RT ProExec

SEPTEMBER 2026

Healthcare Liability

STATE OF THE MARKET REPORT

Human Services | Senior Care | Medical Spas

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Contents

MARKET OVERVIEW

Healthcare insurance market conditions remain mixed. Property has continued to soften as capacity and competition increase, while several healthcare liability segments remain challenging. Rising litigation costs, escalating jury awards and increased claim severity are driving underwriting caution, particularly in plaintiff-friendly jurisdictions and in the sexual abuse liability market. In many cases, placements now require participation from a larger number of carriers to complete the tower, with available capacity and total limits falling short of what was previously attainable.

The sexual abuse and molestation liability market remains under particular pressure as litigation trends and legal reforms continue to impact insurers' risk appetites. Organizations serving youth or other vulnerable populations may encounter limited carrier participation, stricter underwriting and more complex placement strategies. While there are new entrants and additional capacity coming into the marketplace, both from London and domestically, the availability of physical abuse coverage remains scarce.

Across the healthcare liability market, underwriting scrutiny has intensified, making applications and renewals more detailed and time-consuming. Now, more than ever, specialized industry knowledge is essential.

In this report, we examine key forces shaping today's healthcare liability environment and provide a closer look at three sectors facing heightened challenges:

- Human Services
- Senior Care
- Medical Spas

FACTORS AFFECTING THE RISK LANDSCAPE

Across the healthcare industry, risks are evolving. Here are five trends to watch.

- **Aging Population.** Between 2000 and 2040, the number of Americans aged 65 and older is expected to more than double, from 35 million to 80 million, according to the Urban Institute[1]. The aging population is increasing demand for healthcare and senior living.
- **Healthcare Worker Shortages.** According to the HRSA Data Warehouse[2], the U.S. could see a shortage of 141,160 physicians and 108,960 registered nurses by 2038. The nursing shortage is particularly challenging in California, where the industry is expected to meet only 78% of its staffing needs.
- **Rising Litigation Costs.** The American Tort Reform Association[3] reports that excessive litigation costs the U.S. economy $367.8 billion every year. Legal system abuse, aggressive lawyer tactics, and shifting jury attitudes are often cited as key factors in rising costs. For organizations that serve youths, legal reforms affecting the statute of limitations are also affecting claims.
- **M&A Activity.** Merger and acquisition activity experienced a rebound in 2025, according to Bain & Company[4], with a 40% increase in deal value. Although significant attention has focused on the tech sector, the healthcare sector also saw increased activity, particularly in senior care, where increased demand is attracting investor attention. According to InvestSnips[5], there are at least 19 publicly traded healthcare and senior housing real estate investment trusts (REITs) listed on major U.S. exchanges.
- **AI Impact.** The rapid pace of AI adoption is emerging as a double-edged sword. On the one hand, AI can help with risk management and provide much-needed support for facilities experiencing staffing shortages. On the other hand, AI involves new risks, covering everything from data privacy concerns to hallucinations.

HUMAN SERVICES SECTOR

For retail brokers, the human services market represents an opportunity.

Human services is a complex market in the midst of significant disruption. As coverage options and risk exposures continue to change, identifying and addressing potential gaps has become more important than ever.

Pricing and Capacity

For accounts already in the excess and surplus (E&S) marketplace, we're seeing increases ranging from the single digits up to 15% for better-performing accounts, but steeper rate increases are common for youth-focused or distressed risks, and price hikes are steeper for excess layers than for primary. For insureds transitioning from the admitted marketplace to E&S coverage, premiums can be significantly higher, sometimes a multiple of their expiring policies.

At the same time, carriers are deploying lower limits. Historically, it was common to secure a tower of $10 million to $20 million. Today, many programs struggle to secure more than $10 million total. Frequently, it's necessary to use multiple carriers to achieve a fraction of what a single carrier would have previously provided.

The human services sector has also become more reliant on the E&S market. Carriers that were already operating in the healthcare-focused E&S market have adapted more successfully to the human services sector because the exposures align with their existing appetites.

Classifying Organizations

The human services sector encompasses a wide range of organizations that address mental health, behavioral health, foster care and adoption, and the needs of various groups. There is no standardization of categories within the sector, and different carriers use different terms and underwriting classifications.

The diversity of services creates significant underwriting complexity. For organizations that provide multiple types of services, and therefore fall into more than one category, the situation is even more complex.

The Shift to Claims-Made Coverage

One of the biggest challenges in the market has been the shift from occurrence coverage to claims-made coverage. Today, professional liability and sexual misconduct liability are written almost exclusively on claims-made forms in the E&S market.

Carriers may also implement severe step-factor increases. This is a common rating mechanism in claims-made policies to account for increased exposure as the carrier provides coverage for incidents in the current year as well as incidents that occurred during previous years of coverage. However, these pricing increases are not always fully disclosed upfront, so insureds may be caught off guard.

What Does Human Services Include?

Although category definitions are not standardized, several main classes can be identified:

- Youth-serving organizations
- Mental and behavioral health, including substance abuse treatment
- Foster care and adoption
- Organizations serving populations with intellectual and developmental disabilities
- Organizations addressing housing and food insecurity, workforce development and education

Loss Severity

Several large-scale trends are driving loss severity.

- **Social inflation.** Research from Swiss Re[6] shows that social inflation has increased liability claims by 57% over a decade.
- **Litigation funding.** Plaintiffs increasingly have financial backing to pursue litigation, so they have less incentive to settle early.
- **Legal reform.** Some states have created a path for victims of childhood abuse to file lawsuits with extended statutes of limitations or lookback windows.

4X

Since 2020, the number of nuclear verdicts (defined as awards over $10M) in the U.S. have more than quadrupled, while the median verdict value has more than doubled from $21M to $51M.

Source: Swiss Re[6]

THE SEXUAL ABUSE LIABILITY MARKET

The sexual abuse and molestation (SAM) insurance market is undergoing a period of severe distress and upheaval. Although new carriers continue to add capacity to the marketplace, much of this is SAM only. The sectors most in need of coverage continue to face challenges. We're still seeing restricted limits and coverage fragmentation. In some challenged cases, reduced limits are not producing proportionate premium relief.

Policy Language Matters

Whether or not a claim has coverage may come down to the exact wording and definitions used in the policy. Pay particular attention to:

- **Coverage for acts by "any person" vs. acts by only the "insured."** This language can exclude coverage for assault involving third parties.
- **Coverage for injury only if of a "sexual nature."** This language can exclude coverage for general physical abuse.

Changes in Product

Some carriers still offer sexual abuse coverage as part of the primary professional liability or professional / general liability policy. However, the terms are evolving, with new sublimits or the switch to defense-only coverage.

Excess layers can be even more complex. Historically, professional liability, sexual abuse liability and physical abuse liability were frequently covered within one carrier tower. This is not always the case any longer. Coverage is often split among multiple carriers, and it appears excess carriers increasingly exclude physical abuse. Definitions can also vary dramatically between carriers.

As a result of these trends, coverage structures have become increasingly complex. For example, the primary carriers may cover sexual and physical abuse, but the excess carriers may only recognize sexual abuse.

22
U.S. jurisdictions have no civil statute of limitations for some or all child sexual abuse claims.

33
U.S. jurisdictions have a revival or window law for expired civil child sexual abuse claims.
Source: Child USA[9]

13%
of surveyed carriers indicated they expect to decline SAM coverage for healthcare accounts in the foreseeable future.
Source: Praesidium's 2024 Carrier Benchmarking Report[7]

Statute of Limitations Reform

Some states, such as Washington[8], have eliminated the statute of limitations for claims involving childhood sexual abuse. This move is part of a growing, nationwide trend that has pushed for legal reform to allow victims of childhood abuse to pursue justice.

While such legal reform is good for victims, it creates new exposures for health and social service organizations and the carriers that insure them.

Managing risks becomes more difficult when long-tail claims can stretch back decades. Some carriers have pulled out of states with no statute of limitations, and others have limited prior acts coverage to a maximum of seven or ten years, even if coverage has been in place longer than that.

Prompt SAM Claim Reporting is Essential

Praesidium research found that claims filed more than 10 years after the incident averaged nearly $41 million, almost four times the average for claims filed sooner. Even after eliminating settlements above $215 million, clear outliers in the dataset, historical claims remained almost twice as costly, at $14 million versus $7.4 million for more recent matters.[7]

$41M
Average cost of a SAM claim filed 10 years after the incident.
Source: Praesidium's 2024 Carrier Benchmarking Report[7]

Assaults on Employees

Employees working with vulnerable populations can also be exposed to abuse, and standard policies may not provide adequate coverage. Consider an employee who is sexually assaulted, reports the assault, and receives a reduction in hours. The employee files a lawsuit alleging retaliation. This is now a complex situation involving two claims: one of abuse and one of retaliation.

Coverage considerations can arise because SAM coverage is typically structured as third-party liability coverage and may exclude employee suits, while EPLI may cover the employment-related retaliation component but not the underlying abuse damages.

This is an area where careful review of SAM, EPLI, and defense-allocation language can be beneficial. Sexual abuse and molestation insurance provides liability coverage that typically excludes lawsuits brought by employees, while employment practices liability insurance typically excludes sexual misconduct. Although ELPI carve backs can provide coverage for the retaliation portion of the claim, coverage does not typically apply to the abuse claim.

Risk Management

Strong risk management that goes beyond "box checking" can help organizations manage their exposures while making themselves more attractive to carriers.

Risk management practices to consider may include:

- A comprehensive incident response procedure.
- Mid-year training and policy updates, instead of sticking to an annual schedule.
- Background and registry checks. Registry checks may be required for coverage, and it can be beneficial to run checks on an ongoing basis instead of just at hire.
- Use of specialized vendors, such as Praesidium. This used to be considered exceptional risk management, but carriers may now view it as a baseline requirement.

SENIOR CARE SECTOR

The senior care sector insurance market has stabilized. For well-performing accounts, we typically see renewal rate increases range between 0% and 15%. However, excess placements, particularly for larger portfolios, involve more rate pressure, with nearly all markets capping limit exposure to $5 million and pursuing double-digit increases.

New capacity from Managing General Agencies (MGAs) and Risk Retention Groups (RRGs) has helped moderate primary rate pressure despite rising litigation costs, with exceptions in certain plaintiff-friendly jurisdictions, such as California, Florida, New York's five boroughs and Cook County in Illinois. Abuse claims continue to be problematic, with high-cost litigation.

Although coverage is still available through general and professional liability insurance policies, excess markets may exclude or sublimit abuse claims. In addition to abuse and molestation, common loss drivers across the senior care sector continue to include patient falls, pressure ulcers and elopement.

Social Inflation

Social inflation and nuclear verdicts continue to place extreme pressure on the senior sector. The percentage of closed claims resulting in indemnity payments has increased over the past five years, according to Ironshore 2025 Senior Claims Study[10]. During this period, expense-only claims accounted for an average of 30.2% of closed claims, compared to 23.7% during the preceding seven years.

Demand and Labor

An aging population is creating increased demand for senior services, while staffing shortages make it difficult to meet this demand.

However, the situation shows signs of improvement. The American Health Care Association[12] reports that nursing homes made progress shoring up workforce shortages in 2025, adding 40,700 jobs, roughly 3,400 each month. Reliance on temporary staff agencies has also decreased by about 44% since the fourth quarter of 2022.

$226,028
average indemnity payment across all senior care settings

The average indemnity payment across all care settings has more than doubled in the last decade.

$375,338
average total incurred for senior resident abuse claims

Average total incurred for resident abuse claims increased by 45.7% for skilled nursing facilities and by 17.3% for assisted living facilities between 2021 and 2024.

Source: CNA's 12th Edition of Aging Services Professional Liability Claims Report[11]

Claims Data Insights

FACILITY & TYPE OF ABUSE	AVERAGE OF GROSS INCURRED
Independent Living – Sexual Abuse, Resident on Resident	$568K
Independent Living – Sexual Abuse, Staff on Resident	$1.02M
Assisted Living – Sexual Abuse, Resident on Resident	$152.9K
Assisted Living – Sexual Abuse, Staff on Resident	$120.6K
Assisted Living – Non-sexual Abuse, Resident on Resident	$281.3K
Skilled Nursing – Sexual Abuse, Resident on Resident	$468.9K
Skilled Nursing – Sexual Abuse, Staff on Resident	$450.2K
Skilled Nursing – Non-sexual Abuse, Resident on Resident	$112.3K

Source: Ironshore 2025 Senior Claims Study[10] (Close year 2012-24)

44%
Reduction in use of temporary staffing agencies

Source: American Health Care Association[12]

M&A Activity

Senior living merger and acquisition activity broke multiple records in 2025, with 871 publicly disclosed transactions, according to Levin Associates[13]. An increase in REIT and private equity-backed ventures is helping to drive the boom.

M&A activity can trigger the change in control provisions in many claims-made liability policies, which may result in the termination of coverage and necessitate tail coverage.

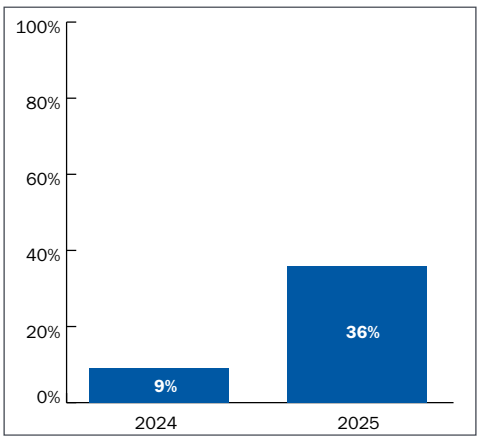
871
Publicly disclosed M&A transactions

Source: Levin Associates[13]

AI Adoption

AI is proving useful in risk management. Senior care facilities can use AI to monitor residents and detect falls. Facility operators can also use AI and predictive analytics to help identify high-risk residents and optimize staffing.

A 2024 report from LifeLoop[14] found that just 9% of senior living operators were using AI. In the 2025 report, that figure jumped to 36% of senior living operators who were already using AI, with another 35% who planned to do so in the near future. Underwriters may ask for details about each account's AI-related activities.



Source: LifeLoop[14]

MEDICAL SPA SECTOR

Medical spas are seeing firm insurance rates overall. For best-in-class operators, we typically see increases in the mid to high single digits. Professional liability and general liability insurance products continue to be staples for the medical spa sector, either as standalone products or combined.

Cyber exposures are also growing, as medical spas often store sensitive personal health information and personal progress photos. This is creating increased demand for cyber insurance.

At the same time, carriers continue to rigorously evaluate the operational and clinical risks associated with today's rapidly expanding menu of medical spa services.

There's significant variability in underwriting depending on the type of facility and the specific services offered, with heightened scrutiny surrounding staff training, provider qualifications and clinical procedures. Highly technical, medical-grade procedures can draw increased underwriter attention, but so can some of the newer day spa treatments. If underwriters aren't familiar with the services being offered, they tend to be a little wary.

Rapid Industry Growth

The medical spa industry is booming, and many businesses are expanding rapidly. This can bring a new level of risk, and when accounts expand from a single location to a multilocation, multistate operation, the premiums tend to jump significantly.

$17B+
Industry Revenue

$1B+
Annual Growth

Source: AmericanMedSpa.org[15]

As facilities expand, the primary layer of coverage may no longer be sufficient, and to achieve the higher limits that large operators need, it may be necessary to use multiple layers of coverage. Your clients may consider evaluating the operational controls that are in place to mitigate risk during rapid expansion.

New Services

Within the medical spa industry, there is pressure to be "first to market" with hot new treatments, whether it's peptide therapies, umbilical cord-derived products, injectables, cryotherapy or red-light therapy. Rapid innovation can create risks if research does not support the treatment's safety and efficacy, or if the individuals providing the services are not adequately trained.

Common AI Applications

Although category definitions are not standardized, several main classes can be identified:

- Facial analysis and skin assessments
- Treatment recommendations and planning
- Patient education and virtual consultations
- Appointment scheduling and reminders
- Marketing personalization and patient engagement
- Documentation and administrative workflow support

New services can also introduce coverage considerations. Consider a medical spa that starts offering a fully automated, robotic massage. The issue is not the technology itself; it is whether the policy's professional services and insured-person language extends to services rendered by a device rather than a licensed natural person.

The regulatory situation is not always straightforward, and carriers are paying close attention to services delivered outside of FDA-approved methods and off-label procedures, as well as products sold onsite. Many medical spas are now selling supplements, and this creates new exposures that may not always be covered adequately.

Regulations themselves are also evolving rapidly in response to new services and shifting needs.

Consider GLP-1. In recent years, the medication has surged in popularity as a weight loss drug, leading to a shortage. To meet demand, the FDA[16] placed Wegovy and Ozempic on its drug shortage list in 2022. During the shortage period, compounding was permitted under limited conditions; once the shortages were resolved, FDA enforcement discretion narrowed and routine compounding of identical or nearly identical products became significantly restricted.

According to Reuters[18], certain compounders challenged the FDA's shortage-list determinations, but federal courts declined to block FDA enforcement.

For medical spas, this back and forth, along with the fact that compounded GLP-1 products themselves were not FDA-approved, can create a complicated compliance environment.

Underwriting Considerations

Insureds will be expected to provide detailed information about the types of services provided and the types of drugs and supplements sold. Insurance underwriters may pay close attention to:

- Compounded drugs
- Peptides
- Off-label procedures
- Services delivered outside of FDA-approved methods
- Products sold onsite
- Device-driven or robotic services

1:8 adults
Had used a GLP-1 medication as of November 2025.
Source: KFF.org[17]

587%
Increase in obesity related GLP-1 prescriptions, 2019-2024
Source: Fair Health, 2025[19]

KEY CONSIDERATIONS FOR EXPERIENCED RETAIL AGENTS

Healthcare sectors have complex risks and insurance needs. When serving these sectors, consider the following:

- **Anticipate increased underwriting scrutiny.** Thorough documentation can help the process go smoothly. This includes the thorough completion of the application and inclusion of loss runs and incident reports.
- **Tell the client's risk management story.** When preparing a submission, highlight the risk management and abuse prevention controls in place. Being transparent by sharing the full picture, including any challenges, allows RT to position the account effectively with partner carriers. A detailed, candid narrative not only strengthens the submission, but also helps reduce the likelihood of surprises at renewal.
- **Contextualize incident reports.** Mandatory incident reporting can result in loss runs that show a high frequency, even though a substantial number of these incidents are notices of circumstances and not actual lawsuits. Adding context to the reports can help frame the situation more favorably.
- **Allow ample time.** For example, in the senior sector, it's helpful to start the process 90 to 120 days before renewal.
- **Assess evolving needs.** Increased demand is leading to rapid scaling especially in the medical spa space, while advancements in technology are leading to new services and exposures in all health sectors. Operators may need increased coverage, both with higher limits and additional types of coverage, as a result.
- **Review terms carefully.** Terms can evolve as carriers add exclusions or restrictions to policy language or when insureds expand into services or operations that are not covered, or when towers become fragmented. Terms and definitions vary, so it's helpful to go through the policy language, whether it truly covers the client's exposures, and push back on terms that don't fit.
- **Help clients understand exposures, coverage, and best practices.** Education regarding risk management can help clients become more attractive to underwriters. To mitigate the potential for coverage disputes and E&O allegations, brokers can also help clients understand their reporting requirements, especially when dealing with multi-carrier towers, as well as the policy language that could impact coverage.
- **Work with a specialized resource. A generalist approach may require additional considerations.** Someone who understands the healthcare space can help you craft a tailored coverage package.

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We help retail trading partners retain existing clients, win new prospects, and grow their portfolios. While expert assistance from a wholesale broker can provide a notable competitive advantage anytime, it is particularly crucial during disrupted markets.

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- Robust educational resources and services
- Claims advocacy and support

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