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Rising Risks, Shrinking Options:

The Social & Human Services Liability Insurance Crisis

If you're serving clients in the social and human services sector, you already know that navigating the insurance marketplace is extremely challenging. Recent legal and regulatory developments have put pressure on the general liability, professional liability and sexual abuse and molestation (SAM) liability insurance lines. As a result, many organizations are facing surging premiums or non-renewal. Coverage is still available, but to access it, and to help your clients weather this storm, you can work with a broker who can strategically tailor coverage to help meet the unique needs of your social services clients.

2025 Market Conditions

Human and social services organizations are navigating a challenging insurance landscape. A January 2025 survey by the National Organization of State Associations for Children (NOSAC) and the Association of Children's Residential & Community Services (ACRC)¹ reveals some startling statistics. Of the 327 community providers in 46 states that were surveyed:

**A JANUARY 2025
NOSAC AND ACRC
SURVEY REVEALS SOME
STARTLING STATISTICS.**

- Half have seen their premiums double since 2019, while roughly one-quarter have seen their premiums increase by 200-800% in the same time period.
- Many report that premiums are rising regardless of claims history.
- 63% of respondents have changed carriers in the last five years due to coverage limitations, unaffordable premiums or non-renewals.
- Two-thirds of respondents report that they've had difficulty with getting insurance quotes. Of these, only 29% of providers with annual budgets of less than \$1 million report difficulty getting bids compared to 63% across all budget levels. In contrast, 78% of providers with budgets greater than \$30 million report difficulty obtaining bids for coverage.

While this survey focused on organizations that serve children, similar challenges are emerging across the broader social services landscape. Market challenges have impacted both nonprofit and for-profit social services organizations. However, in our experience carrier appetite has been more limited in the for-profit space.

In addition to facing rising rates and tightening terms, organizations are also seeing reduced access to bundled packages that combine professional liability, general liability, auto, property and workers' compensation. Instead of being able to secure a single package in the admitted market, we are seeing organizations increasingly turning to separate policies in the non-admitted, or excess and surplus market.²

Why Social & Human Services Organizations Are Struggling

Property and casualty insurance rates have been rising across the board, but the challenges in the social services sector go far beyond general insurance market conditions.

THE STATE OF CHILD SEX ABUSE SOL REFORM IN 2025

- 51 U.S. jurisdictions have no criminal SOL for some or all crimes.
- 22 U.S. jurisdictions have no civil SOL for some or all claims.
- 33 U.S. jurisdictions have revival or window laws for expired civil claims.

Source: [Child USA](#)⁴

Demand for social services has been growing as the population ages and more people struggle with economic hardship and mental and substance abuse issues. According to [Colorado State University](#)³, BLS (Bureau of Labor Statistics) data shows that the number of social worker positions is expected to increase by 53,800 between 2022 and 2032, but organizations in many regions are already struggling to hire the workers they need, leading to hundreds of open positions in some areas. Turnover is also a problem, and low direct support professional (DSP) compensation makes it hard for organizations to retain quality workers.

At the same time, liability exposures have been increasing as states pass statute of limitations (SOL) reform. While these laws, partially triggered by the MeToo movement, are designed to give victims of childhood abuse an opportunity for justice, they also expose organizations and their insurers to claims for incidents dating back years or even decades.

The One Big Beautiful Bill has also impacted the market, especially for non-profit organizations, with changes to Medicaid impacting their government reimbursement rates. While there are some tax incentives that will lead to increased individual charitable giving, many of these may be offset by disincentivized corporate giving. Under the BBB, “Prohibited Entities” would lose all federal Medicaid payments, not just payments that help fund abortions. Reductions in federal Medicaid spending over the next decade could completely reverse the progress nonprofit healthcare organizations have made in recovering from COVID impacts.

When nonprofits have less revenue coming in, it’s difficult to buy higher coverage limits that offer greater protection against jury verdicts in excess of \$10 million, often labeled nuclear verdicts. In such cases, a single verdict can quickly exhaust available coverage, creating financial strain that many organizations may not be positioned to absorb.

Taken together, this creates a complex and demanding environment for insureds. Demand is high, experienced team members are scarce, reimbursements are shrinking, and insurance costs are escalating – compounded by the broader inflationary activity. It’s a really challenging time.

Why Insurance Carriers Are Cautious

We are seeing carriers are pulling out of the market or reducing limits/raising rates because they know social service organizations have a significant risk of a total loss. Lawsuits are common, and statute of limitations reform vastly increases the risk.

When lawsuits do occur, they tend to be expensive, and with the rise of third-party litigation funding and nuclear verdicts, costs are trending upward. According to the [U.S. Chamber of Commerce](#)⁵, third-party litigation funding has become a multibillion-dollar industry that maximizes profits for investors while harming the legal system. [TransRe](#)⁶ says third-party litigation funding is contributing to higher litigation costs, larger settlements and more nuclear verdicts.

Nuclear verdicts have become increasingly common. According to the [U.S. Chamber of Commerce](#)⁷, excluding the COVID-19 pandemic years, the number of nuclear verdicts has increased steadily.

There are countless examples of abuse involving children and vulnerable populations. Claims often involve multiple victims, as the following well-publicized cases illustrate.



- [The Philadelphia Inquirer⁸](#) reports that the community umbrella agencies (CUAs) established by Philadelphia to serve youth have been sued nearly 70 times since 2012. The lawsuits include allegation of children being burned, beaten, sexually assaulted and killed. At least 50 of the lawsuits resulted in settlements or verdicts of \$1 million or more.
- [Pfau Cochran Vertetis Amala \(PCVA\) Attorneys at Law⁹](#) says a brother and sister who experienced sexual abuse in the foster system in the 1970s have been awarded \$19.5 million from the State of New Jersey in a landmark settlement. The siblings, who are now in their 60s, filed a lawsuit over repeated sexual abuse at the hands of their foster father, and recent legal reforms helped the case move forward.
- [The New York Times¹⁰](#) reports that a trusted foster parent, Cesar

Gonzales-Mugaburu is accused of sexually abusing five of his adopted sons and endangering the welfare of two foster children. He took in more than 100 children over two decades and adopted several of them. Notably, even though Gonzales-Mugaburu lived in New York, some of the children he took in were out of state. This is sometimes done because no suitable foster parents are available locally, but it has been criticized for increasing the risks to children.

The New Normal for Insurance Coverage

Social services organizations benefit from many of the same coverage types as organizations in other industries, including property and auto insurance. However, when it comes to the unique needs of the social services sector, three insurance products stand out:

1. Professional Liability
2. General Liability
3. Abuse

In the past, these coverages were often bundled together, but this has become less common. In particular we are seeing abuse coverage being carved out and harder to obtain now. However, there are some standalone carriers that are still willing to write abuse coverage, mainly in the London Marketplace.²

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Nevertheless, protection comes with a steep price tag. As a rule of thumb, carriers price SAM policies with the expectation that one full-limit loss will occur once every four years. So, if a policy has a \$5M limit, the premium may be structured to collect \$5M over a four-year period.

In the standard market, many liability policies have traditionally provided occurrence-based coverage. Today, many of the carriers offering liability coverage to human and social services organizations aren't willing to write occurrence-based coverage due to the risk of lawsuits involving incidents that took place decades ago. If a client is insistent on securing occurrence-based coverage, it will shrink the pool of carrier options available.²

Umbrella coverage has also become difficult to secure. Carriers typically won't offer umbrella limits beyond \$5M and they apply sub-limits to abuse and professional lines. As a result, organizations frequently need to seek additional coverage from the excess and surplus (E&S) market.

OCCURENCE-BASED COVERAGE	CLAIMS-MADE COVERAGE
- Covers incidents that happen during the policy period, regardless of when the claim is filed. - Offers long-term protection.	- Covers only the claims filed while the policy is active. - Policyholder will need to buy tail coverage for longer-term protection.

Faced with spending significantly more for insurance, some organizations may be tempted to operate with less coverage. However, if a lawsuit occurs, an insurance policy can be critical to ensuring the organization's ability to continue providing services.

Evidence of strong risk management is always good, but it may not always prevent an allegation. Even false allegations of professional liability or abuse incidents can lead to significant defense costs. These expenses are included in the insured's loss ratio and may erode the available limit for policies written with defense costs included within the coverage limits.

The Great Migration from Admitted to E&S

With the standard insurance market in flux, many organizations find themselves navigating the (E&S) market to secure coverage.

The E&S market is a specialty market comprised of non-admitted carriers that provide flexibility on rates and forms. These carriers welcome hard-to-place risks that the standard insurance market won't or can't cover. It is important to note that coverage in the E&S market isn't automatically available, organizations need to meet certain criteria to access it.

In recent years, the E&S market has gained an increasingly large share of the total insurance market. [S&P Global¹¹](#) reports that the U.S. E&S direct premiums grew by 32.3% year-over-year in 2021. Since then, growth has slowed, but it remains substantial. As of 2023, the E&S market represented 9.2% of total direct premiums written across all markets.

The E&S market provides coverage for many high-risk policyholders. In recent years, this has included a growing number of human and social services organizations. As standard carriers have pulled back from the human and social services sector, the E&S market has taken up the slack.

STANDARD (ADMITTED) MARKET	E&S (NON-ADMITTED) MARKET
- Admitted coverage - Occurrence-based coverage - Lower deductibles - Large umbrella capacity	- Non-admitted coverage - Claims-made coverage - Higher retentions - Smaller umbrella capacity

Why E&S May Be Surprising for Your Clients

The E&S market has become essential for many social and human services organization. However, transitioning from the admitted to the non-admitted market can involve some surprises. Some clients may experience some sticker shock over the higher rates. Non-admitted coverage also tends to be structured differently, with larger retentions and smaller umbrellas.

Clients who previously expected umbrella pricing to be a fraction of their underlying primary policies are now facing a very different market reality. Current trends show excess towers being priced at multiples of historical premiums, while admitted markets are reducing limits, introducing sublimit, or non-renewing the umbrella altogether.²

Reconstructing existing excess towers often requires getting additional markets to participate by offering smaller layers, which can often lead to pricing and coverage concerns for insureds. Many customers are unprepared for the new pricing dynamics. With multiple markets participating on excess layers, it is critical for agents to review all terms and conditions closely to ensure there are no coverage inconsistencies when building each layer.

Furthermore, there are only a handful of E&S markets that will write claims-made coverage over an occurrence-based underlying policy, limiting an insured's negotiating power in the marketplace.²

To maintain current limits to structure, the insured may have to go to claims-made coverage on the primaries. This approach can offer a more cost-effective path to maintain tower limits while containing costs, relatively speaking.²

Your Best Strategy: Collaborating with a Specialized Brokerage

This is a difficult time for social and human services organizations. Coverage is available, but it's more expensive, and renewals can be extremely challenging. Brokers need to begin working with clients early and set realistic market expectations. Make sure your clients know what they're facing so they can plan and budget accordingly.

Brokers can also help their clients who qualify gain access to exclusive, specialized coverage by working with a specialty broker. In this space, many social services carriers are only working with preferred or dedicated brokers, so an experienced specialized broker can make a big difference in the solutions available.

**THERE ARE NEW
ENTRANTS TO THE
MARKETPLACE PROVIDING
CAPACITY TO THE HUMAN
SERVICES INDUSTRY.**

It's not all doom and gloom. There are new entrants to the marketplace providing capacity to the human services industry. As carriers launch new products, expand their appetites, and increase capacity, they are not doing so with broad distribution, but rather working with brokers specializing in the healthcare and human services industries to be their trusted distribution arm.

When choosing a specialty broker, consider whether they have exclusive capacity and ask about their market knowledge in the current social and human services environment.

About RT ProExec

RT ProExec, a division of RT Specialty, is a specialty insurance brokerage firm offering professional and executive liability solutions. Our retail clients count on us for product expertise, innovative placement strategies and unmatched service. In challenging markets like the human and social services sector, our solutions can help you win and retain clients.

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