



NGO/INTERNATIONAL AID & DEVELOPMENT ORGANIZATIONS

RISK & INSURANCE BENCHMARKING REPORT

2022

AHT

INSURANCE

A BALDWIN RISK PARTNER



2022 NGO/International Aid & Development Organizations Risk & Insurance Benchmarking Report

REPORT SUMMARY

The seventh Annual Risk and Insurance Benchmarking Report for International Development organizations encompasses the second half of 2021 through the end of Q3 2022. Bookended by the Taliban takeover of Afghanistan and the ongoing conflict in Ukraine, this time span has presented especially complex challenges for the International Development community. These events, as well as the continued resumption of full program operations coming out of the COVID-19 pandemic, have prompted organizations to review and adapt their approaches to risk management. These global events are also contributing to an uncertain insurance market where clients can expect 10+% rate increases in some lines of coverage. The cyber insurance market in particular continues to be its own animal with clients seeing 50+% rate increases with higher deductibles, additional sub limits, and extreme scrutiny of internal controls by underwriters.

The intent of this report is to provide the International Development community with data to make actionable decisions about risk management approach and insurance program structure. The specific areas this report seeks to address:

- Peer buying patterns for limit and coverage
- Peer risk controls
- International Development community claims trends
- Recent risk management best practice trends

It is our hope that the data contained within will help organizations better manage risk to enable programs and ultimately better fulfill the mission or the organization.

Sincerely,
The AHT International Development Practice Group

PURPOSE OF RISK & INSURANCE BENCHMARKING REPORT

AHT's NGO and International Aid & Development Organizations (IADO) Risk and Insurance Benchmarking Report was founded on the premise that true empirical insurance benchmarking data for the NGO and the International Development community was challenging to obtain via existing third-party resources. Recognizing that key stakeholders desired this data to inform their larger risk transfer philosophy, this report serves to fulfill that key function but also to highlight key findings, summarize the potential impacts on NGOs and IADOs, and review direct comparisons to last year's results. A complete view of the 2022 survey results is presented in an infographic is next in the report.

When using this report as a part of a decision-making process, it is important to consider:



Your organization's overall tolerance for risk



Any unique exposures faced by your organization that increase or diminish your overall risk and exposure (e.g. mission/nature of work performed, board composition, security conditions in which you operate, etc.)



Any contractual/funder requirements

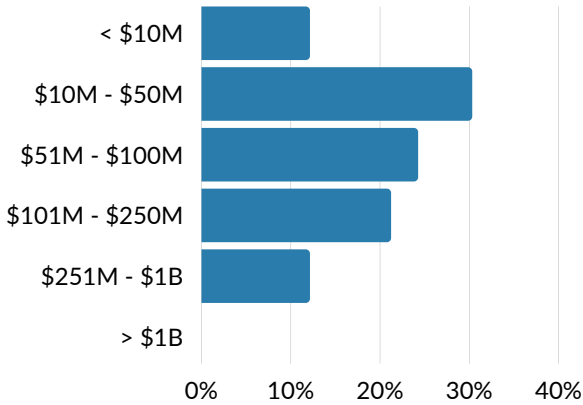


Legal/regulatory landscape of programmatic countries, including requirements for local, compulsory coverage

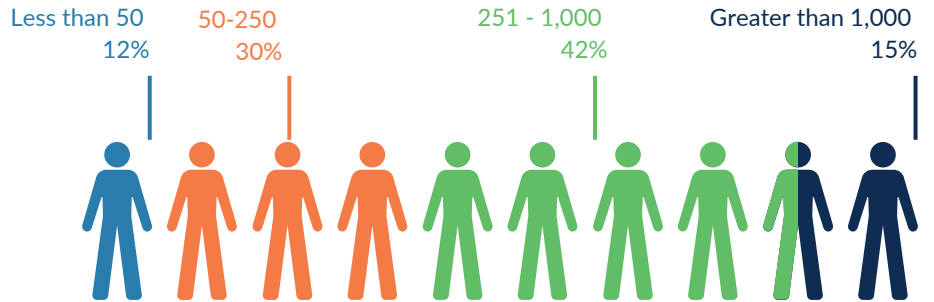
2022 NGO & International Aid Organizations Risk & Insurance Benchmarking

TELL US A LITTLE MORE ABOUT YOUR ORGANIZATION

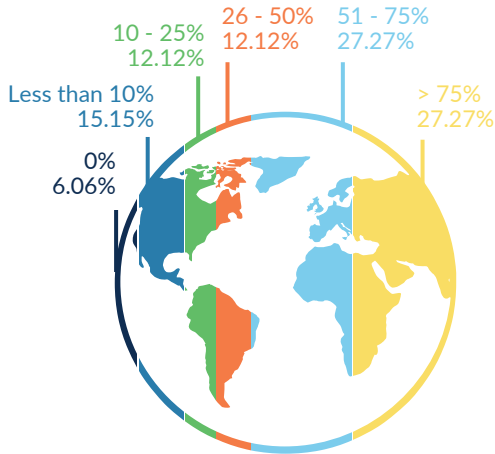
What is your annual budget?



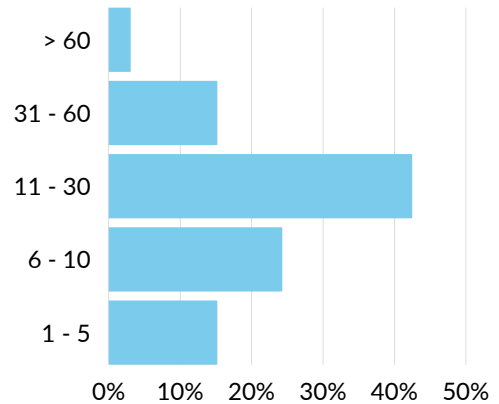
How many employees do you have worldwide?



What percentage of your staff is based overseas?

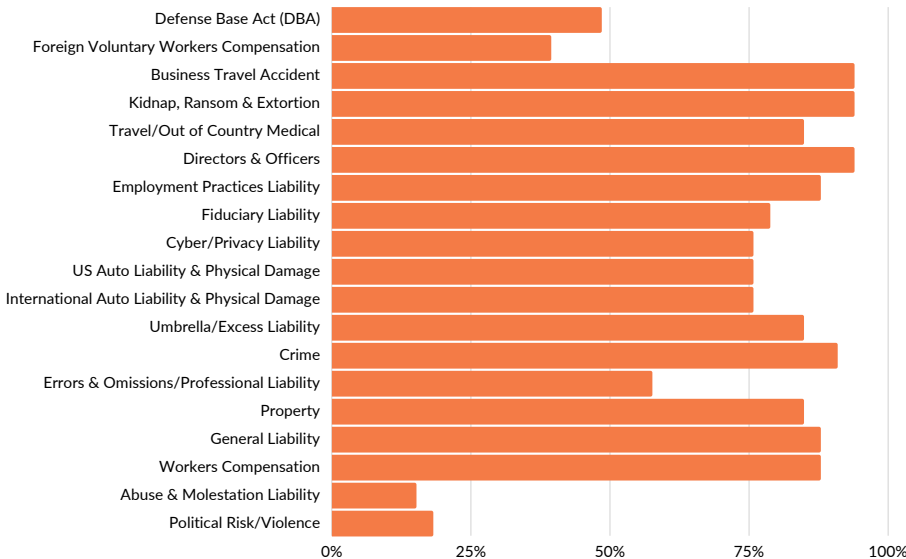


In how many countries does your organization operate?

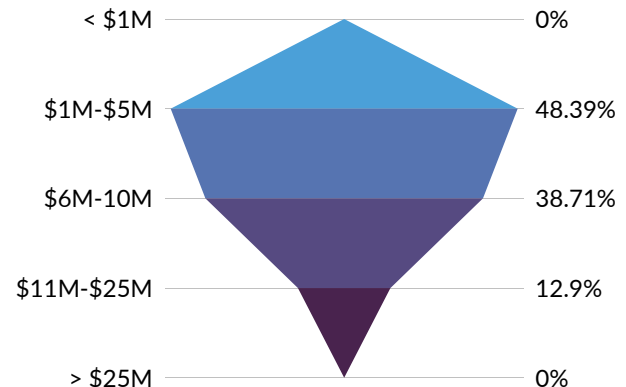


INSURANCE LIMITS

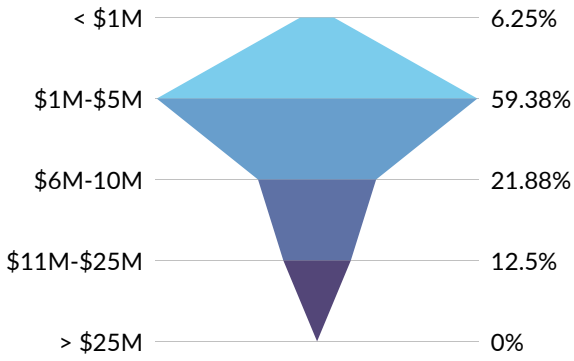
What types of insurance does your organization currently purchase?



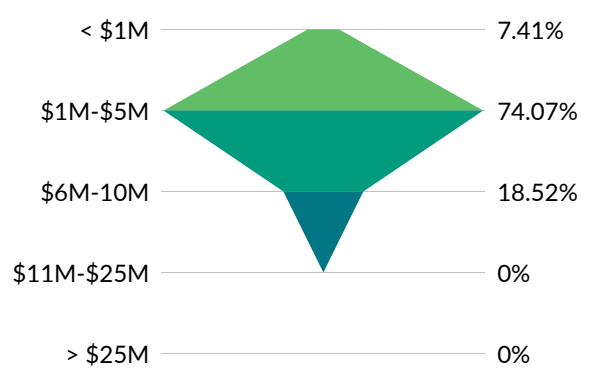
What is our organization's current Umbrella/Excess Liability limit?



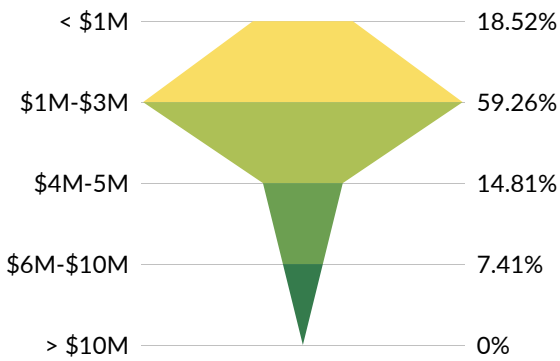
What is our organization's current Director and Officer's Liability limit?



What is our organization's current Cyber/Privacy Liability limit?

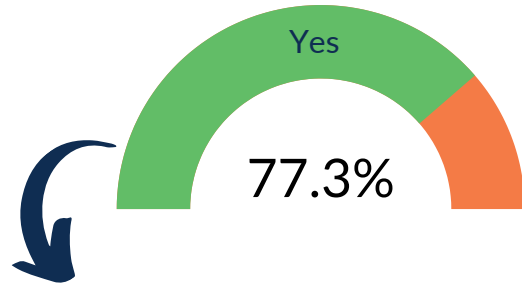


What is our organization's total current Crime limit?

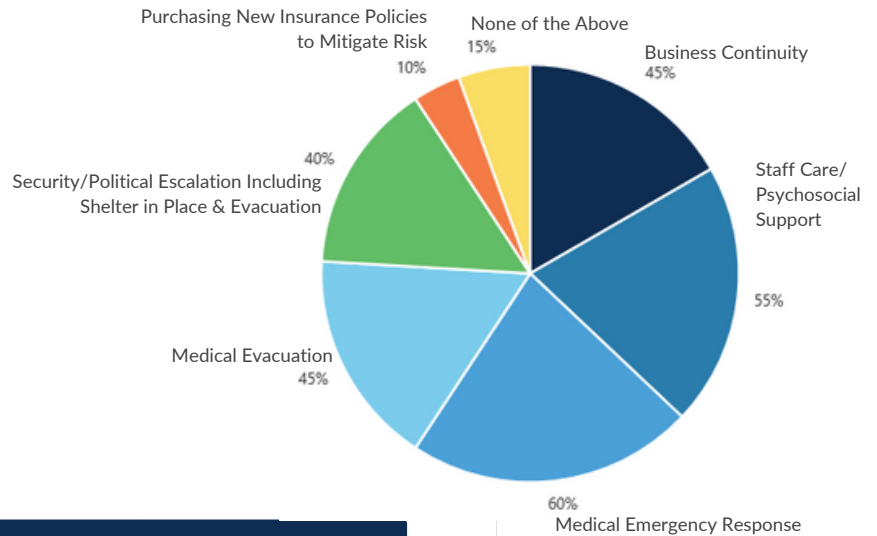


RISK MANAGEMENT SYSTEMS

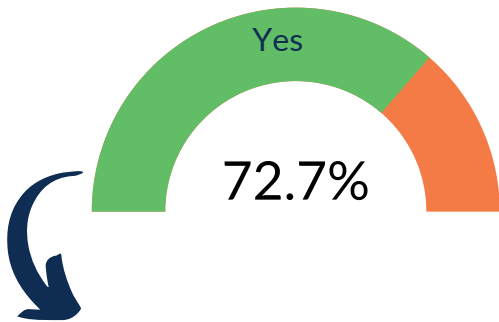
Have any of the recent global events in the past 2 years (pandemic, Ukraine, Afghanistan, Ethiopia) driven changes to your organization's contingency and emergency plans?



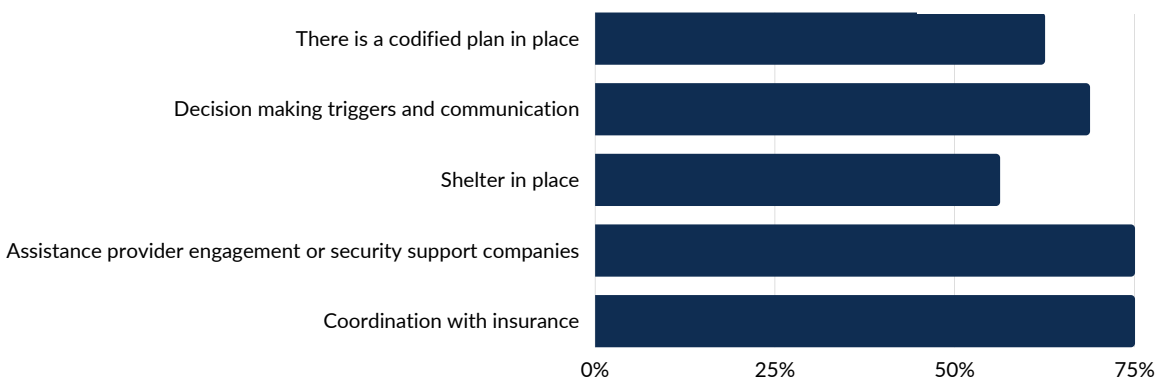
Which organization plans have you updated?



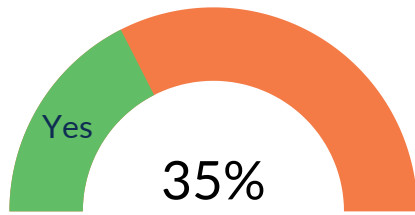
Does your organization have security plans, political escalation, and evacuation plans in place for international staff?



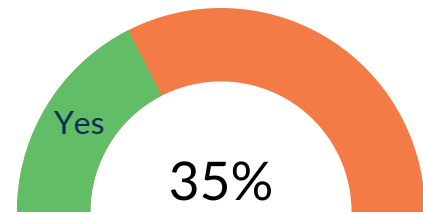
What plans do you have in place for internal staff?



Have you used your security evacuation plans in the past 12 months?



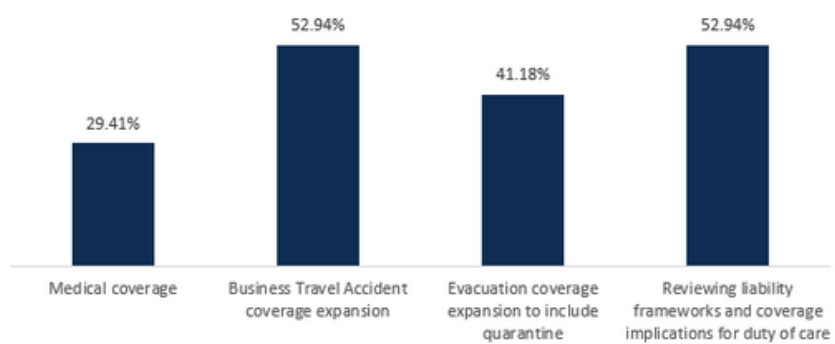
Have you supported the departure of host-country staff from their home countries due to security issues in locations, such as Afghanistan, Ukraine or Ethiopia?



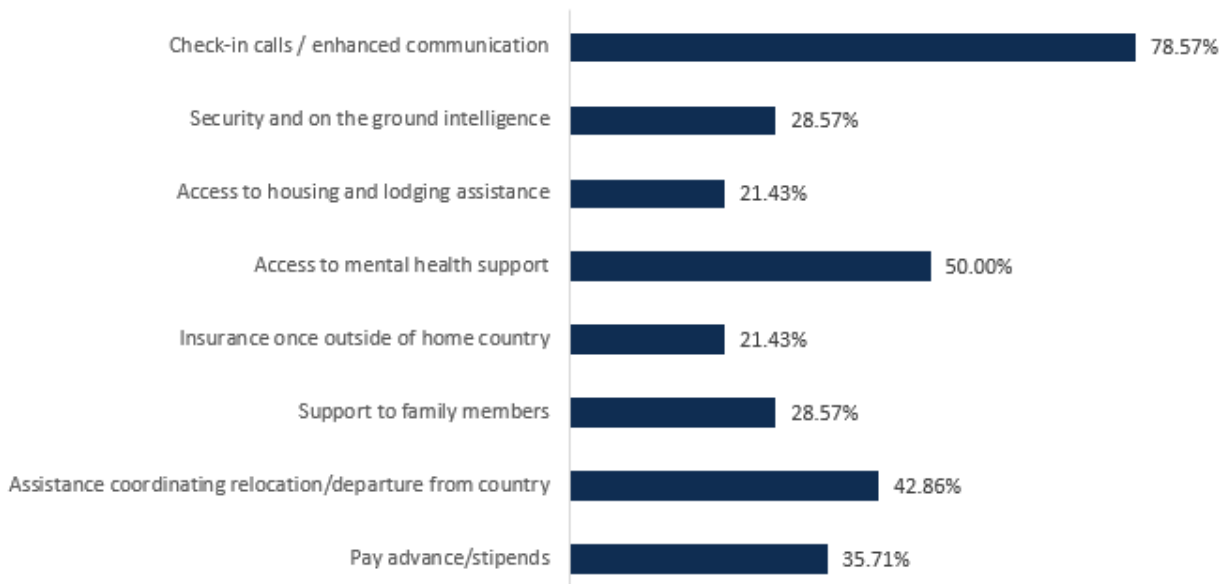
As international travel resumes, how has your organization trained for, and increased staff risk awareness, around international travel and deployment?

- 72.2%** Formal relaunch of travel requirements & available resources
- 83.3%** Informal education as updates are made/required
- 61.1%** Updates have been made to your processes regarding pre-trip briefing and acknowledgement
- 44.4%** Increased informed consent for travel (not just "extreme" travel locations)
- 5.6%** Other

What have you updated or reviewed in terms of insurance coverage to reflect the needs of international and local national staff?



Which of these methods have you used to support host-country staff in country?



Which resources have been helpful in managing the risks around volatility and uncertainty?



CRITICAL INCIDENT RESPONSE IN A TIME OF UNCERTAINTY

The Taliban takeover of Afghanistan, conflict in Ukraine and Ethiopia, unrest in Haiti, coups in Mali and Burkina Faso - add to that the COVID-19 pandemic and the global risk environment has been especially complex over the past few years. Driven by these events, many international development organizations have revised and adapted their core escalation and critical incident response plans, procedures, and resources to better fit their needs and support personnel.

AHT's survey asked organizations about how they've adjusted key critical incident response systems in light of global events. **Observations of the data include:**

GLOBAL VOLATILITY = REVISED PLANS

Over three quarters of survey respondents (77%) report updating contingency and emergency plans, confirming what has been anecdotally discussed within the community over the past few years.

77% of survey respondents report updating plans



FOCUS ON MEDICAL AND STAFF CARE

Not surprisingly, given the pandemic, there was increased focus on medical emergency response along with staff care and psychosocial support – both essential elements of any incident response and management system.

Increased focus on medical emergency response



Increased focus on staff care and psychological support

CORE COMPONENTS OF EVACUATION PLANS

Three quarters of respondents report incorporating assistance company and insurance coordination in evacuation planning and almost that number (68%) include decision making triggers and communication within evacuation plans.



75% report incorporating assistance company and insurance coordination in evacuation planning

SHELTER IN PLACE?

Only a little over half reported that shelter in place was a part of their escalation plans. In many instances, shelter in place is the core, initial response to a deterioration in the security environment – whether that leads to evacuation or not – so it's essential to have robust plans and resources in place.



A little over 50% report shelter in place is part of their escalation plans

Critical incident response systems will remain a core component of operational risk management. More than just static documents that sit on a shelf (or server/drive), these plans, procedures, and resources are dynamic and must be updated to reflect changes in the risk environment and community best practice as reflected in these survey results.



ADAPTING SYSTEMS TO A CHANGING GLOBAL RISK ENVIRONMENT

With the COVID-19 pandemic having reached a more manageable phase – and despite the range crises referenced in the prior section – global travel has continued to bounce back from early pandemic lows. By the third quarter of 2022, data collected by the Global Business Travel Association (GBTA) reflects that 86% of US companies and organizations have resumed international travel – many including non-essential travel. Anecdotal reporting across AHT’s client base suggests that number is closer to 100% for the international aid and development community. Disruptions in travel based on location-specific risk conditions continues, with Haiti, Nigeria, Ethiopia, and Ukraine notable examples in the past year.

To ramp up operations in today’s complex global risk environment, organizations are (re)focusing on risk management fundamentals, including:

- **Preparing travelers and other team members.** Almost three quarters of survey respondents report formally re-launching travel policies, procedures, and resources and an even larger number (83%) provide informal travel risk management education. Over two thirds of respondents have updated processes related to pre-trip briefings and risk acknowledgement.



Nearly 3/4 report formally re-launching travel policies, procedures and resources

- **Supporting host-country team members.** Host-country employees have always been a crucial part of NGO operations and the pandemic accelerated reliance on these team members. To support host-country teams, almost all respondents (78%) have increased communication and check-in. Half of the responding organizations increased mental health care support – a crucial part of meeting duty of care. Driven by events in Afghanistan and Ukraine, 42% of respondents report assisting host-country team members with relocation or even departing their home countries.



78% have increased communications with host country teams

- **Refreshing resources.** Coming out of the pandemic, many organizations have re-looked at essential resources to ensure they fit the intended purpose and are available when needed. Peer networks have long been critical within the NGO community, so it's no surprise that other NGOs rank as the top resource by survey respondents, with staff care/mental health providers and security assistance companies rounding out the top three resources.



Other NGOs rank as a top resource for survey respondents

The COVID-19 pandemic's effect on travel risk management has been significant. While the complexities of the risk environment exposed limitations and gaps in systems, the pause in travel provided the rarest of commodities – time to revise, implement, and socialize new plans, procedures, and resources. Interest in these systems has increased, even amongst the most seasoned of travelers, leading to more receptive audiences for revised plans, new training, etc., which hopefully will result in stronger risk mitigation and incident response.

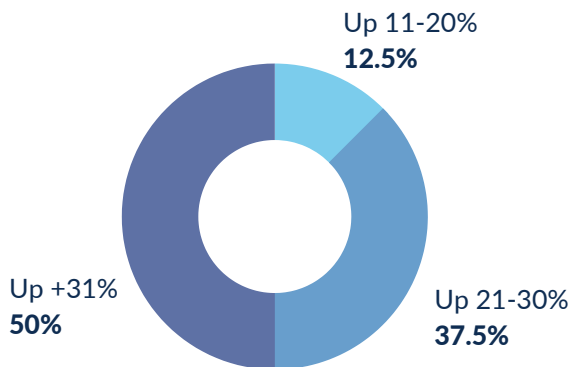


The pandemic offered time to revise, implement, and socialize new plans, procedures and resources

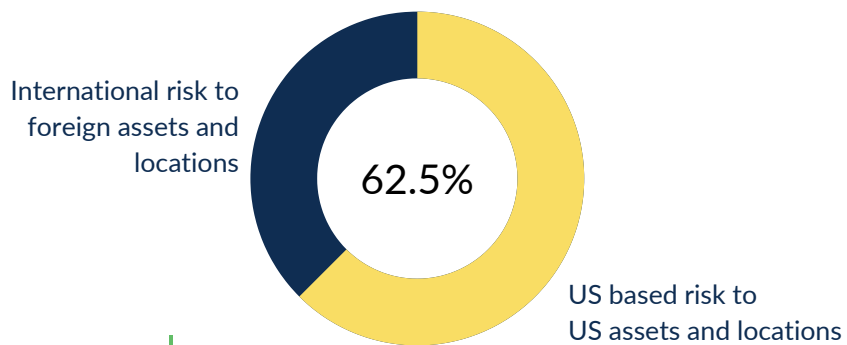
ASK THE UNDERWRITERS CYBER

For the 3rd consecutive year, rate increases for cyber liability in the market are well in the double digits. In 2022, underwriters have been placing a much higher scrutiny on clients' investments in internal controls. **Specific items that concern underwriters are as follows:**

With regards to Cyber rates for the next 12 months, what do you foresee in terms of continued rate growth?



For clients headquartered in the US with a foreign office, where are your primary Cyber exposure concerns?



What is your level of Cyber risk underwriting concern for insured foreign offices?



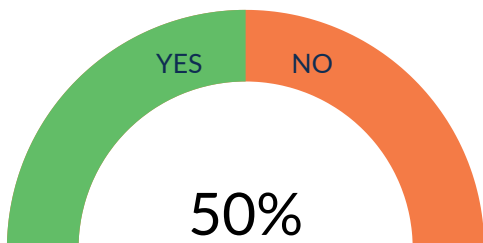
SPECIFIC CONCERNS:

No established controls in place, making them more vulnerable to attacks.

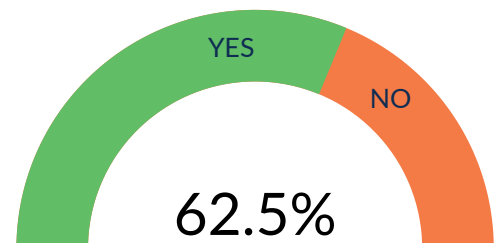
Abroad locations being more heavily targeted by cyber threats, with connectivity (networks/servers) to its US based locations.

Russia and exposure to Russia's war against Ukraine.

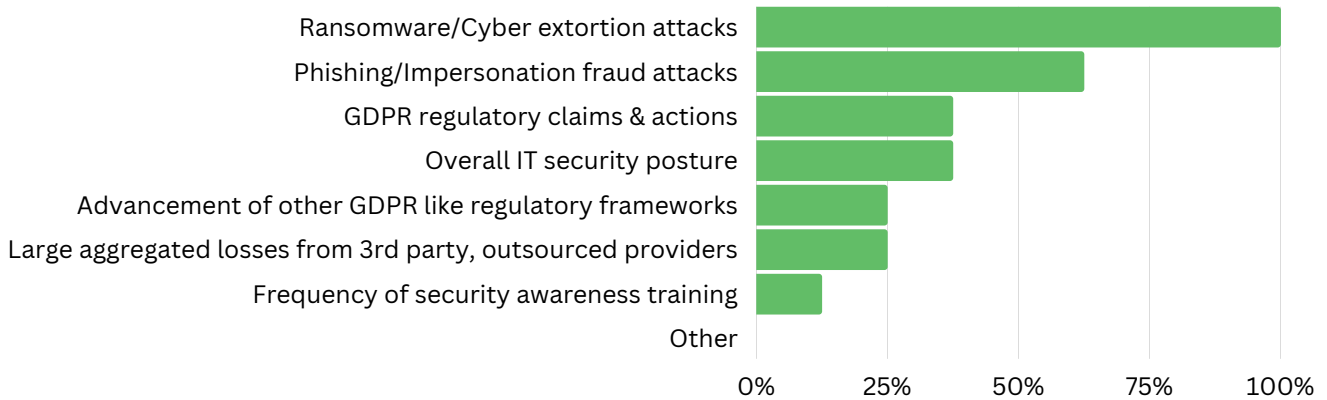
As Cyber Extortion and Ransomware losses continue to mount, do you foresee the creation of a standalone policy dedicated to Cyber Extortion/Ransomware coverage within the insurance market?



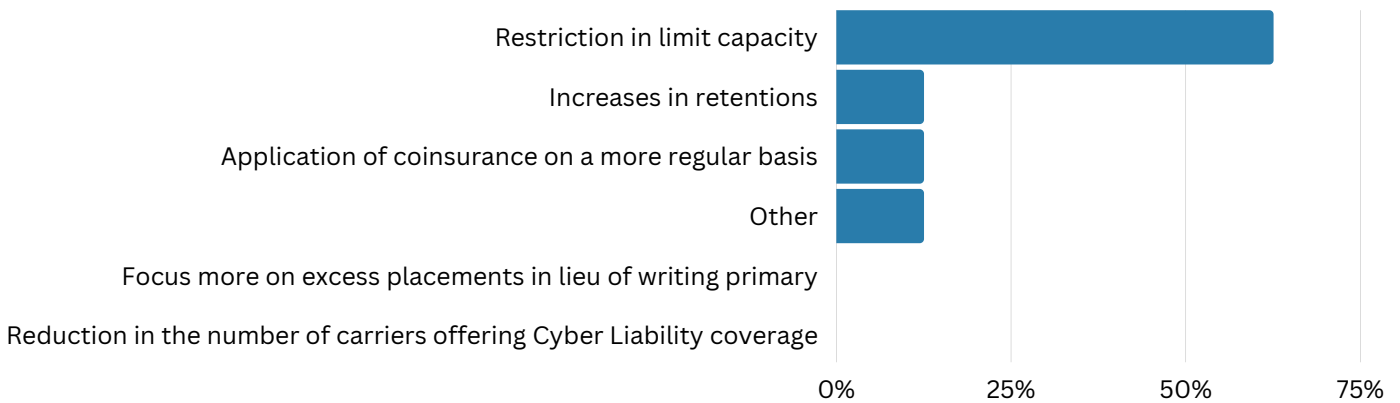
Within the next 12 months, do you foresee carriers withdrawing all coverage for Cyber Extortion/Ransomware on a traditional Cyber Liability policy?



For clients with multinational Cyber risk (foreign donors, foreign offices, foreign staff, etc.), what do you view as the most significant Cyber risks?



In the next 12 months, what do you view as likely underwriting actions within the Cyber market?

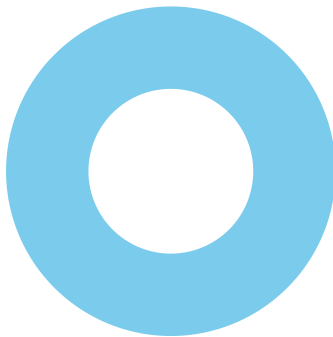


ASK THE UNDERWRITERS

EMPLOYMENT PRACTICES LIABILITY

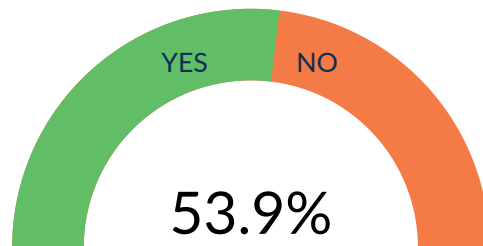
The global pandemic, fully remote work, localization, and variety of other factors continue to change the way International Development Organizations work. As such, employment practices liability (EPL) claims are increasing in frequency and severity and no longer are only a nuisance. For many International Development Organizations, employment practices liability is the most likely area where claims will occur. This leads underwriters to look at clients in a different way.

With regards to rates for the next 12 months, what do you foresee in terms of continued rate growth, for non-profit and private companies?

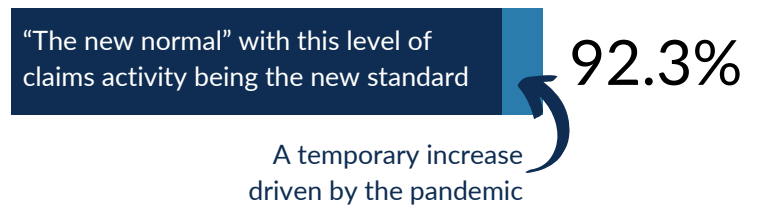


Up 5-10%
100%

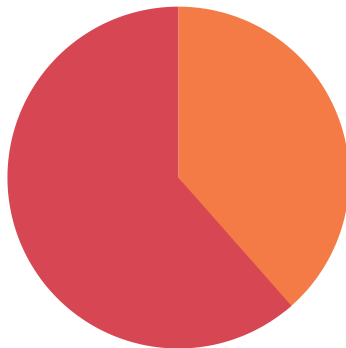
Do you feel that the current EPL market is priced and rated for profitability to withstand the increases in EPL claims cover the past 12-24 months?



What is your level of Cyber risk underwriting concern for insured foreign offices?



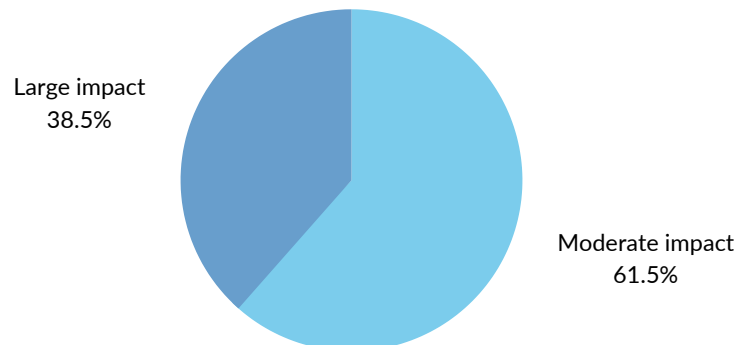
What is your level of concern relating to increased claims/litigation due to employer vaccine mandates for US staff?



Moderate impact
61.5%

Little to no impact
38.5%

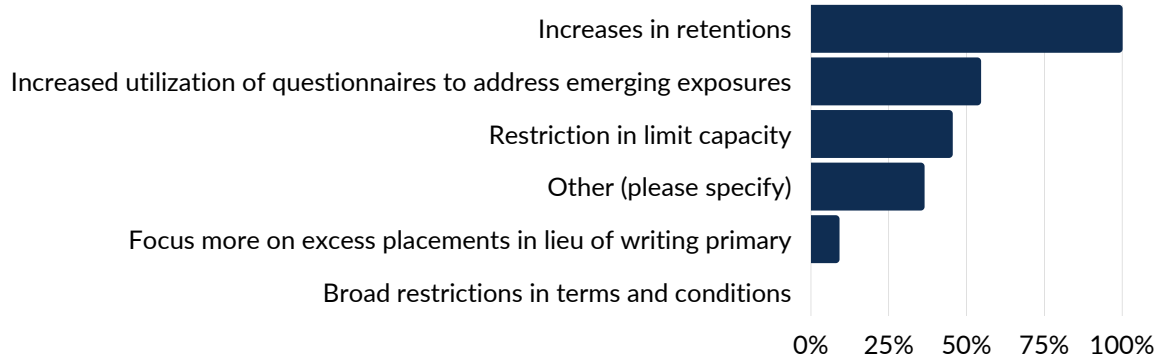
How much do you feel social inflation is contributing to increases in EPL claims costs?



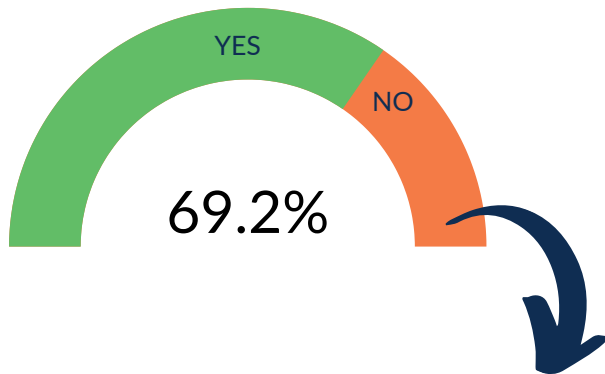
Large impact
38.5%

Moderate impact
61.5%

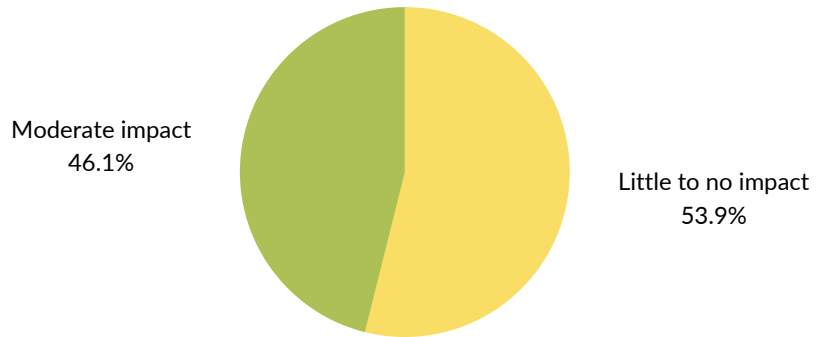
In the next 12 months, what do you view as likely underwriting actions within the EPL market?



Are there are emerging EPL claims or actions that you are closely monitoring for future impact on the EPL market and claims trends?



What is your level of concern relating to increased claims/litigation due to employer vaccine mandates for international staff?



SPECIFIC CONCERNS:

- Claims by higher wage earners, upper management or executives
- Pandemic/return to work issues, Freedom of Speech issues, continued discrimination, harassment, retaliation issues
- BIPA
- Vaccination requirements
- Diversity initiatives, equal pay, unionized workforce
- Influx in discrimination/sexual harassment claims etc. as more people return to the office

COMMERCIAL CLAIMS LOSS TREND ANALYSIS INTERNATIONAL AID & DEVELOPMENT ORGANIZATIONS

The International Aid and Development Organizations (IADO) commercial claims market spans nearly every type of insurance coverage, from standard Property & Casualty lines to highly specialized international placements. Given the multitude of policies and legal jurisdictions at play, this space requires extra attention from risk managers, carriers, and agents alike. We've prepared a loss trend analysis to identify trends and key observations to assist with managing this unique set of exposures.

Key items to understand and consider when reviewing the analysis:



This report analyzes 3 years of loss data (1/1/2019 – 12/31/2021) with financials valued as of Q3 2022. The dataset consists of more than 20 IADO clients across the entire AHT Book of Business. Total Incurred can be thought of as 'ultimate probable final cost' of the claim and is the sum of Total Paid plus Remaining Reserves. Financial Data is net retention as applicable, i.e. only Insurer Funds which are listed on Official Loss Runs are considered in this dataset.

CLAIM FREQUENCY & SEVERITY

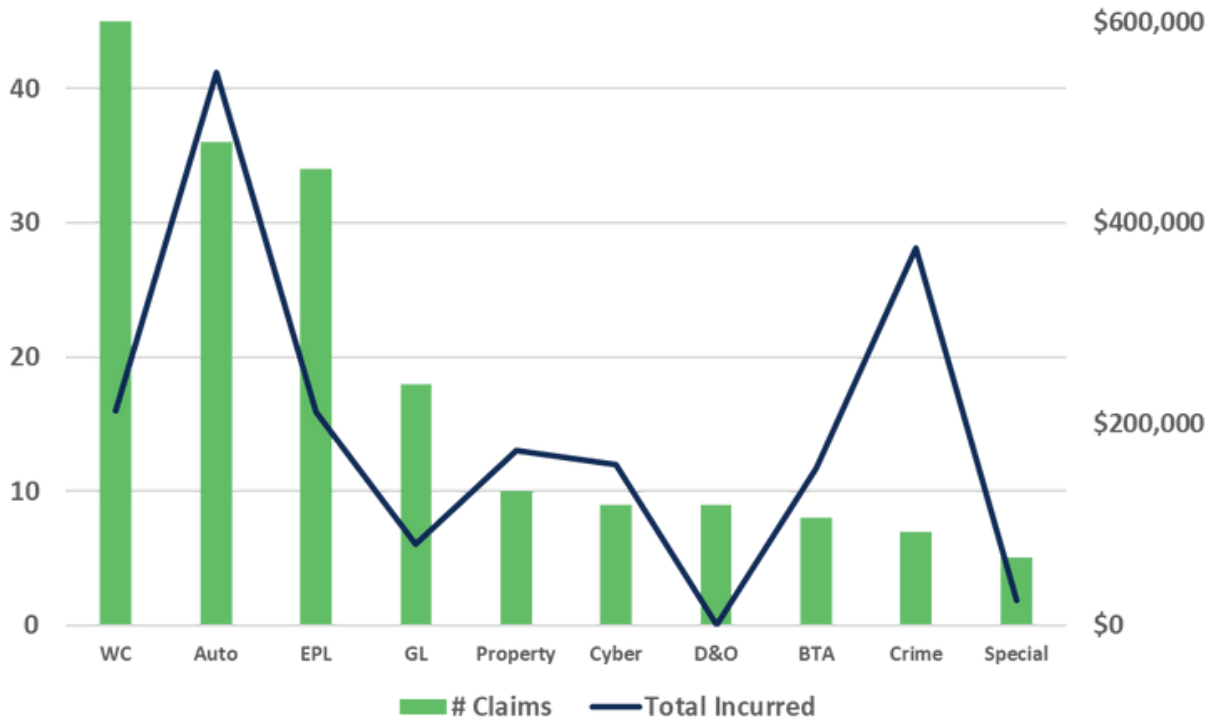
A Exhibit A – Lists # Claims; Total \$ Paid; and \$ Total Incurred for all claims reported by IADO clients Calendar Years 2019-2021.

Policy Type	# Claims	Total Paid	Total Incurred
WC	53	\$155,359	\$213,059
Auto	36	\$515,834	\$549,444
EPL	34	\$122,512	\$212,513
GL	18	\$78,542	\$80,285
Property	10	\$13,845	\$173,845
Cyber	9	\$159,893	\$159,893
D&O	9	\$0	\$0
BTA	8	\$155,761	\$155,761
Crime	7	\$374,648	\$374,648
Special	5	\$24,630	\$24,630
Grand Total	189	\$1,601,023	\$1,944,075

B Exhibit B – Visual representation of Exhibit A. The Green Bar (# Claims by policy) is tied to the left Y-Axis. The Blue Line represents the Total \$ Incurred.

Workers' Compensation (Combined Domestic & International claims) has the highest claim count (65), but only 5th highest Incurred. Conversely, Crime had one of the lowest claim counts (8) but the second highest Total Incurred (\$916K+).

33 EPL claims (15% of all claims) account for \$1,236,683 (31% of Total Incurred). EPL policies also have high retentions, meaning this is a very serious exposure.



C EXHIBIT C - The AHT Claims Advocacy Team considers a claim with a Total Incurred > \$25,000 to be “severe”. This Exhibit shows the relationship between # Total Claims (Green Bar) as compared to the percent of those claims with Total Incurred >\$25K (Blue Line), by policy.

Across all types of policies, 9.5% of Claims have a Total Incurred > \$25K. Crime has the highest proportion of claims >\$25K (57%). A Cyber claim is the second most likely to be >\$25K (22% of Cyber Claims > \$25K). There are no Special Coverage or D&O Claims > \$25K in this dataset. **Claims >\$25K account for 86.1% of the dataset’s Total Incurred.**



D Exhibit D -The AHT Claims Advocacy Team considers a claim with a Total Incurred > \$100K to be “catastrophic”. This Exhibit shows the relationship between # Total Claims (Green Bar) as compared to the % of those claims with Total Incurred >\$100K (Blue Line), by policy.

Across all types of policies, 2.7% of Claims have a Total Incurred > \$100K. Crime has the highest proportion of claims >\$100K (29%). There are many policy types that do not have a single “catastrophic” claim >\$100K. **Claims >\$100K account for 48.4% of the dataset’s Total Incurred.**

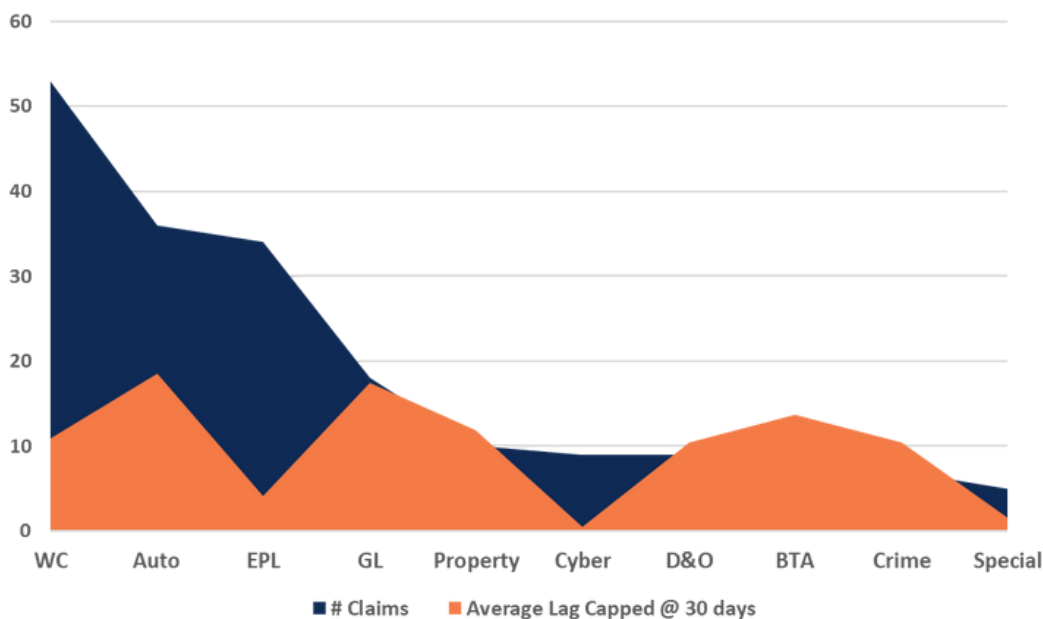


REPORTING LAG TIME

EXHIBIT E - Timely reporting of an incident by the Insured to the Insurer is one of the most important responsibilities of the Insured. Many studies show a correlation between late reporting and a higher claim cost. This chart shows average lag time between date of loss and report to the Insurer. **An industry goal is typically less than 5 days of lag.** Unfortunately, almost all lines of coverage, both Domestically and Internationally, fail to meet this goal.

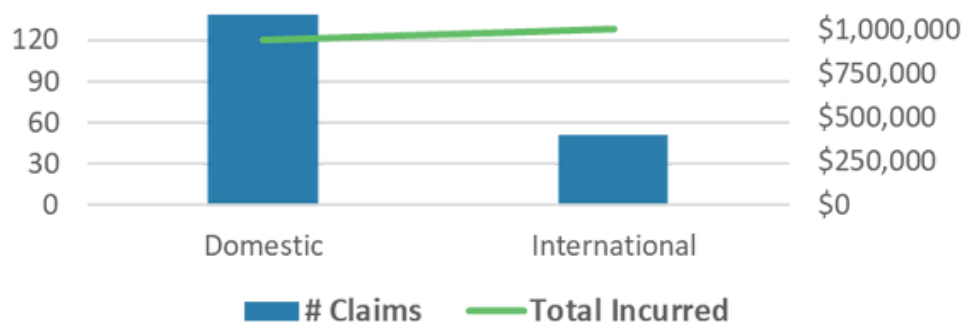
It is interesting to note that some of the more urgent/time sensitive lines of coverage have a lower lag time. The most extreme example is that Cyber claims are reported within 0.1 days (i.e., immediately upon discovering the breach, ransomware, network outage, etc.).

Perhaps surprisingly, **Domestic claims average 11.6 days of lag; International 9.8 days.** This was the case in the previous IADO Report, as well (2018-2020; Published 2021) - trend has strengthened.



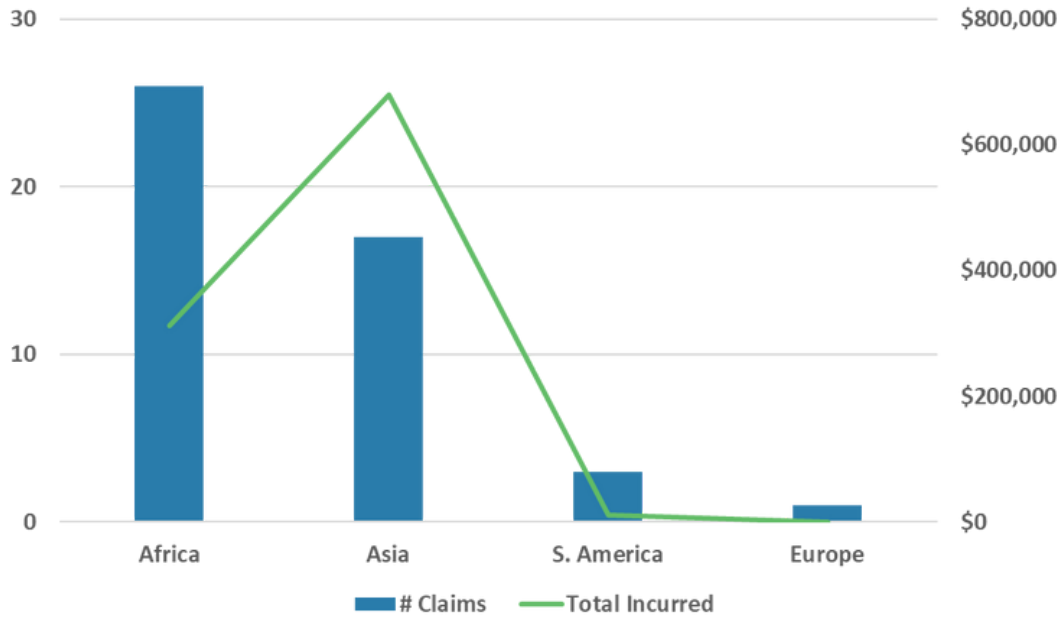
DOMESTIC V. INTERNATIONAL

EXHIBIT F - Splits out Domestic (USA) and International claim counts and Total Incurred. Domestic claims account for ~75% of Claims, and ~72% of Incurred. The average International claim is slightly more costly (\$20,058) than its Domestic counterpart (\$17,293).



G Exhibit G – Shows all International Claims and Total \$ Incurred by continent. Africa and Asia make up the great majority of Claims and Total Incurred.

Asia only has 2/3 as many claims as Africa, but nearly twice as high of a Total Incurred. A catastrophic claim in Afghanistan and another in Lebanon account for much of this.



H Exhibit H – Breaks down the same data by country. As noted previously, Afghanistan lead the way both in terms of claims reported as Total Incurred (\$515K). Several other countries, which experienced one claim but \$0 Incurred above retention, are not listed here.

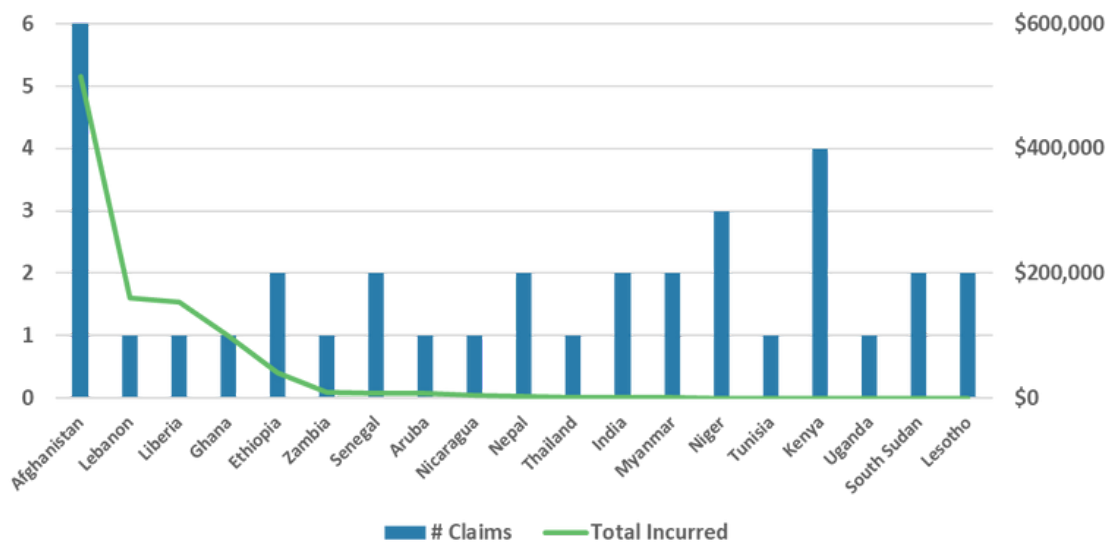
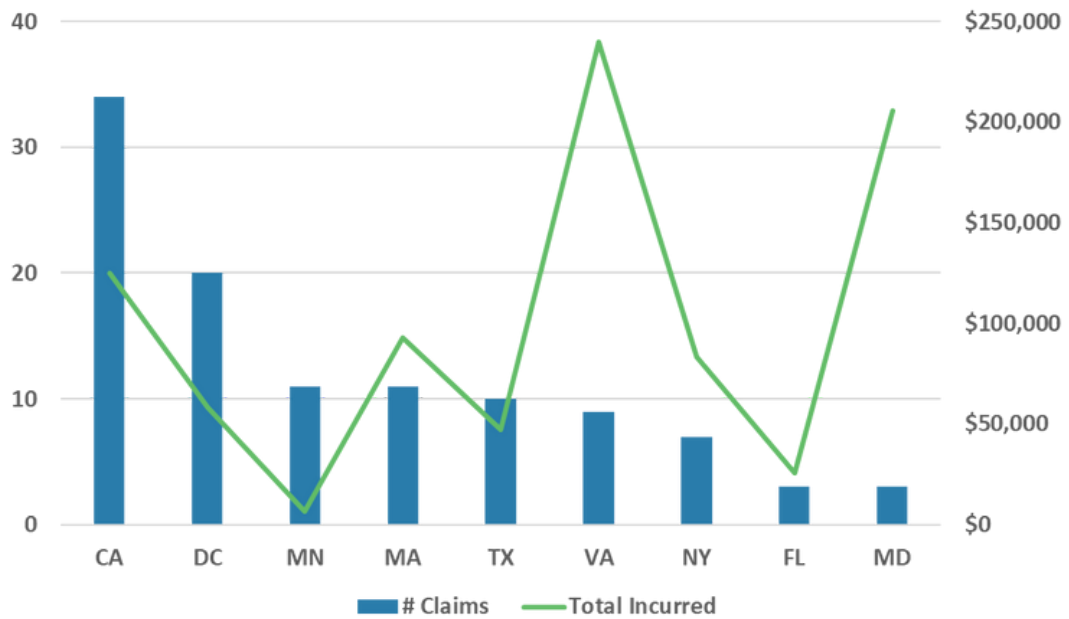


Exhibit I – Breaks down Domestic Claims by state. The state is not necessarily the home office of the organization, but rather is the jurisdiction under which the claim falls.



3-YR COMPARISON & POTENTIAL COVID-19 IMPACTS

EXHIBIT J - Exhibit J shows the # of Claims and \$ Total Incurred for all claims across the world. **There is a statistically significant decrease in 2020 and 2021, as compared to 2019.** Last year's report showed that 2019 was at a lower level compared to 2018, supporting this trend.

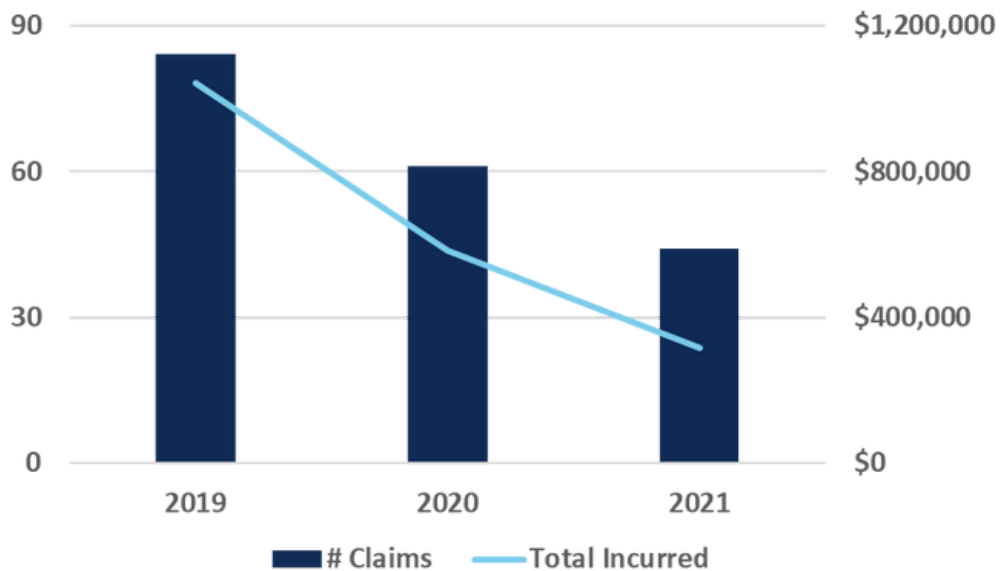
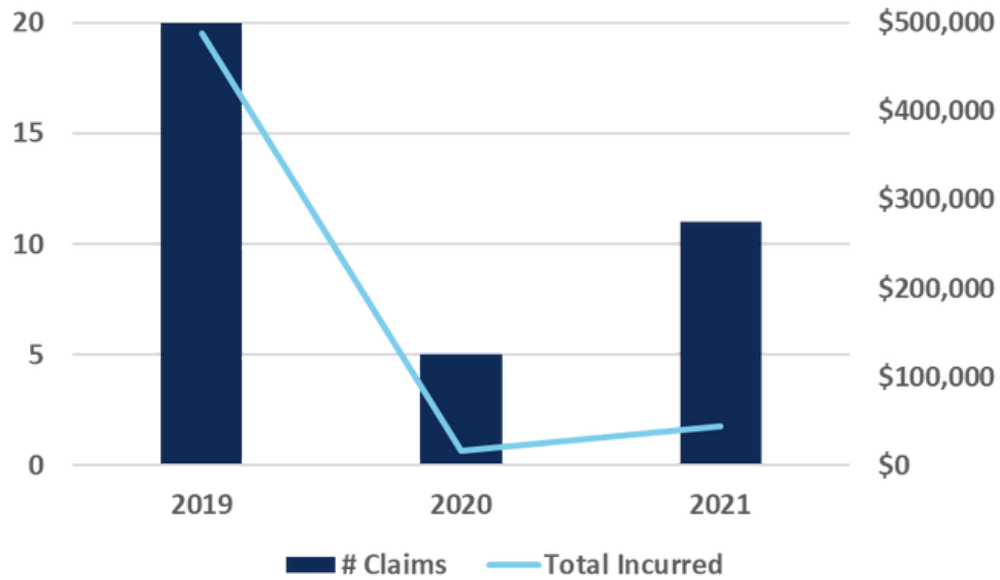



Exhibit K - With the only exception being EPL, all policy types saw a drastic decrease in # Claims and \$ Total Incurred "Post-COVID" as compared to "Pre-COVID". Auto showed the largest decrease:



IN CONCLUSION

The past months have offered ample reminders of the important role risk management plays in enabling international development programs and activities. AHT remains committed to being a trusted partner and resource to help navigate emerging risk trends, as well as the overall insurance market. Our goal is to have this survey serve as a valuable tool for stakeholders to address the risks faced. Risk will continue to be dynamic, the insurance industry will continue to adjust to risks and the associated claims that present, and AHT will remain committed to providing strong and effective insurance and risk management services to the International Aid and Development community. We value our continuing partnership with the community and leveraging all our expertise to bring creative risk and insurance solutions to these changing dynamics.



Our team of NGO/IADO experts provides exceptional knowledge and experience in the industry – affording them the ability to provide solutions for any situation, as they’ve most likely encountered it before.

MEET THE TEAM



MANDY BALLVE
Vice President, Client Executive



ABBY PETERS
Associate Vice President, Client Executive



SEEMA KARIM
Senior Client Manager



JESSICA HALSEY
Senior Client Manager



HEATHER BELTON
Senior Account Manager



HOLLIE MILER
Client Manager



CASSIE FOSTER
Account Analyst



SIMRAN KAUR
Administrative Assistant



BEN COCHRAN
Manager, Claims Advocacy



STEVE DODGE
National Director, Claims Advocacy



JOE GLEASON
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