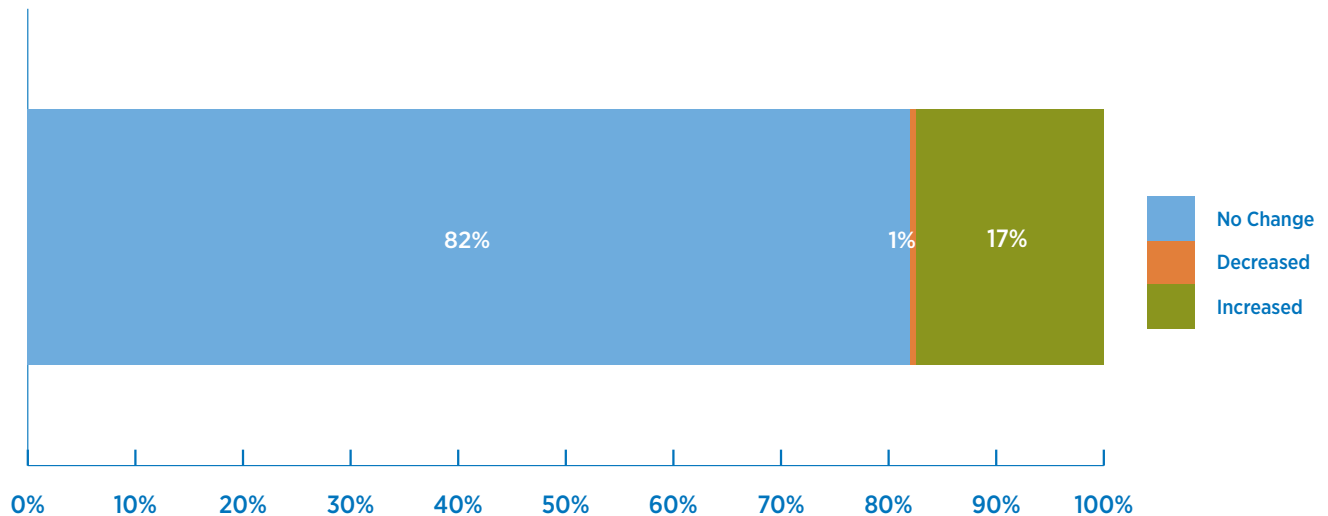


4-Year Private Colleges and Universities — Range of Fiduciary Limits

2018: RANGE OF FIDUCIARY LIMITS



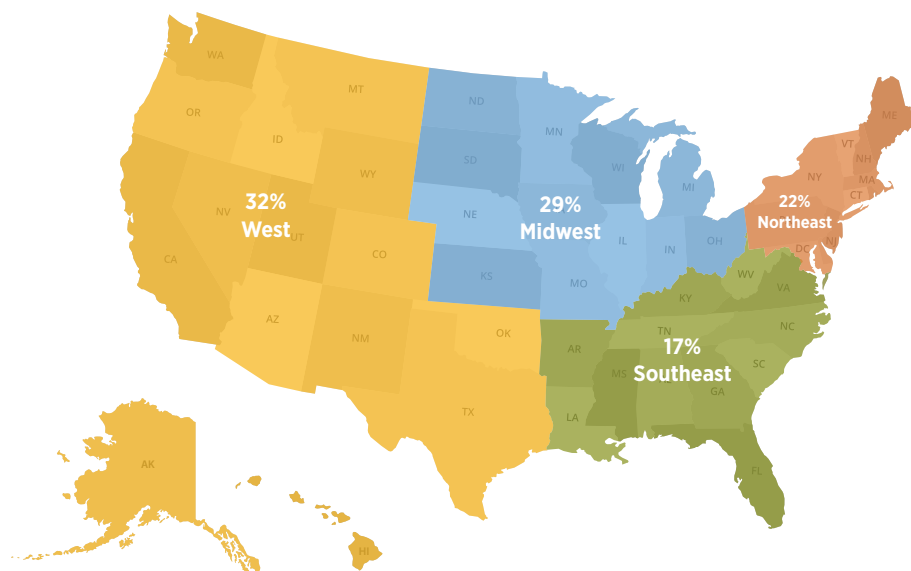
2018: CHANGES IN FIDUCIARY LIABILITY COVERAGE



Academic Medical Centers — Regions

This is the first report in which we provide specific benchmark information on Academic Medical Centers. In previous years, AMCs were included in the data for 4-year public and private institutions. Consequently, we are unable to compare results against prior year reports.

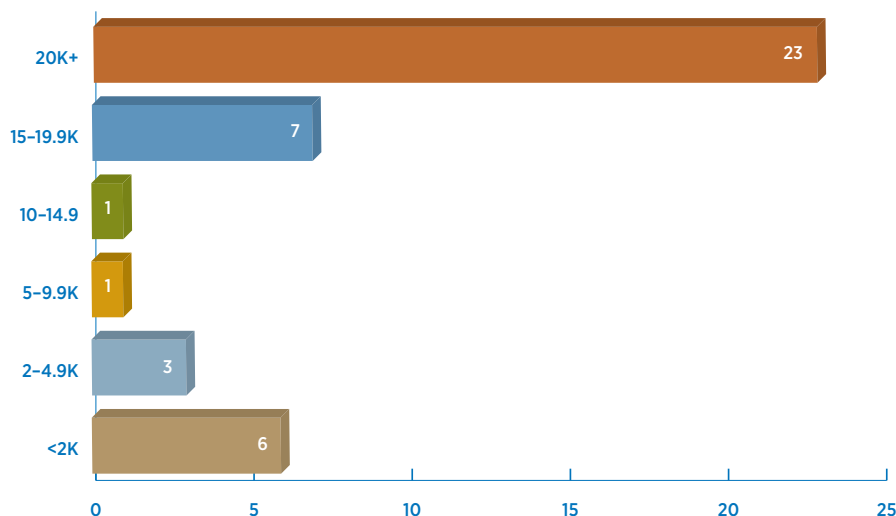
2018: REGIONS



Academic Medical Centers — Enrollment

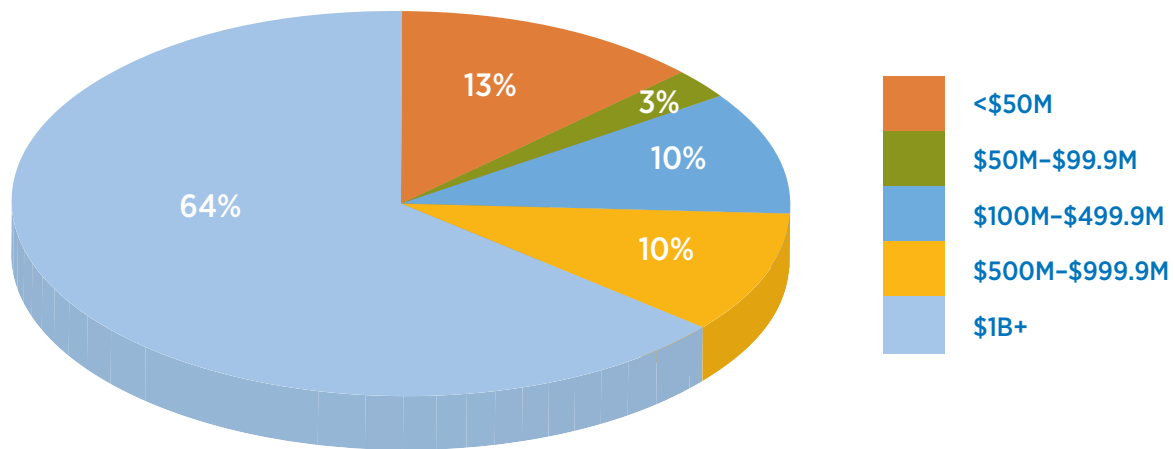
Of the 41 respondents self identified as Academic Medical Centers, 15 identified as Private AMCs and 26 identified as Public AMCs. In order to preserve the anonymity of respondents, we combined the benchmark results for public and private Academic Medical Centers. Individualized benchmark reports provide more detailed information.

2018: RANGE OF ENROLLMENT (FTE)



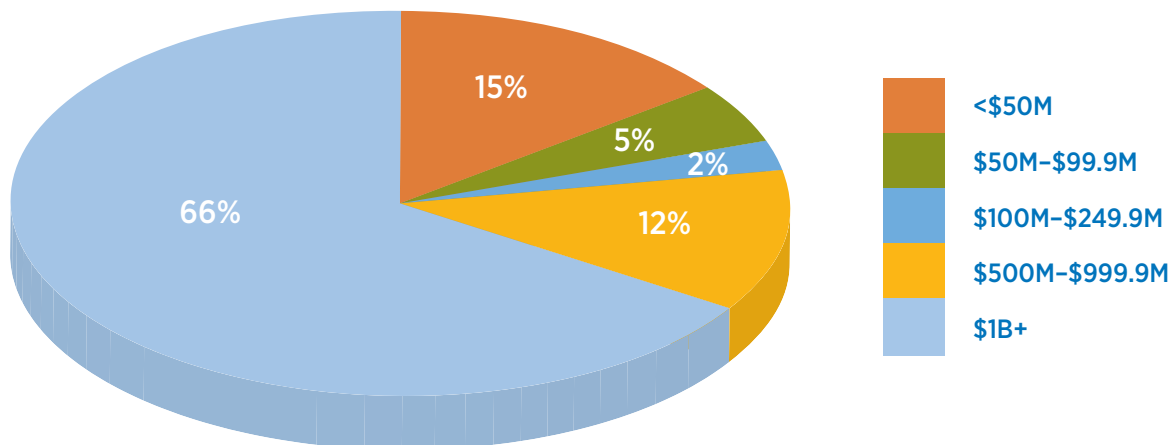
Academic Medical Centers — Endowment

2018: ENDOWMENT



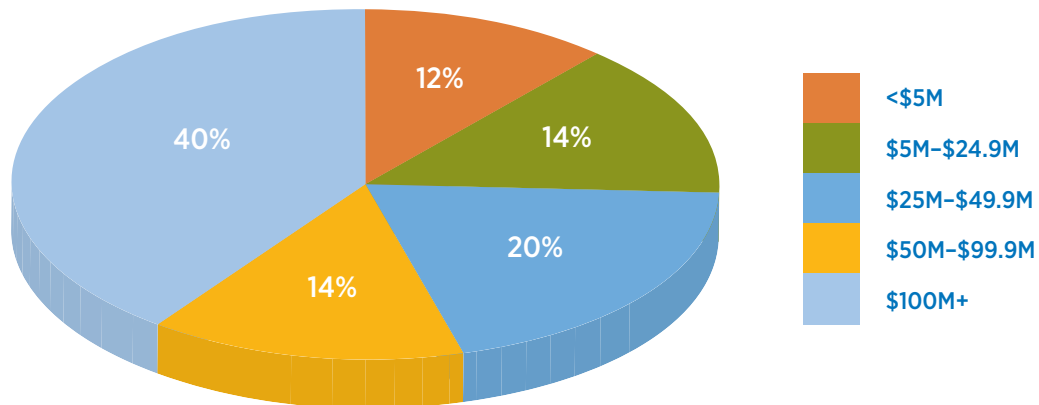
Academic Medical Centers — Operating Budget

2018: OPERATING BUDGET

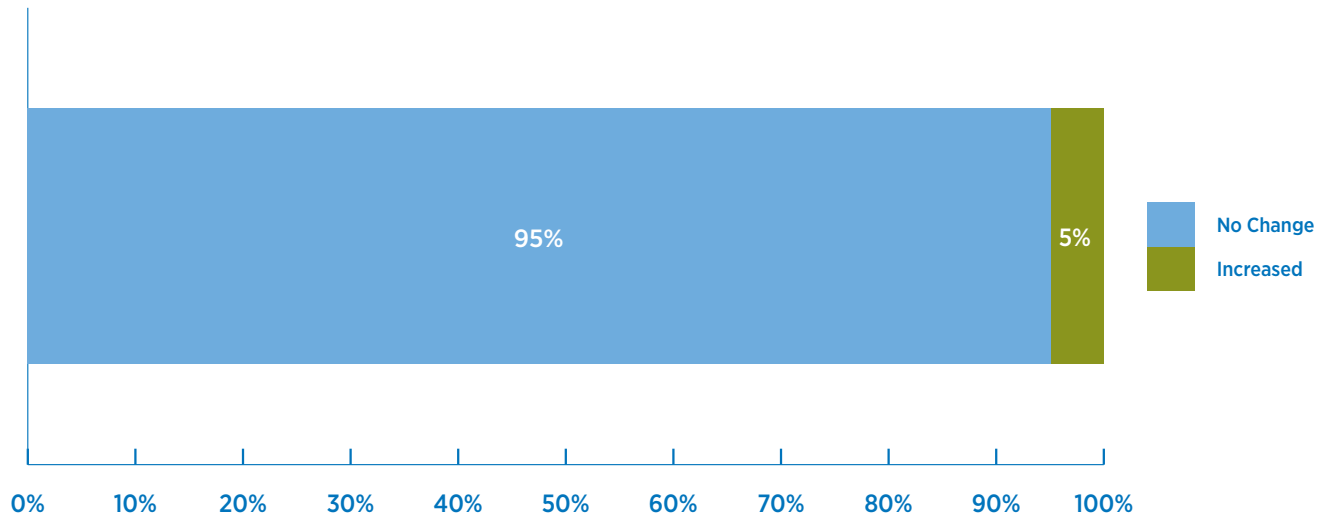


Academic Medical Centers — Range of XL Limits

2018: RANGE OF XL LIMITS

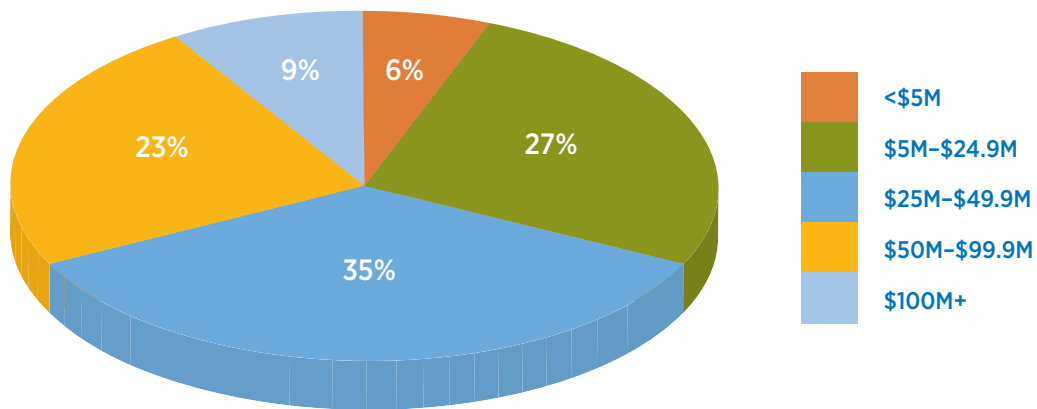


2018: CHANGES IN EXCESS LIABILITY COVERAGE

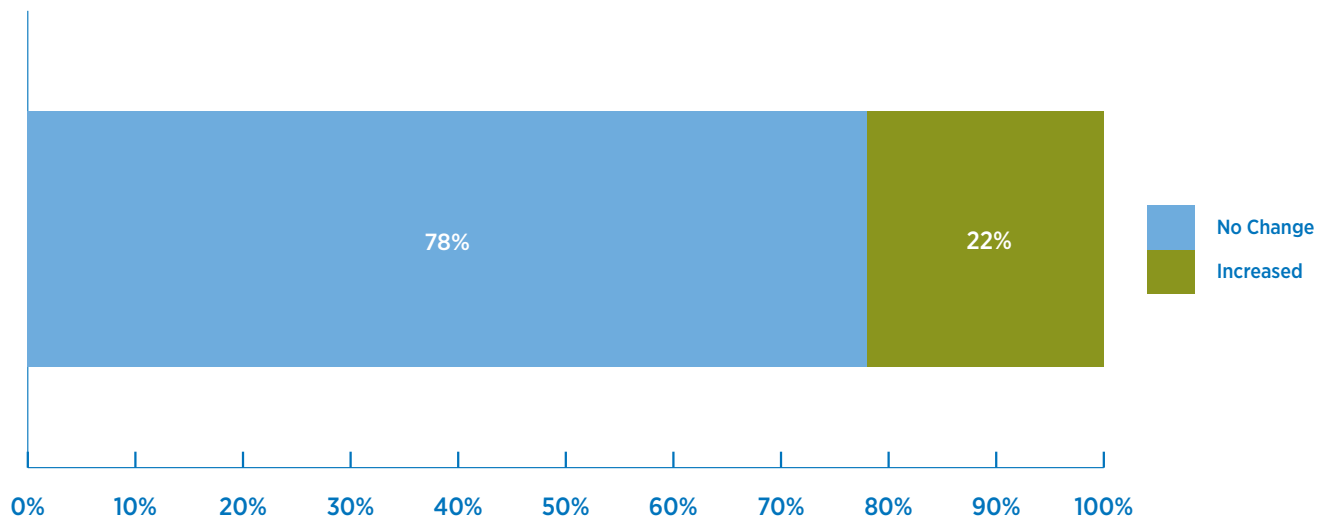


Academic Medical Centers — Range of ELL Limits

2018: RANGE OF ELL LIMITS

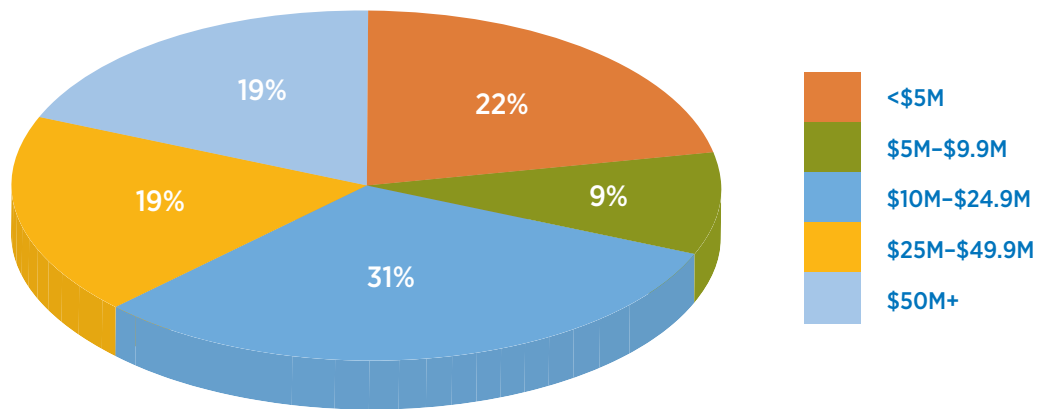


2018: CHANGES IN ELL COVERAGE

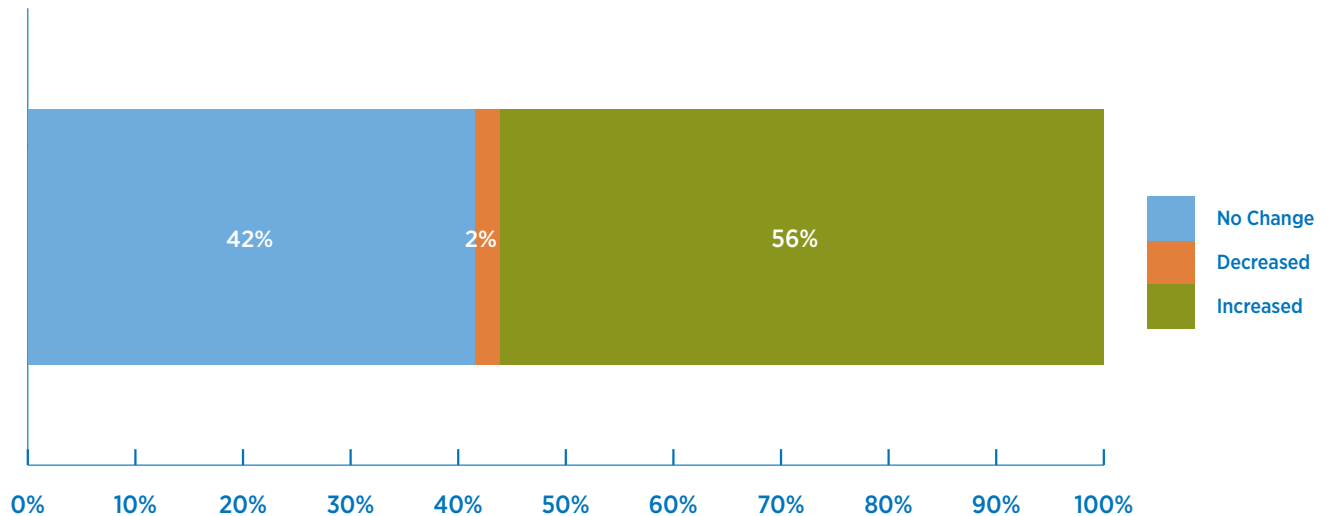


Academic Medical Centers — Range of Cyber Limits

2018: RANGE OF CYBER LIMITS

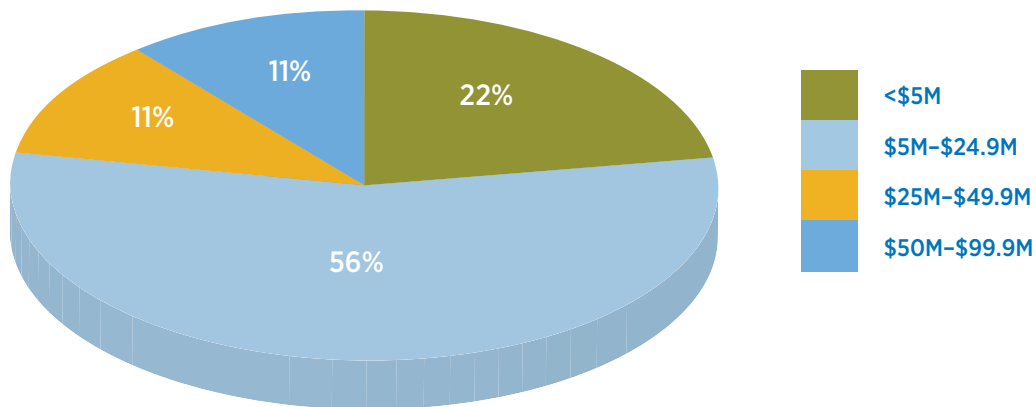


2018: CHANGES IN CYBER LIABILITY COVERAGE

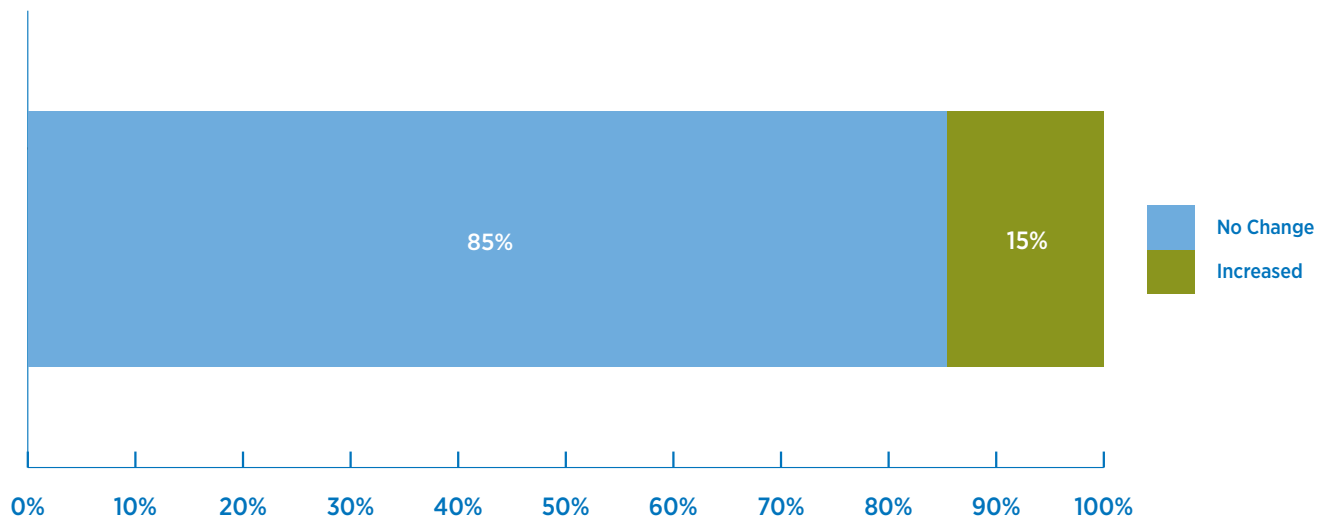


Academic Medical Centers — Range of Fiduciary Limits

2018: RANGE OF FIDUCIARY LIMITS



2018: CHANGES IN FIDUCIARY LIABILITY COVERAGE



Conclusion

Benchmark studies can be useful tools, but they have limitations. The results are dependent upon the quality of the initial data, and the more participants the better when drawing inferences. We were pleased to see a marked increase in the number of respondents to the benchmark survey compared to the number who responded in 2016. We believe the increase in participation is attributable to the use of a simplified survey process and greater concern amongst higher education institutions about the adequacy of liability limits being purchased.

We hope this report can be one more tool in your toolbox, to help you understand what similar or peer institutions may be doing about insurance. We hope it will help you to analyze your unique coverage needs so you are better able to answer questions about how your institution should be managing your risks:

- Why do we purchase the limits we do?
- How do these limits compare to those of similar institutions?
- Are we keeping up with trends in the procurement of XL and ELL coverage?
- What new coverage needs are arising?

We welcome suggestions on how we can make this report more useful. We also welcome new participants, and hope that all of the original responding institutions will continue to support our efforts with their continued participation.