

Property & Casualty Insurance Trends and Self-Funded Health Insurance

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Introductions

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2025 REGIONAL CONFERENCE

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COMMERCIAL INSURANCE MARKET CONDITIONS WITH FOCUS ON THE FOLLOWING:

- Property valuation and deductible changes
- General liability vs school board legal liability coverage
- Sexual misconduct - shrinking market/limits
- Automobile
- Umbrella limits - shrinking limits being offered and higher cost
- Cyber market conditions
- Workers compensation
 - Continuum of program types
 - Self-insured work comp program - diagram

Insurance Market Update: Education

Developments Since Mid-Year 2024:



- **Increased claims costs driving up liability:** Social inflation, third-party funded litigation, nuclear verdicts and general inflation have driven claims costs higher.
- **Budget management:** Rapidly increasing costs have led to increasing budget deficits and challenges in other areas, deferred maintenance for example.
- **Capacity:** Remains challenging for Education. Particularly markets willing to put up higher capacity limits. Minimal competition.

Market Trends for 2025:



- **Rates:** Capacity remains somewhat limited for educators' legal liability, general liability and excess liability. renewals – material increases. Challenging reinsurance market conditions. Limited competition, increased claims costs.
- **Sex abuse and molestation (SAM):** Several states have passed revival statutes and others are considering them. These statutes allow adult survivors of childhood sexual abuse to bring claims for negligence, assault and battery after the statute of limitations has passed.
- **Traumatic brain injury (TBI):** Education is exposed to TBI claims resulting from athletic programs. There have been several significant class-action claims related to TBI, and legal costs can be significant.
- **Cyber:** Education is investing comparatively more in mitigation strategies for cyber risks as technology and data play a vital role in their operations. Premiums have moderated for good risks.
- **Aggregate Industry Risk:** Becoming a problem for higher education. Carriers with no diversification are making substantial limit/retention and coverage changes in this area.
- **Automobile:** Remains a challenge for the market. In addition to Liability claims costs increasing the cost of vehicles and technology are driving claims costs up.

Market Conditions

Pricing – Average increases for this book.

- **General Liability** – 11%
- **Excess** – 21%
- **Educators Legal** – 20%

- Underwriting results – 101.1% Combined Loss Ratio (was 93.7% last year) & 95.5% Retention.
- Education remains a difficult class of business particularly the reinsurance market.
- Challenging Reinsurance Renewal – Size of claims continues to increase and are hitting reinsurers.
- Social Inflation, Third Party Funded Litigation, Expanded Revivor Statutes, Class Action and Increased Legal Costs are all driving up Claims.
- Long tail losses and actuaries need to fund for future losses to maintain a strong Loss Ratio for insureds.

Policy Form Changes (minimal):

- **All products** – Grammatical/typographical changes.
- **GL Products** – PFAS exclusion clarifier.
- **Educators Legal Liability** – \$5M or \$10M limit with a separate/higher retention.



Property Valuation & Deductibles

Insurance companies are taking steps to help ensure adequate property valuation.

1. Enhanced Risk Modeling and Data Collection

- Insurers are using advanced catastrophe modeling tools to better assess risks from natural disasters and other large-scale events.
- These models help insurers more accurately estimate potential losses and set coverage limits that reflect the true value and risk profile of school properties.

2. Detailed Underwriting Criteria

- Insurance carriers require comprehensive documentation during the quoting process, including:
Statement of Values: A detailed list of all buildings and assets.
COPE Data: Construction, Occupancy, Protection, and Exposure details for each property.
Loss History: Past claims and incidents.
- This helps underwriters determine appropriate coverage limits and premiums based on actual risk exposure.

3. Adjusting for Inflation and Construction Costs

- Due to rising construction and repair costs, insurers are encouraging districts to reassess property valuations regularly to avoid underinsurance.
- Some carriers are offering valuation adjustment endorsements to account for inflationary pressures over the policy term.

GENERAL LIABILITY (GL)

Purpose: Protects the school district from claims involving bodily injury, property damage, and personal injury that occur on school premises or as a result of school operations.

Typical Coverage Includes:

- Slip-and-fall accidents
- Damage to third-party property
- Advertising injury (e.g., libel, slander)
- Sexual abuse/molestation – may have sublimits

Who's Covered:

- The school district as an entity
- Employees and volunteers acting within the scope of their duties

Limitations:

- Does not cover wrongful acts related to governance, employment decisions, or educational malpractice
- Excludes professional services, discrimination, and administrative errors



School Board Legal Liability (SBLL)

Purpose: Protects school board members, administrators, and employees from claims related to wrongful acts, errors, or omissions in the performance of their official duties.

Typical Coverage Includes:

- Employment practices (e.g., wrongful termination, failure to hire/promote, discrimination)
- Violations of civil rights laws (e.g., ADA, Title IX, FERPA)
- Breach of fiduciary duty
- Educational malpractice or failure to educate
- Improper discipline or due process violations
- Defense costs for administrative hearings (e.g., IEP disputes, redistricting)
- Defamation, invasion of privacy

Who's Covered:

- Current and former board members
- Superintendents and administrators
- Teachers, staff, volunteers, and student interns

Limitations:

- Excludes bodily injury and property damage (covered under GL)
- Sexual abuse/molestation claims are generally excluded and referred to the GL carrier



Student Transportation Risk



Automobile: Remains a challenge for the market. In addition to Liability claims costs increasing, non-collision claims, cost of vehicles and technology are driving claims costs up.

Liability Exposure in Student Transport

School transportation presents high liability risks due to frequent stops in busy or residential areas increasing accident likelihood.

Impact of Child Passenger Safety

Children onboard elevate accident severity, leading to significant legal claims and public scrutiny for schools.

Reputation and Insurance Costs

Accidents involving school vehicles attract media attention and increase insurance premiums for districts.

Aging Fleet and Maintenance

Challenges of Aging Vehicles

Older bus fleets face more mechanical failures and lack modern safety features, increasing risks and insurance costs.

Maintenance and Repair Issues

Sourcing parts for older models is time-consuming and costly, causing extended downtime and higher claims.

Risk Mitigation Strategies

Investing in newer vehicles or rigorous maintenance programs helps reduce risks and insurance premiums.



Driver Shortages and Training

Driver Shortage Impact

Lack of qualified bus drivers forces districts to hire less experienced personnel, increasing accident risks.

Inconsistent Training Risks

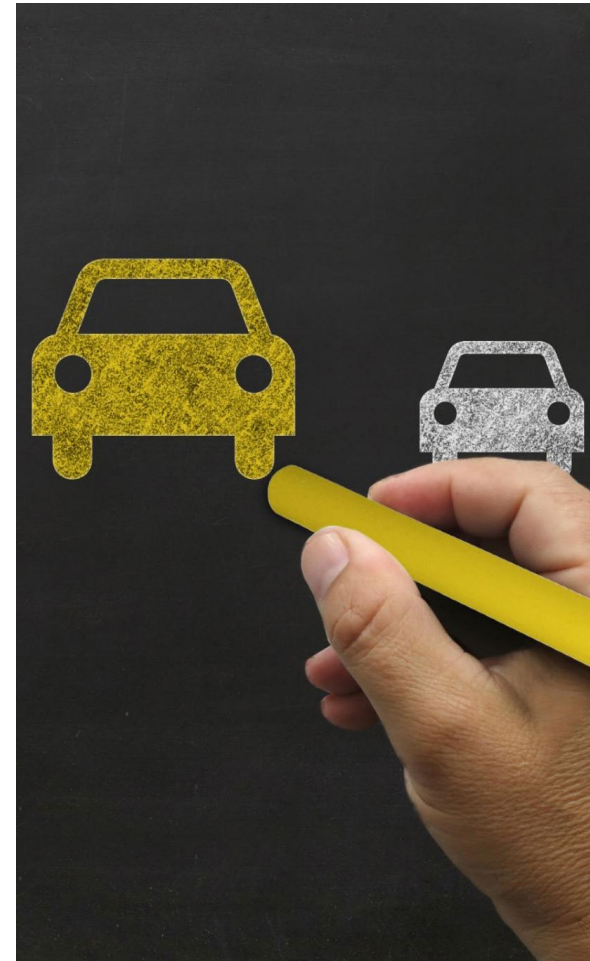
Variable training levels among drivers lead to inconsistent safety protocol adherence and higher risk.

Insurance and Safety Concerns

High turnover and safety inconsistencies raise insurer risk profiles, resulting in higher premiums.

Solutions: Training and Retention

Comprehensive training and retention programs improve driver quality and reduce insurance costs.



Legal and Social Trends



Rising Litigation Risks

Increased lawsuits over school transportation incidents raise financial and reputational risks for school districts.

Impact on Insurance Costs

Legal trends and media scrutiny lead insurers to raise premiums, increasing school district expenses.

Risk Management Strategies

Proactive communication, legal readiness, and community engagement can mitigate risks and reduce insurance costs.

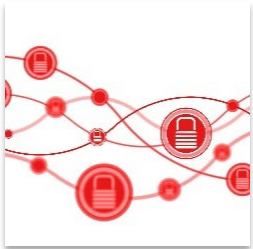
Umbrella

The rising cost and limited availability of umbrella insurance coverage for schools is being driven by a combination of legal, societal, and underwriting factors.

- School violence and shootings: These events often trigger multiple claims across liability, workers' comp, and property lines.
- Sexual abuse and molestation claims: These are high-severity exposures that insurers are increasingly cautious about.
- Social media and defamation risks: Online behavior by students or staff can lead to lawsuits that can fall under umbrella coverage.
- Due to the perceived volatility, and high exposure, standard markets that once covered public entities are pulling back, leaving only a few specialized carriers.
- Insurers are demanding higher underlying liability limits before umbrella coverage kicks in.
- Jury awards exceeding \$10 million are becoming more common, driven by public sentiment and third-party litigation funding. This trend increases claim severity and forces insurers to reduce coverage limits and/or raise premiums.
- Instead of offering large single-layer umbrella policies, insurers are now deploying smaller, layered coverage structures involving multiple carriers which can make it harder to secure adequate coverage at reasonable rates.



Introduction to Cyber Insurance for Schools



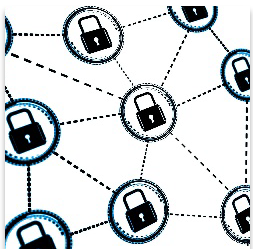
Rising Cyber Threats in Schools

Schools face increasing cyber risks like data breaches, ransomware, and phishing due to digital reliance.



Role of Cyber Insurance

Cyber insurance helps K-12 districts cover costs of data breach response, system recovery, legal fees, and ransom payments.



Ensuring Continuity and Trust

Insurance supports quick recovery, maintaining educational service continuity and stakeholder trust.

Cyber Insurance

Cyber insurance for school districts has become increasingly vital but also more expensive and harder to obtain. Here are some challenges facing K-12 institutions:

Costs and Availability - Premiums are rising: A 2024 survey found that 59% of school districts experienced higher premiums, and 24% saw increased deductibles

Coverage varies - Policies may include breach response, legal fees, public relations, credit monitoring, and ransom/extortion payments

Access is tightening - Insurers now require detailed questionnaires and proof of cybersecurity measures before offering coverage. What used to be a simple process has become complex and demanding

Financial Protection Against Cyber Incidents



Impact of Cyber Incidents

Cyber incidents like ransomware can cause theft of sensitive data and lead to costly recovery and legal expenses.

Financial Mitigation Benefits

Having cyber insurance policies mitigates financial damage and helps schools focus on restoring services and community protection.

Access to Expert Support

Expert Support Services

Cyber insurance provides access to forensic teams, legal advisors, PR experts, and incident responders during crises.

Importance for K-12 Districts

Many K-12 districts lack full-time cybersecurity staff, making external expert assistance essential during cyber incidents.

Partnerships with Cybersecurity Firms

Insurance providers partner with cybersecurity firms to identify vulnerabilities and implement effective security measures.

Swift Incident Response

Expert support ensures quick, professional responses to incidents, minimizing damage and restoring operations rapidly.



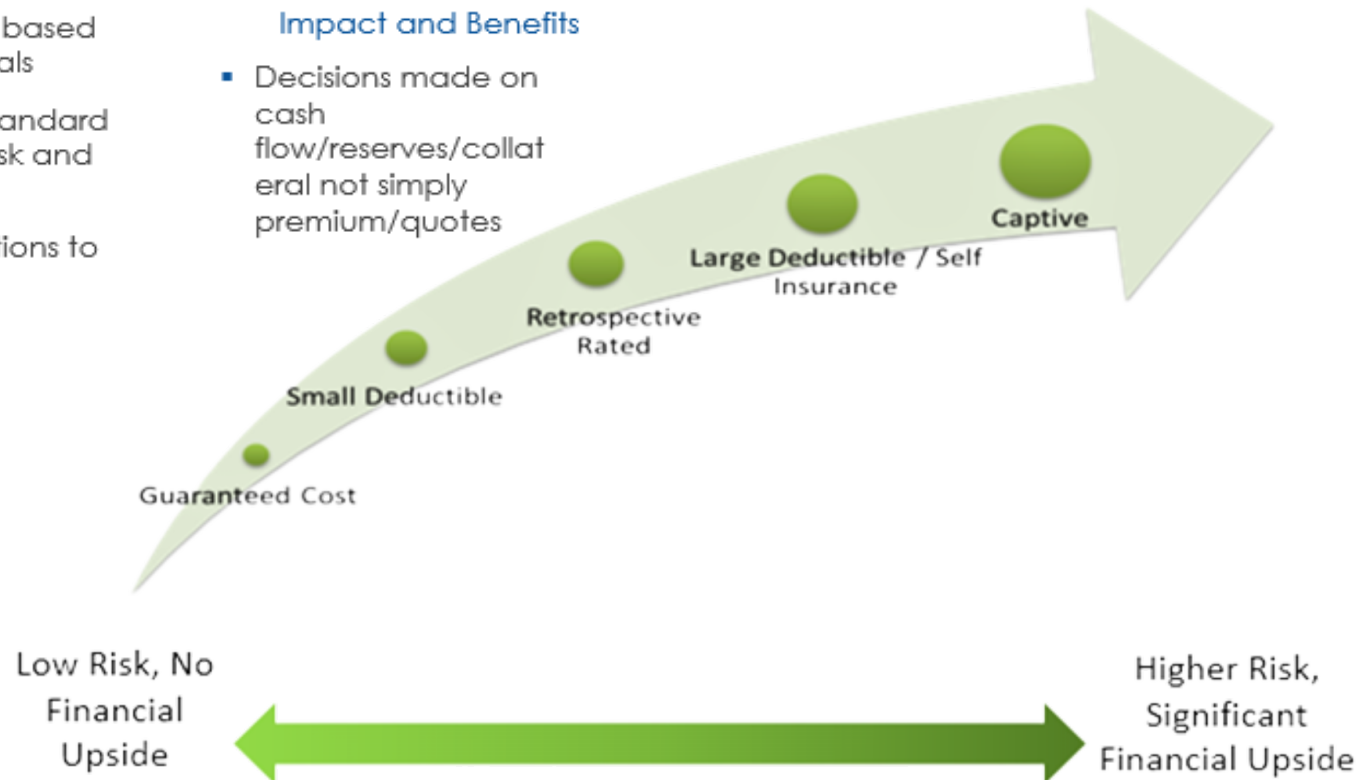
WORK COMP RISK FINANCING CONTINUUM

Based on client's risk appetite & risk profile, USI identifies an appropriate program structure and capital efficient placement options

- Determine an optimal program design based on client risk appetite and financial goals
- Evaluate the available options in the standard market to determine transferability of risk and associated cost efficiency
- Analyze comparative Loss Sensitive options to determine risk and capital efficiency compared to the standard market

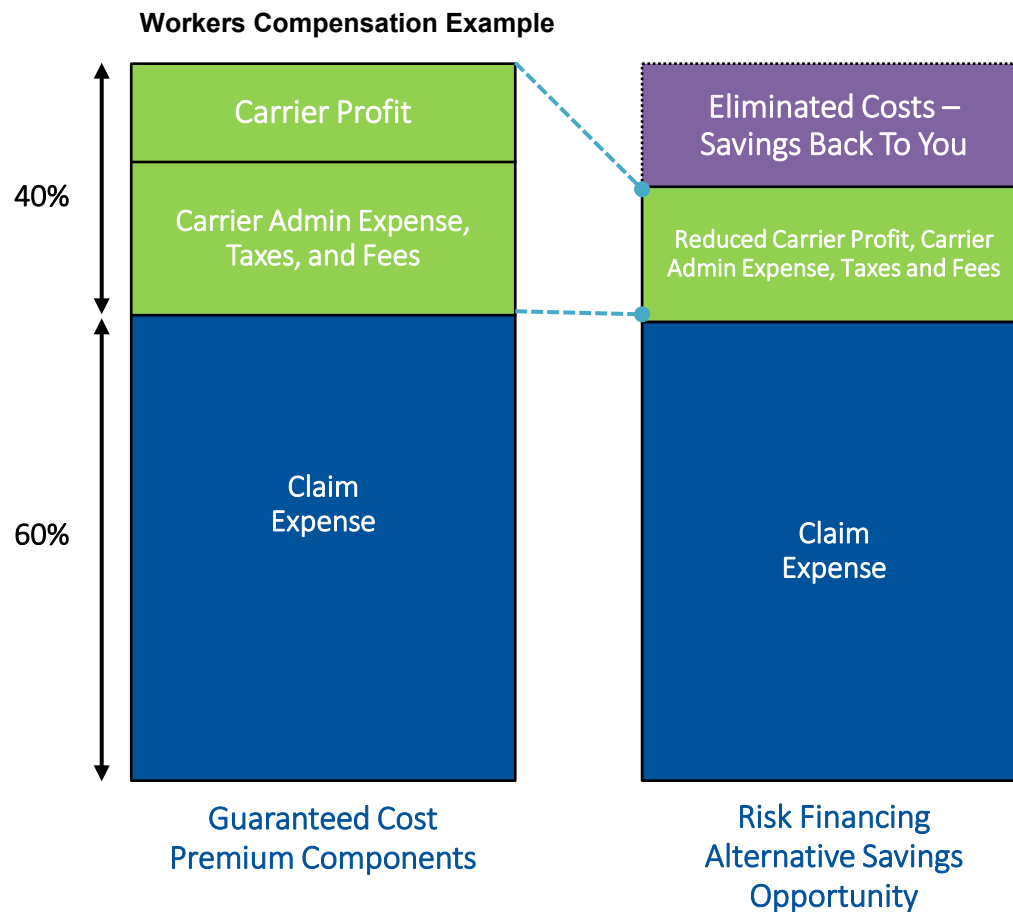
Impact and Benefits

- Decisions made on cash flow/reserves/collateral not simply premium/quotes



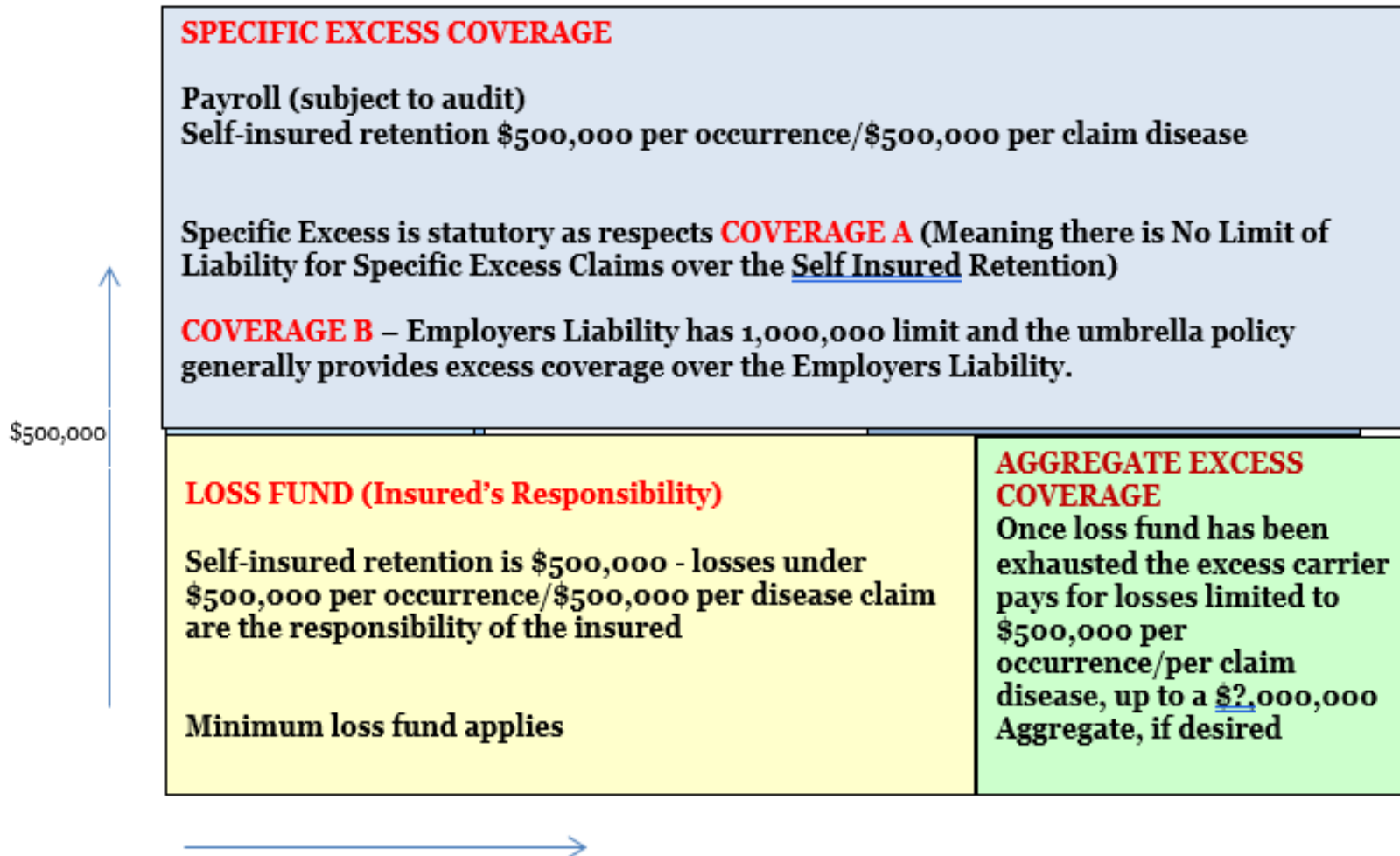
Where Does Savings Come Using Risk Financing Alternatives

Significant savings and greater control can be achieved by moving from Guaranteed Cost to a Risk Financing Alternative, returning carrier expenses/profit back to you and your business.



- In a guaranteed cost structure, the client pays a fixed premium (for a year) that goes to pay claims expense, carrier administration expenses, taxes, fees and carrier profit. The carrier expenses/profit in total can be 40%+ above and beyond your actual claim expense.
- In a Risk Financing Alternative, savings are achieved by directly financing a portion of your predictable claim expense and reducing a portion of carrier expense/profit and returning that savings back to you and your business.
- **Overall savings can equate to 10-40%** in program costs v. Guaranteed Cost in year one, with additional cost benefits for well managed risk management programs and loss improvement.

Self-insured Work Comp Program – Sample Program Structure



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Target Date	Renewal Process Timeline
02/24/25	USI Pre-Renewal strategy call to discuss current marketplace, carrier concerns, renewal objectives, action plan.
Week of 02/24/25	Request for renewal information sent to SAMPLE Client for each line of coverage.
Week of 03/31/25	Collection of renewal exposure information from SAMPLE Client.
Week of 03/31/25	Prepare and deliver submission documents to the carriers.
April / May	Schedule underwriter meetings and/or inspections as required; Negotiate renewal terms.
Week of 05/19/25	Finalize negotiated terms and conditions with selected carriers.
Weeks of 05/26/25 - 6/2/25	Deliver renewal proposal to SAMPLE Client.
Week of 06/2/25	Receive binding authority from SAMPLE Client.
Week of 06/9/25	USI directs carriers to bind coverage.
07/01/25	Program inception.
Prior to 07/01/25	Delivery of renewal documents binders, certificates, evidence of property insurance, invoices etc.



IASPA
Illinois Association of School
Personnel Administrators



ILLINOIS
Association of School Business Officials

COMMERCIAL INSURANCE AND EDUCATION

Education remains a difficult class of business

- Challenging Reinsurance renewals,
- Social Inflation
- Third Party Funded Litigation
- Expanded Revivor Statutes
- Class Action Lawsuits
- Increased Legal Costs.





The solution: Self Funding your Health Insurance program

- Self Funded Health Insurance was formalized with the passage of the Employee Retirement Income Security Act (ERISA) in **1974**.
- It is the **BEST** (and I would say ONLY) path to financing the ever increasing cost of Healthcare (Medical & Rx).

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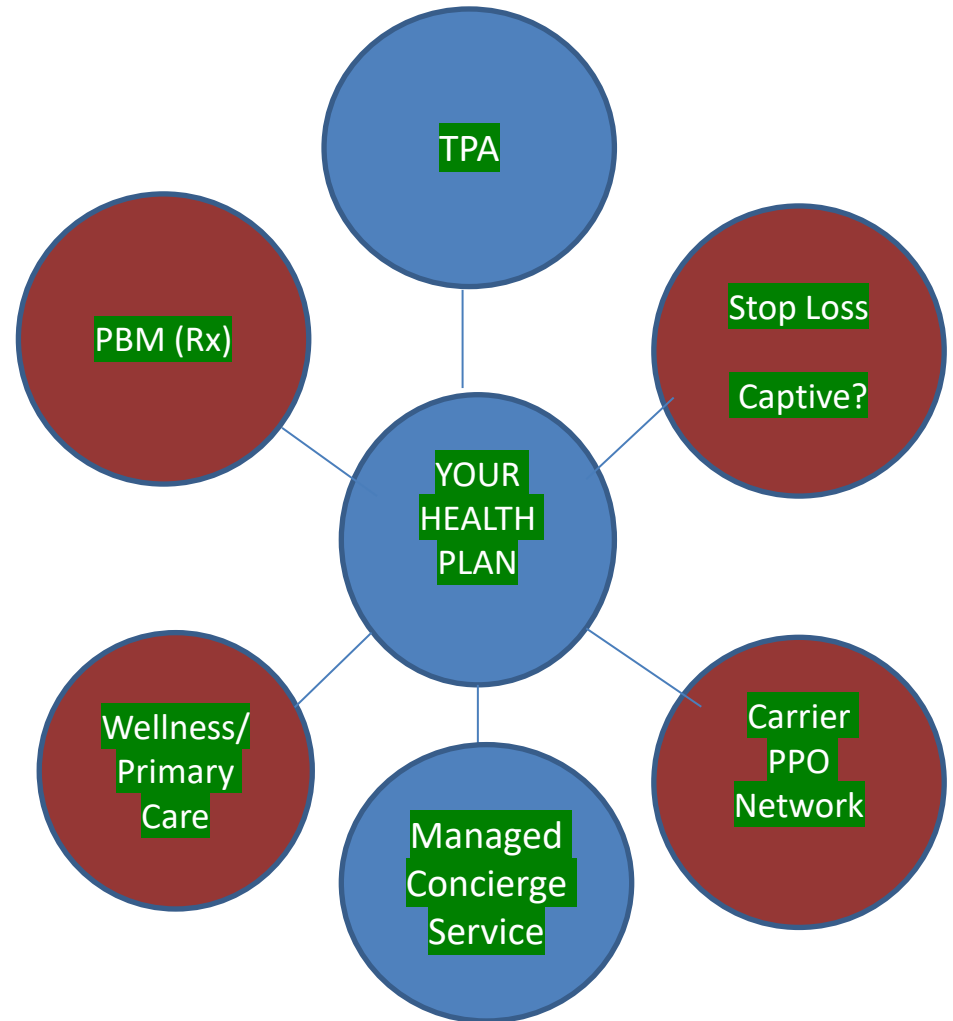


Fully Insured Program

100% CONTROLLED by the
Carrier

Pharmacy Benefit Manager
PPO Network
Disease Management
Large Case Management
Claim Paying Services

Self Funded (Unbundled/Customized/ Transparent) Program





Option: Benefits Captive - Unique features:

- Long-term strategy based on longstanding and proven, Self Funded principles
- Like-minded Employers participating in various cost containment strategies (Healthcare services related to Cancer, Kidney Dialysis, NICU infants, **Specialty Rx**, Infusion therapies, etc.) that improve care while reducing cost
- Stop Loss contract provides the best in Risk mitigation protection : **NO NEW “LASERS”** on future high-cost claimants/30% rate increase cap on Stop Loss premiums



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Rising Healthcare costs in 2026

From the Wall Street Journal (article dated 9/11/2025)

- Median Healthcare costs to rise by 9.5% in 2026
- Biggest Health-Insurance cost increases in 15 years (2011)
- Recent average of about \$25,500 annually for a Family plan



Factors contributing to rising costs

- **Medical inflation** – rising costs of Hospital care, Physician services, and Prescription drugs as a primary driver
- **Specialty drug costs** – the high cost of **Specialty drugs**, particularly for Cancer (ex. Kisqual – can cost up to \$15k/month) and Weight Loss medications like **GLP-1s** (monthly cost range of \$900-\$2,000).
- **Demand for services** – increased demand for services related to Cancer and Mental Health.

Questions and Answers

We thank you for your time!



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