

# Mission and Markets Episode 20

**Speaker:** Hello and welcome to Mission and Markets, a podcast by CAPTRUST, where we explore trends and best practices for endowments and foundations related to mission engagement, fiduciary governance, and investment management. Hosted by CAPTRUST's Heather Shanahan, each episode shares research, resources, and recommendations from industry insiders.

So your nonprofit can focus on what's most important, the mission.

**Heather Shanahan:** Hello, and welcome to our next episode of Mission and Markets. My name is Heather Shanahan and I'm your host. And today I am delighted to be joined by Peter Persuitti of Gallagher. and I'd love it, Peter, if you would tell us a little bit about your background and your role. certainly in the nonprofit space.

It is extensive, so welcome.

**Peter Persuitti:** thanks CAPTRUST, and thank you for your commitment. to serve the third sector, the nonprofit sector, both faith-based and secular, is among the largest segments of society. And for 24 years now, I've been fortunate to lead Gallagher's Talent and impact in these two verticals.

We serve today over 30,000 nonprofits. Some of them are single locations, some of them are enterprises with thousands. locations we're among the two top brokers in the world with over 70,000 employees, and I serve as the global managing director Gallagher's, a Fortune 500 company whose roots and legacy stem from serving the church and her ministries in Chicagoland.

Gallagher is also the only consultant broker with the continuum of care for the insurance cycle from risk control to brokerage, both retail wholesale to underwriting to claims administration, alternative risk financing. trusts and reinsurance. So my role is really conductor of the orchestra of talent and resources across all of our divisions and countries aimed at charities, or as we often call it, the third sector.

**Heather Shanahan:** Wonderful. That's vast. I'd love to hear too, you have a long history just in terms of other roles and other experiences in higher ed and, K through 12, operating nonprofit experience. just for context, if you'd be willing to touch on that as well.

**Peter Persuitti:** Yeah, sure. So I certainly didn't grow up to be an insurance. I'm actually an academic pursued advanced degrees in the classical languages. And the thought was to publish, to teach, to be a professor. And, as I went along the way, being as precarious as I am as athletic, interested as I am.

I chose, to go into academia and interestingly enough, eastern boarding schools where they were still, offering, these, great, ancient languages. and it was through the academic world. That one gets into leadership, And leadership is something that I'm really a student of.

I actually came in through the reinsurance world. That was my first position. I was about to become a head of school. I wanted to meet some board members.

And the board members were successful professionals. And, I recall, those introductions and, the change of the course, I ended up joining, Munich Re and helping them work with their nonprofit, and religious captives, reinsurance, trust, all of those very complex, big aggregations, that Munich re reinsured as such.

And it was from there in trading with the broker market as we do as reinsurers that I came upon Gallagher and its work for the Catholic Church in particular. And my. Knowledge of the Catholic Church, made them realize that I could be well positioned to help them deal with, the onslaught of abuse claims that came back in the mid nineties, which is the time I was at Munichre.

**Heather Shanahan:** My own experience, both in terms of operating nonprofit experience as well as currently serving on a nonprofit board where we recently had a conversation specifically around cybersecurity insurance and whether or not anything was in place there, to which the executive director said, no, and should we, and what do we need to think about?

And that opened an entire can of worms about all the insurance coverages that were in place and. A couple of us on the finance committee received a declaration page and I scratched my head and thought, I don't really know whether or not this is right either. And so I think that's a common predicament that nonprofit boards and nonprofit leaders find themselves in of, what do we need to have in place?

What's important? So let's start with that. From a high level perspective, an overview of insurance, that nonprofit organizations may want to consider. How do you advise these organizations to assess and navigate?

**Peter Persuitti:** first off, it seems as if everybody's talking about insurance. We're seeing, the coverages or costs go up. so it begins with the personal experience. How about those of us, like me, who live in a townhouse association now, we see the allocations or the assessments going up significantly.

which really brings challenges of both affordability and accessibility, which are two big, themes that I especially use in the nonprofit sector. But if you bring it over to the nonprofits, think about nonprofits who are serving youth, the vulnerable, and in fact, they're in the public square, so they're very.

exposed. for example, you mentioned cyber coverage and, we just published a piece about how nonprofits may not even be aware of their exposure to claims from how they manage their websites.

**Heather Shanahan:** A. could be using their website tracking, to capture data about users that are interacting with the site.

**Peter Persuitti:** And remember, this data could include demographic information about the user behavioral data on the use of the website. nonprofits may be using this information for marketing, for user experience, for personalization or performance monitoring. Guess what? This data is subject to privacy and compliance requirements.

and nonprofits aren't immune to this litigation trend. So how about nonprofits? What events, what does your event cancellation insurance protection look like? Imagine that during COVID when we plan for events, we signed contracts and now we have no revenue to pay for those contracts.

Transportation risk are among the largest claims we see. And we know nonprofits are critical to transporting groups, vulnerable populations. and then we often, will say, do we have the right limits in place? Coverage overall is about language, terms and conditions, and the devil is in the details.

And we pride ourselves on navigating for our nonprofit clients and making sure their coverages protect the operations of nonprofit performs that coverage will trigger in the event of a loss. And we are there to make sure that the nonprofit insured is made whole as best we can.

for example, saying, let's try to get defense costs outside the limits of coverage because that could protect. limits of coverage in terms of the erosion of coverage. So we can't emphasize enough the specialization that is critical to this public serving voluntary sector. It is very different from a commercial company.

nonprofits are fortunate to have board members like you, and some of you may have insurance experience. In fact, when you think about the composition of boards, don't you often look at the talent? You want somebody who understands investments, which fits right in with what CAPTRUST is all about.

these are good things. We want nonprofits, we're able to give. We want nonprofits who know the community and can engage, others. sometimes. When you do have a nonprofit board member with insurance experience, this could be a conflict of interest in terms of gain or an edge for that board member's organization.

So nonprofit constituencies want. Transparency and therefore every once in a while they should probably consider an RFP and select agents and brokers who have a specialization back to the point I made in the sector. Some nonprofits will ask their broker agents, for example, to select markets, go out to this market, you go to another one, and come back with ideas and pricing.

We believe. The best approach is to focus on selecting a consultative experienced broker partner who can navigate the insurance marketplace for you. Take time to understand their experience, how they service, how they use data to help you make more informed decisions. What leverage they have with carriers.

Talk to their references because that specialization and that referral it's a small world, a nonprofit world.

**Heather Shanahan:** Do you find that nonprofits are particularly vulnerable to bad actors or is it just more a matter of nonprofits don't know what they don't know and tend to have gaps in their coverage?

**Peter Persuitti:** I think nonprofits are, like any organization, it can have the disease or the poison within its organization. Nothing is more awful than to see that it's a leader of a nonprofit who actually is the bad actor, and that fall from grace, or that moral failure has rocked.

Our nonprofit sector, especially the faith-based sector. And there's nothing more important for a nonprofit than its reputation. so there are those that believe that nonprofits try to do more with less. And I see tremendous hope in the future for nonprofits because here's an interesting trend I'm seeing.

Corporate executives and leaders who've been successful in their lives and therefore are financially well positioned, now wanna do something significant. So they move from success to significance. And I find when those types of

backgrounds and leaders come into nonprofits, they begin to think of the importance of efficiency and mission directed.

and they give us great hope that nonprofits will be less vulnerable, in the future.

**Heather Shanahan:** Let's pull on that thread a little bit. Are there other trends that you're seeing in the insurance industry that could potentially impact nonprofit organizations?

**Peter Persuitti:** I'd like to talk about negative half empty, but I want to talk about half full too because, I'm very excited about, the potential on the negative side. it just. Breaks my heart that carriers are retreating. they're parsing their books of business. they're putting camps over here.

No, we don't wanna do them. We're putting affordable housing over there. I think we'll stop that. And, they're looking at foster care adoption and say, I just can't, unless we get more, legal, protections or, immunity. So on the one hand, of course, we've always seen on the negative side. these horrific, property flooding and

think of

hurricanes and now, although it seems as if the whole country's exposed because severe convective storm is coming up through the middle of the country.

Wild flyers are popping out west. So there's always been this issue of climate change and property. But the big negative, that really worries me because many nonprofits don't have a lot of property.

casualty is general liability. It's third party. We as an organization, are responsible for somebody else, whether it's the employment side of negligence and failure to act or, reduction in force and not having proper documentation.

But, what has happened is nonprofits. they could afford to build up. Part of the protection is to get more limits. Instead of a million, they would try to get two or they tried to get five or they tried to get 30. it's relative to the organization. But especially if they were youth serving organizations, they definitely shored up their limits on abuse coverage because abuse coverage was going back many years.

It's called occurrence coverage. And, Led to plaintiff groups targeting nonprofits who had these big limits and getting invested in target litigation and going after nonprofits who were serving the youth or serving the vulnerable.

that is a very negative trend. but here's some very positive things I believe are powerful in terms of the insurance industry, it's something that started back in the eighties and so 2025, we have a great perspective of what is success and that is the power.

Pooling. Pooling is aggregation. it's coming together. it could be doing it on their own in terms of they're a big risk. They're in 17 states and instead of just buying insurance, they're working with their broker and saying, how about if we form a risk pool and retain some risk?

And Create a captive and seek, reinsurance versus just, insurance. So this is where there's tremendous resilience and we have tools, actuarial tools, and new types of data analytics that we could actually create in nonprofits, our own profit center if you will, and bring stability of coverage and pricing, but also, requiring very high.

Standards of care. we will take risk if we know how to manage risk. And we're gonna talk a little bit more as we develop this, topic, but that today is called the alternative market. And I find that an interesting word because alternative means not traditional, not primary, but guess what?

It's almost becoming the norm. Which means that more than 50% of even the nonprofit world, the faith-based world, has realized they have to empower themselves. Whether it's a group of schools, or it's a group of foster care agencies on our association,

Let's commit to risk management and go into the marketplace together with our broker and, Find a retention vehicle a captive of trust. And I call that reclaiming dollars for mission. because when you do better than expected, you reduce the fixed cost that is the reinsurance cost and that money that you're holding onto for your loss money for your captive.

Becomes dollars for a mission when there's no longer the exposure that they were held for, whether it's an auto claim or property claim that didn't happen. So I'm very excited about the power of pooling and that positivity that will be in the future, for the nonprofit sector.

**Heather Shanahan:** how do you kick that off? Do they just come together and then approach their broker or, you know, what's the process then to explore that option?

**Peter Persuitti:** sometimes it, can be an association like an association of Child Welfare or agencies that association's getting so much noise about we can't get coverage. So how do I bring value to my members? let me do an RP and go out to. Brokers like Gallagher and see how they would attack the problem.

And now as an association, I can bring value to my members. So it comes from that kind of grouping or it can come from an individual organization that's growing rapidly and insurance costs just keep going up. Yes, you can. Paying more fixed costs, or you can begin to say, let me retain some risk, reduce my fixed costs, hold on to some variable costs, which is my loss fund, and manage my insurance operations.

through effective risk management,

**Heather Shanahan:** What issues would you additionally say are paramount for nonprofit organizations to consider at this point?

**Peter Persuitti:** I always find it interesting that, a nonprofit board member will ask about their DNO insurance,

their directors and officers, coverage and, I've seen an increase in the number of. People like ourselves looking at buying personal liability coverage that might extend beyond a million dollars because of that worry.

But quite frankly, it isn't the pure DNO that I see as troublesome. the DNO can encompass as well the employment. Side of a nonprofit's actions. And imagine now where we're seeing reduction in force and funding cuts and, is the nonprofit equipped with a human resource office that is properly documenting and can justify, the release of employees or the reduction in force.

And obviously there are third. Party litigators out there trying to find, aggrieved, ex-employees who they might be able to, go back and, trigger that. employment practice liability, coverage so there is an aspect of d and OI believe Another aspect is just, that it is so difficult.

today, for board members who need to know everything, when you're in this governance role, even though you've got staff and executive leaders, that are running the organization, at the end of the day, you are held accountable. I think that the DNO is getting stressed by things like event litigation coverage.



Here's an example. you have a shooting at a, school and you're a daycare center that's adjacent. You have nothing to do with that daycare center. I had a carrier tell me this story and he said, I just got a claim for the daycare. I said, what's that all about?

Because you had nothing to do with where the event happened. And he said, it's clearly parents who are very upset that they feel the daycare did not do enough to protect these innocent youths, from the trauma.

But that's an example of what we call event triggered litigation. And there are attorneys out there that are looking for people who think they are victims,

But I think the biggest area, the most difficult area has been just in the youth serving organizations, especially if they are residential. there are many carriers. I just don't wanna deal with that exposure. and that is a very, difficult challenge for, nonprofits that are in those sorts of areas.

**Heather Shanahan:** we spend a lot of time with our clients helping their boards and investment committees to understand guidelines from MFA and their fiduciary responsibilities. And you speak frequently about the duty of care. What does that mean in your world and to your clients?

**Peter Persuitti:** you know, at the end of the day, duty of care is a legal term, but I hope it can be an operative term for a sense of obligations by boards, staff, and volunteers to avoid harm to others. is always set in the concept of what is reasonable. For example, we can't prevent an accident from happening at an event hosted by a nonprofit, but the organization should demonstrate and document its pre-event efforts to avoid such adverse situations, training, scenario planning, aligning with the public authorities,

Police, fire, rescue. Contractual indemnification. If you've got a group that's gonna do rides, you have a contract to protect yourself, indemnify your organization, namely, give me your coverage. I need your limits because in the event that something happens that you're involved in, it is your insurance, not ours.

That's a shifting and indemnification. So that's. What I think of in the broad context of duty of care, in terms of investments, while there is also a coverage, employee benefit liability, and we're gonna talk a little bit later about some of that within the spectrum of the board, d and o coverages, best practices need to be reinforced and lived out with



Transparency and accountability for stakeholders and employees and retirees are among them.

**Heather Shanahan:** how does a close examination of insurance coverages fit into an overall operational review, and how do you guide your clients through a thoughtful process here?

**Peter Persuitti:** my quick answer is hand in glove.

so often. We get approached and we started off this conversation about insurance coverages and limits and terms, when the first issue we should all be understanding is the operations. Exposures, the risks and their treatment, the culture of the organization.

In some cases, we can build confidence and take some risk, reducing the total cost of risk with deductibles on our program or even some form of self-insured program that I talked about earlier. In some cases, we might find duplicative coverage or not enough limit. the exposure such as that large fleet.

With transportation, you may need more limit. For example, a nonprofit with a large fleet needs to carefully weigh the importance and affordability and accessibility. Accessibility is, can we get the limits? Affordability, can we afford what they're charging For these limits of insurance?

Auto is clearly a leading cause of loss and can be a significant exposure, so significant that many carriers will not just. bring this one coverage. They will want premium on other lines of coverage like workers' compensation or general liability to help mitigate the risk of covering your auto fleet. So to answer your question, we build a framework that is operationally driven and connects coverages limits to these exposures to determine gaps in coverages.

or if there's, too much limit.

**Heather Shanahan:** you mentioned culture and the culture of the organization. What steps would you encourage nonprofit organizations to establish or support a culture of risk management? Because it really takes everyone, right?

**Peter Persuitti:** Yes, it does. Sometimes nonprofits are fortunate big enough that they have a risk.

Management department. or a chief risk officer but I believe that, culture is a mindset. and we live in a world so advanced technologically and filled with all

kinds of analytics and data that we see risk is a word everyone understands, although it is often for its context of how do we avoid it.

So let me just unpack that Word risk.

The negative side is we're always focused on what do we avoid or how do we mitigate As an organization we see most success when the leadership, when the board emphasizes stewardship and the importance of safeguarding people. Assets and reputation in today's world is no longer just an office risk management.

But the most successful nonprofits are empowering their staff, their volunteers, they're donors to be part of the eyes and ears of awareness, protecting those that they serve as well as, the reputation. so that word risk, we're always talking about avoiding, but there's. The opportunity of risk. And I especially see this in resilient nonprofits.

It's a remarkable opportunity for the leadership to make risk a campaign to emphasize the importance of protecting vulnerable people, children, walking into a building. Children we are protecting, we go into a green building, it's got LEED, we go into a safeguarding building, and children are treasured, are protected.

And so this idea of a campaign that comes from leadership. It's not leadership. Trying to fight off an occurrence where you're accused of something and trying to protect the organization. We should always have that message up front. It should permeate our culture, but I also see risk from a governance perspective of opportunity.

Are there risk? We should assess further, especially if they're gonna advance our mission. We're in a community and all of a sudden we see that, we have an opportunity to create a food bank or to be dealing with, housing insecurity are these areas that we could actually consider.

So a culture of risk management is dynamic. It's engaging all. In the protection and it's empowering all and growing impact. That's that latter part, the opportunity.

**Heather Shanahan:** Now more than ever the need to be flexible, the need to be on the lookout for trends and needs in the communities are so important. I don't think, anyone could have really predicted this year has been. Unusual and there's been a ton of change. And so how do we respond to that in a way that's meaningful?

Let's wrap up with the final question, and touching base on a topic where our organizations overlap, and that is fiduciary liability coverage versus ERISA Fidelity bond, from how we protect ourselves in that space. Can you please explain the difference and why these coverages are important?

**Peter Persuitti:** we're gonna get a little technical here, but

just. Bear with me. Obviously, an ERISA bond is designed to protect employee benefit plans from financial loss due to fraudulent or dishonest acts. For example, theft embezzlement by individuals who handle the plan assets. This bond is required under Employee Retirement Income Security Act of 1974, namely ERISA and must cover at least 10% of the plan.

Assets maximum of 500,000 per plan, or a million per plans that hold employer security. So this coverage typically can actually be added to your crime policy. On the other hand, fiduciary liability. Provides coverage for claims related to breaches of fiduciary duty while managing a plan. For example, the mismanagement of plan assets, errors in plan administration, failure to diversify investments, denial of benefits.

similar to how directors and officers protects the directors and the officers while running an organization. Fiduciary liability protects the fiduciaries and the organization sponsoring the employee benefit plans.

**Heather Shanahan:** Excellent explanation. Well, thank you. This is such a vast topic and such a vast subject area that, you definitely helped to bring things down to a manageable level. So thank you. Thank you for your personal passion around this space and all the work that you've done.

it's quite a journey that you've been on professionally as well, I'll throw you a curve ball here. We like to ask guests as the parting question,

mission impact. What does that mean to you?

**Peter Persuitti:** It might be the equivalent of ROI in the corporate world.

but it's what it's all about. what is your mission, right? what we're trying to do.

We're trying to change behavior, change society, make it better, and impact is a great word it's the return that comes to change lives to safer communities, to empowering the disadvantaged, to see a potential beyond themselves.

So it's the opportunity to see community, which is such an important part of who we are. I love it.

**Heather Shanahan:** Well, beautifully put. thank you. It's been a pleasure speaking with you today.

**Peter Persuitti:** You too. Thank you I appreciate it.

The discussions and opinions expressed in this podcast are those of the speaker and are subject to change without notice. This podcast is intended to be informational only. Nothing in this podcast constitutes a solicitation, investment advice, or recommendation to invest in any securities. CAPTRUST Financial Advisors is an investment advisor registered under the Investment Advisors Act of 1940.

**Nancy:** This presentation does not contain legal, investment, or tax advice.