

## Executive Summary – Nova Classical Academy

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Your service team at USI Insurance Services thanks Nova Classical Academy for the opportunity to handle its property/casualty insurance program. Updates on current conditions of the marketplace are as follows:

**Property:** Rates have increased in all segments of the property sector into Q4, but at slower rates compared to Q3-4.

**Casualty:** Rate increases, capacity restrictions, and tighter underwriting standards are commonplace in the primary general/products liability and other casualty markets, and it is anticipated that COVID-19 will exacerbate the current market dynamics across all lines including Workers' Compensation.

**Executive & Professional Risk:** Premiums are up for public company directors and officers (D&O) insurance driven by uncertainties around COVID-19 and increased litigation frequency and settlement payments, though the market may stabilize somewhat in 2022. While premium increases in the private company and not-for-profit (NFP) D&O market have not been as severe, increases in retention and excess premium are likely. COVID-19 may also accelerate claims in the Employment Practices Liability (EPL) and Fiduciary Liability markets into 2021. Continued network intrusions and ransomware events are firming the Cyber risk marketplace.

**Umbrella/Excess:** After experiencing significant hardening in the first half of 2021, the Umbrella/Excess lines have seen moderate premium increases into the new year.

All in all, the terms provided by EMC are quite favorable in comparison to the rest of the marketplace. Philadelphia Insurance expressed strong interest in quoting but was not able to provide us the terms by the need-by date of June 20, 2022. We can pursue discussions with them next year and begin the renewal process early.

Please consult with Mohammad ElSawaf on the details of your upcoming proposal after you have carefully reviewed it. In summary, here is what EMC is providing for terms and conditions. Most of the increase came from the increase in property valuation (see attached Nova RC Valuation):

Property: \$29,890.20  
General Liability: \$10,549  
Business Auto: \$727  
Inland Marine: \$1,399  
Umbrella: \$4,749  
Lineback – Claims Made: \$4,607  
**Total: \$51,921.20**

### **Underwriting notes supporting renewal:**

Per the attached RC Valuation EMC (along with many market carriers) need to increase the value of the building as it is currently underinsured. An uptick in severity and frequency of convective storms across the country is causing major rife in the market. EMC, along with many carriers, are continuing to see hard a property market. Reinsurance pricing continues to increase year over year. GL rates on increased mainly due to the increase in GL claims and severity on metro area schools. Umbrella has seen an increase in severity exposure on schools over the past several years, specifically in the Twin Cities Metro Area due to the legal and social climate. Linebacker (Professional). The underwriter kept this line flat despite the market pushing larger increases on this coverage line to help soften the increase overall.

EMC wants to keep Nova as a client, and therefore EMC was willing to drop their quote another \$3,000 in total premium, making this renewal total only a \$3,000 increase overall against last year's premium, despite market conditions. These are very favorable terms and conditions as the terms have not changed (deductibles, etc.)

### Professional Liability Lines:

Cyber (Beazley): \$6,620

Pollution Liability: **Pending**

### Workers Compensation:

Final terms to be included in proposal. Expect flat renewal.

### **How USI Can Help:**

In guiding clients toward achieving favorable coverage outcomes, USI recommends taking these steps:

- Begin the renewal process at least 150-days prior to inception. Complete a loss analysis early to assess the impact of program structure, retention, and risk mitigation efforts. This establishes your “ask” of the market, allowing for early indications from incumbents and understanding of your options around limits, retentions, coverage, and price
- Work with your broker to evaluate all market options in the U.S. and London. Focus on risk appetite and industry
- Clearly identify and differentiate each risk to the marketplace, reinforcing risk quality and mitigation efforts; this is imperative

### **Risk Management Plan/Assessment Implementation:**

Given these and other market changes and challenges, experts recommend that commercial property brokers such as ours who have the resources begin the renewal process early and explore multiple market strategies, in tandem with implementing a robust risk management plan. That way, we are ahead of the innovative and creative renewal strategies which transition the outcomes in our clients’ best favor. It is our responsibility to keep you informed of the challenging market we currently face; and with the recent outbreak the industry is being tested in ways that we could not have seen coming.

Nonetheless, we would have strongly recommended our team implement a robust risk management plan to combat these conditions as it related to your entity, as losses have crept up in the last few years and we want to implement mitigation strategies to derive positive results in both frequency of losses, leading to premium reductions and a better risk profile. See suggested sample below titled ‘**Targeted Development of Risk Management Plan**’.

**Attached:** Construction Sector Challenges Driving Up Costs.

## Targeted Development of Risk Management Plan

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Your USI's Property/Casualty & Risk Management team suggests using a risk management approach which coincides with ERM implementation of a robust enterprise risk management program. This risk management plan tends to focus on the following five operational areas:

1. Strategic/Business Operations
2. Legal/Transaction Liability
3. Workers Compensation/Safety/Loss Control
4. General Insurance/Health Insurance
5. Corporate Governance/Information Security

In turn, when assessing and reporting on risk in each area, we suggest applying the following evaluative model:

- Identification of the specific risk evaluated
- Assignment of the degree of risk the identified practices present
- Determination of the urgency with which the identified risk should be addressed
- The USI Risk Management Team's methodology in completing a risk management assessment takes a broad assessment of your organization in tandem with what is assessed by your insurance carriers, utilizing various reports to help provide guidance to help manage the areas of greatest concern. This gives our clients a comprehensive continuous improvement plan that creates a vision and course of action for its — helping better protect the hard and soft costs of its organization
- Description of our recommendations for mitigating the identified risk(s)

Like any organization, your organization is confronted with numerous challenges and risks, of which the following are amongst the most common for your industry (not in order):

1. Cyber/Crime Risks & Financial Controls
2. Contractual Risk Transfer Liability
3. Employee Training
4. PCA Employment Status/Wage and Hour and Joint Status of Employer/Employee, Malpractice Exposure
5. Network Employment/Privacy Liability Business Continuity & Strategy
6. Corporate Governance
7. Fleet Safety/Controls
8. Safety Implementation Strategy
9. Insurance Risk Transfer
10. OSHA Compliance

***In going through this plan, please direct any questions to Mohammad El-Sawaf.***