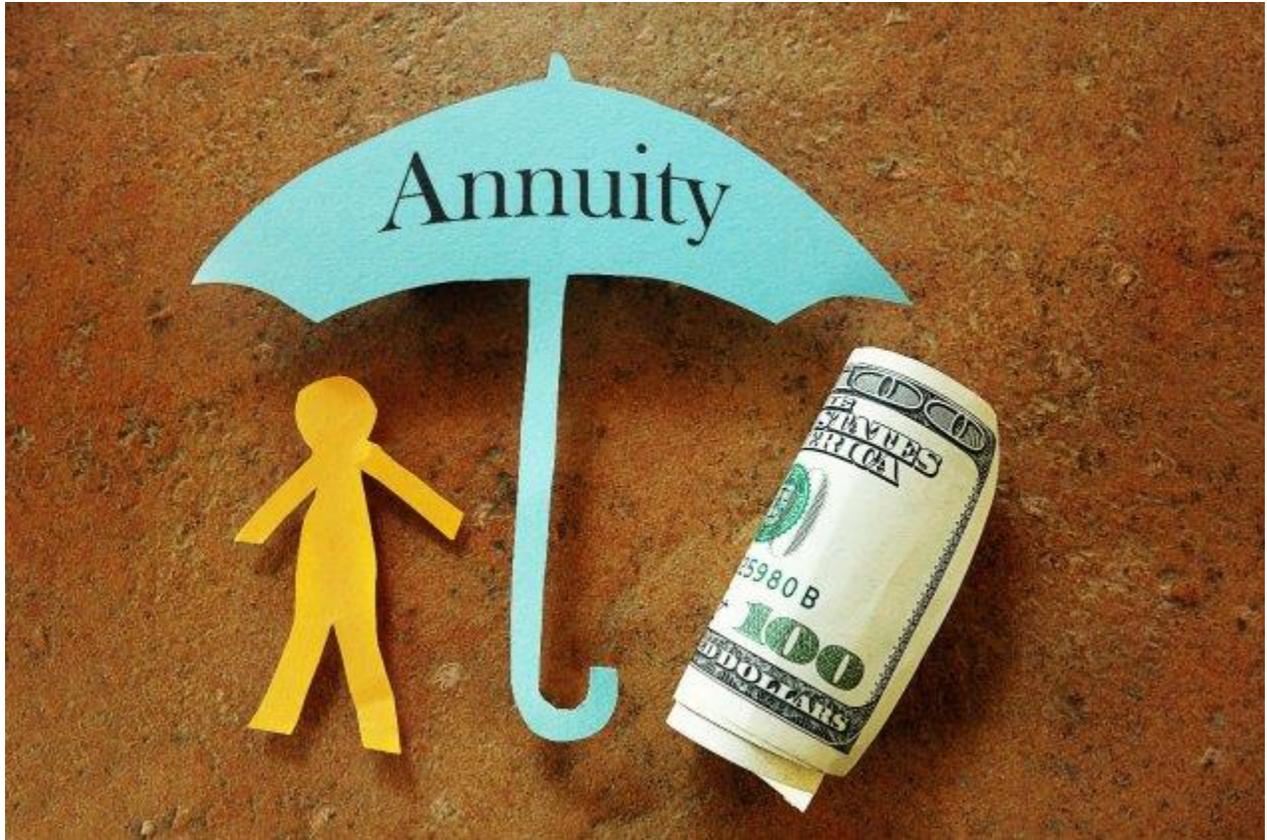


It's Academic: Carrying the Right “Umbrella”



By: Mark Cohen, Senior Vice President – Independent School Division

Independent or private schools present unique challenges to finding the right school insurance coverage because the risks go beyond what a typical business faces. With that in mind, what kind of insurance do these schools need?

I talked with Sally Lawson, Senior Vice President of Malvern Bank’s Investment Management & Insurance Division, about the importance of having insurance for independent schools. She noted that the parents of school students trust schoolteachers and administrators to prepare their children for life after school and keep them safe. That responsibility carries a lot of risks.

“TrustedChoice.com, a leading digital, insurance marketing platform, says that independent school insurance is usually a blend of five types of coverage,” :

- **Liability insurance** covers the school's legal fees and any settlement money in case of a lawsuit.
- **Commercial property insurance** covers the school's buildings, equipment, and other physical items in case of damage from fire, natural disaster, vandals and more.
- **Commercial auto insurance** covers school vehicles including school buses.
- **Workers' compensation** covers school employees if they get hurt on the job.
- **Umbrella insurance** supplements the coverages above if a disaster or lawsuit costs more to make right than those policies will cover. Umbrella insurance is a must-have for private schools because when children's lives are at stake, the cost of a tragedy will be much higher than it might be at a typical retail store or other business.

For example, the commercial auto insurance that covers your school buses may only offer a few million dollars in coverage, but if a tragic accident leaves your school facing a big lawsuit, the settlement reached could cost many times more than that. Umbrella insurance is a cost-effective way to manage such risks since buying an umbrella policy is less costly than buying extra coverage on your policies individually.

"TrustedChoice.com also identifies a few other important types of insurance to consider," Sally added. "Directors' and officers' insurance will pay legal costs for boards of directors and officers in case of statements or actions that lead to a lawsuit. And employment practices insurance is required to cover an institution if it is accused of unfair or discriminatory hiring practices.

"Cyberattacks on governmental, corporate, and healthcare entities have been on the increase – and in the news – in recent years," Sally said. "And, due to the large amount of sensitive data increasingly stored in school computer systems, such as personal information and credit card data, educational institutions are particularly prone to hacker attacks. As a consequence, cyber insurance has become an essential policy for schools. It includes benefits for cyber extortion, investigation, notification costs to parents of students following a breach, and more."

Factors That Affect the Cost Of Private School Insurance

How much does private school insurance cost? Sally lists a few of the determining factors:

- **Size of school:** The number of students and the size of a school's campus impact cost. The smaller the school, the lower the cost.
- **Athletics:** School athletic facilities can be very costly to insure. And those sports in which athletes tend to sustain more severe injuries (e.g., football, soccer, basketball, ice hockey – even cheerleading) are most costly to cover.

- **Presence of school safety features such as security cameras and water sprinklers:** Increased school safety and security feature lower insurance premium costs.
- **School busses:** If a school owns no busses or vans to transport students, there is no risk of an accident for which the school can be held liable.

Bottom line: Private schools can expect school insurance to cost thousands of dollars per month in premiums. Large private schools will pay much more.

Trends in School Insurance

Sally notes that, according to Risk & Insurance magazine, increased liability claim frequency and severity across multiple industries is forcing underwriters to reevaluate their approach to risk, often resulting in higher rates, reduced terms and conditions, and a greater degree of difficulty for insureds looking for comprehensive coverage that fits the budget.

“Private and independent schools are just another sector to experience this pressure,” Sally says. “Risk & Insurance has identified the following trends driving increased losses in the industry, and how they affect coverage availability and affordability.

1. Sexual Abuse, Harassment, And Physical Abuse Claims

Risk & Insurance noted a significant increase in both the frequency and severity of educator’s legal liability claims in 2020. “John McLaughlin, Senior Managing Director of Gallagher Student Health & Special Risk, says, “Title IX, antitrust, employment actions and event-driven claims against boards and senior management of colleges and universities arising out of sexual abuse events on campus were driving this experience.”

In the best-known instance of a sexual abuse class-action lawsuit brought against a university, Michigan State University is being sued for failing to act on allegations of misconduct against Larry Nassar, former USA Gymnastics National Team Doctor, for \$500 million.

But K-12 schools are often left out of this conversation, even though students reported about 9,700 incidents of sexual assault, rape, or attempted rape at elementary and secondary schools in the 2015-16 academic year.

2. Disputes over discriminatory practices

Claims of discrimination are more common and more highly publicized in higher education – such as the FBI’s “Operation Varsity Blues” investigation, which found that employees at multiple universities were complicit in ensuring admission for the children of wealthy celebrities; and accusations of racial discrimination in admissions at Harvard and UCLA.

But, parents of K-12 students are suing school systems across the country for alleged discriminatory admissions policies based upon race, ethnicity, and sexual orientation.

“I see such lawsuits as only increasing in the years to come,” Sally said, “so K-12 schools need to make sure that their admissions policies are fair, legal, and carried out to the letter.”

3. The Impact Of The Coronavirus Pandemic

Employment Practices Liability claims are likely to rise as a result of the pandemic as schools have already reopened for the remainder of the 2020-2021 school year (which, as of this writing, is rapidly coming to a close). Many school teachers and administrators have publicly claimed the reopening was irresponsible and unnecessary – and schools (K-12, colleges, and universities) are already facing legal action from students’ parents seeking to recoup some of their costs after transitioning to virtual learning. Educators may also face professional liability claims for “inferior instruction” delivered via virtual formats.

4. Insurance Industry’s Restrictions On Claims

According to Constance Neary, Vice President for Risk Management and UE Experience at United Educators, a leading provider of risk management and insurance to educational institutions, “Studies show the public’s trust in educational institutions has markedly declined over the past five to ten years, which we believe has increased the frequency and severity of claims filed against them.”

As a result, according to Risk and Insurance magazine, restrictions on Title IX claims, antitrust coverage, contract-related matters, and other essential coverage terms are becoming much more common. Many carriers are cutting their capacity in half.

How To Get Independent Or Private School Insurance

Some insurance companies don’t offer private or independent school insurance. But, Malvern Bank works with two that do – and in partnership with these companies will do all the work of rounding up quotes and comparing coverage types for you. And because Malvern works with two leading insurance brokers, we are not bound to any one insurance company, so we can help you choose the true right coverage for you—not just the quote one company is offering

To discuss your school's insurance needs, I encourage you to contact myself, or Sally Lawson at 610.695.3651.



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