Nonprofit Sector US Property and Casualty Insurance Market Update

2026 Insights

Executive Summary

This report examines the economic, workforce and insurance market forces shaping nonprofit risk in 2026 and highlights the actions leaders can take to protect mission continuity while navigating affordability and access challenges.

On one hand, there are strong indicators that overall US property and casualty insurance market conditions are softening, especially in property, with some reprieve and a sharp rise in policyholder surplus in 2025. However, other specialists, including Dr. Robert Hartwig of the University of South Carolina Darla Moore School of Business, present compelling evidence in his "A Market in Transition" report that recent industry profitability does not fully account for the cyclical nature of property and casualty insurance, where profits rise and fall over many years.

This report then focuses on nonprofits as a subsegment of the broader industry. Nonprofits and charities are major employers in the US and globally, and Gallagher has developed specialization across several nonprofit industry areas, including healthcare and education. In this report, however, the third sector refers primarily to Gallagher's two US verticals: nonprofit, or secular organizations, and religious, or faith-based organizations. Gallagher's Nonprofit | Religious Practices specialize in secular and faith-based nonprofits, with deep subject matter expertise in human and social services agencies, humanitarian outreach, houses of worship, affordable housing, homeless shelters, youth-serving organizations, the IDD and neurodiverse community, child welfare, including foster care and adoption, food banks, behavioral health, cultural institutions, conservation, outdoor and adventure programs, community action agencies, federally qualified health centers, NGOs, foundations and associations.

Our perspective is enhanced by a continuum-of-care view that draws not only on our retail brokerage experience, but also on our role in wholesale brokerage, risk control and claims advocacy, insurance program administration, alternative risk, nonprofit underwriting programs, claims administration and reinsurance. Our global teams support tens of thousands of charities worldwide through intentional internal collaboration that is embedded in our culture and supported by data and analytics that help drive insights and decision-making.

Industry Overview and Economic Environment

US nonprofits face unprecedented uncertainty from federal and state funding pressures, inflation, potential changes to tax benefits, rising litigation and continued insurance affordability and accessibility challenges. In Foundant Technologies' Connected Philanthropy podcast episode, "Rethinking Risk in Philanthropy," experts emphasized that funders and nonprofits must rethink risk and adapt quickly. For nonprofit boards, "change, evolve, shift, expand, shrink, merge and invest" are increasingly urgent action verbs.

Workforce and Productivity

Demand for social services is escalating, driven by low US unemployment and growing societal needs among vulnerable populations, putting tremendous strain on human service organizations to do more with less. Some nonprofits are exploring mergers with peer organizations to gain economies of scale and market share. AI will be an important standing agenda item for nonprofit boards and leadership because it can enhance efficiency, solve complex problems, personalize the customer experience, and improve decision-making, all of which can support the impact nonprofits seek. As Gallagher's Risk Bulletin: AI Risk Amplified — Self-Learning Platforms notes, nonprofits should include their insurance broker in these discussions because AI can affect several lines of coverage.

Insurance Market Outlook

Insurance professionals broadly describe the US market as "softening." However, similar to personal insurance in catastrophe-exposed areas affected by wildfire and severe convective storms, nonprofits remain far from a stable or consistently soft market. Many nonprofits are seeing some relief after five years of unsustainable insurance cost increases. For higher risks, specialized nonprofit carriers are competing more actively for new business rather than focusing primarily on defending renewals. Still, market conditions remain uneven: some organizations are seeing meaningful cost of risk improvements, while others, particularly youth-serving and vulnerable population organizations, continue to face affordability and accessibility challenges. New capacity is entering the casualty umbrella market, but many difficult risk segments still have limited affordable risk transfer options. Alternative risk financing, including captives and group pooling, is also gaining traction, especially among mature nonprofit insurance programs that have found long-term stability in these structures.

Social Inflation and Jury Awards, Large Loss Trends

The sustained driver of insurance stress for the third sector is casualty and umbrella coverage, the breadth of long-tail protection, and severe workers' compensation cases. The recently released 2026 Praesidium Report® is a valuable resource for understanding a key aspect of youth-serving nonprofit risks and why verdicts and payouts are increasing in size. We continue to navigate a complex array of coverages that can relate back decades, including policies that were silent on abuse, offered occurrence coverage, or have evolved to claims-made coverage in some cases, with a retroactive date. This mix can distort today's full exposure and experience, as nonprofits may still be held accountable for occurrences from the 1970s, 1980s and 1990s, depending on the coverage. Nonprofits are also held to the highest standards of duty of care, and fraud claims, including food bank and Medicaid-related claims, continue to harm reputations and credibility. Insurance carriers are also evaluating jurisdictional nuances in their appetite, often excluding casualty coverage considerations for nonprofits located in difficult legal geographies, including certain states and counties.

Severe Convective Storm, Fire and Water Damage Losses

Water intrusion remains a top driver of large losses, along with severe convective storms. While some technologies and building materials increase efficiency and sustainability, we are seeing fire risk and claims related to roof-mounted solar panels and unprotected lithium-ion battery energy storage systems. Plastics and foam insulation can also accelerate fire spread, smoke and heat release. See Deborah Freeland's recent Gallagher white paper, "Bridging Fire Protection Design and Insurance Risk Management for Nonprofits".

Auto

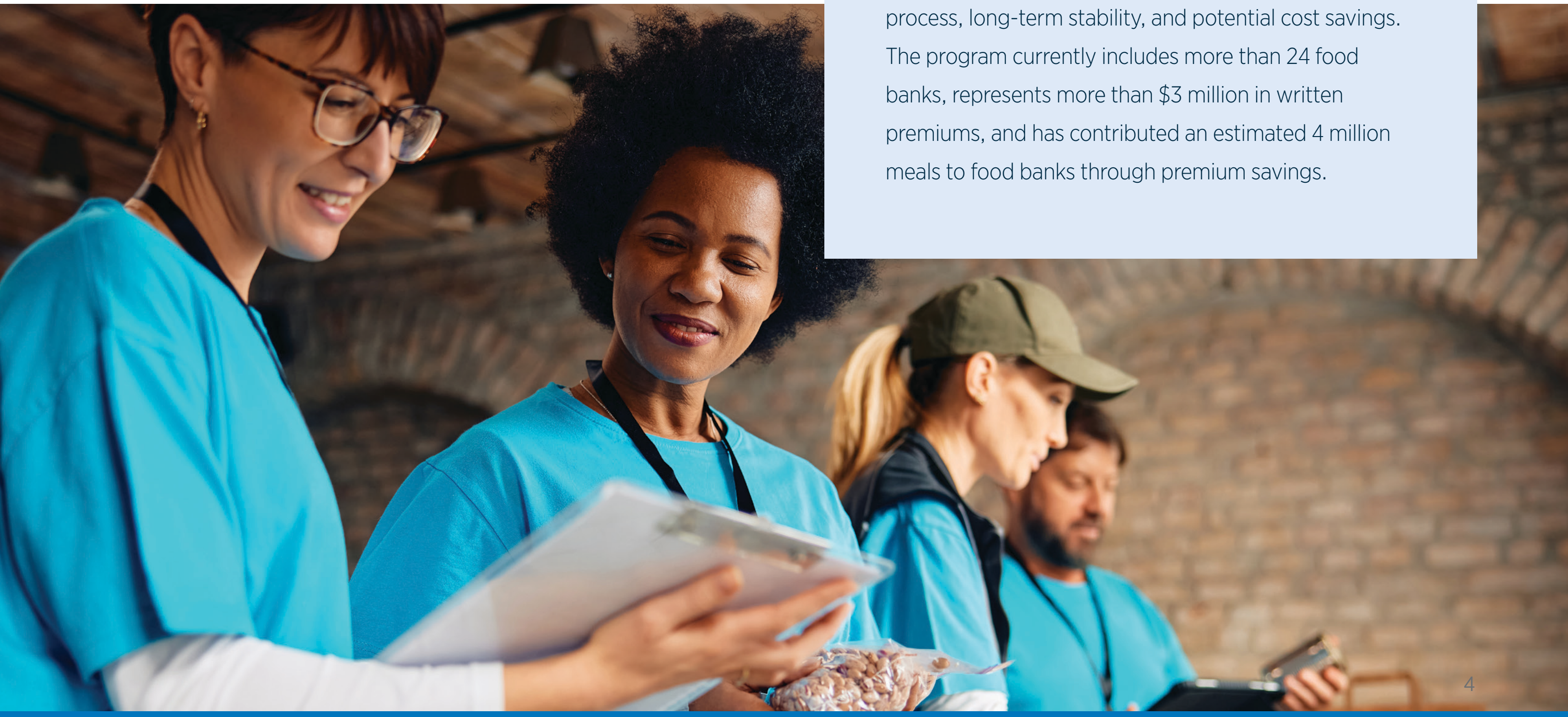
Many nonprofits have significant fleets and transport vulnerable populations. We have also seen severe auto claims exceed $20 million. Due to both the frequency and severity of auto losses, there is continued upward pressure on premium rates in the +7% to +15% range. Many carriers will no longer write monoline auto coverage; it must be bundled with other lines, such as workers' compensation and/or general liability. Nonprofits with fleets of any size, especially those with hired and non-owned auto (HNOA) exposure, must demonstrate best-in-class safety protocols, including a relentless focus on driver safety programs, telematics and documented fleet management.

Let's Hear from Gallagher's SMEs in FOOD BANKS

Food banks are seeing recent renewal challenges centered on auto and property coverage. Market appetite is often constrained by fleet size, travel radius and catastrophe-exposed locations. Proactive risk management strategies, including telematics, can help strengthen marketing efforts.

The marketplace continues to reduce capacity and impose sublimits or exclusions on certain program coverages, including Sexual Abuse and Molestation (SAM), Professional Liability and Auto.

Gallagher's strategic partnership with Feeding America uses purchasing power and specialized carriers to deliver tailored insurance solutions, a simplified renewal process, long-term stability, and potential cost savings. The program currently includes more than 24 food banks, represents more than $3 million in written premiums, and has contributed an estimated 4 million meals to food banks through premium savings.



Insurance Market Trends for the Nonprofit Sector

The insurance environment in late 2025 and early 2026 reflects a nuanced mix of moderating rate increases, coverage and limit reductions, and continued accessibility and affordability challenges. The nonprofit sector is by no means in a consistently soft insurance market. Consider the following key areas:

Abuse and Molestation | Safeguarding

Sexual abuse and molestation liability coverage continues to be challenging and costly for many nonprofits to obtain, even those without claims. Influencing this space is the enduring presence of historic claims — many of which have multiple victims — and sharply rising claim and defense costs. For context, sexual abuse claims in 2025 included historic settlements exceeding several billion dollars. Shifting jury sentiments, the increased presence of third-party litigation funding, and the continued erosion of statutes of limitations for child and adult survivors further impact defense costs and the rising cost of resolution. Newer legislation (passed or pending in at least a dozen states) is further designed to preclude nondisclosure agreements in child sexual abuse settlements.

Amid this landscape, many carriers are continuing to reevaluate their appetite for abuse risk in traditional package policies, explore claims-made coverage, implement abuse-specific sublimit, and tighten terms, conditions, and reporting processes. At the same time, the market is seeing growth in monoline coverage for sexual abuse and molestation, with a handful of new market entrants within the last year.

Nonprofits should expect increased underwriting scrutiny around prevention and response processes, including abuse between vulnerable individuals or program participants, as well as the organizational culture that supports these processes. With many carriers offering value-added risk management resources to support safeguarding frameworks, buyers should also expect questions about whether previously available resources have been used. Gallagher has a Global Safeguarding Managing Director who can help brokers, consultants and nonprofit clients navigate this challenging landscape, improve risk profiles, and build relationships rooted in trust and transparency.

Let's Hear from Gallagher's SMEs in FOSTER CARE AND ADOPTION

The Foster and Adoption segment of the child welfare industry continues to face significant challenges in the insurance marketplace broadly. Over the past five years, we have seen most of the carriers who historically supported this segment decline to continue writing these risks.

Many states continue to loosen or eliminate statutes of limitation on abusive acts claims, resulting in new waves of claims arising from earlier time periods and posing significant challenges to profitability for the carriers.

Currently, there are fewer than five standard admitted carriers willing to entertain risks in this space, or to continue on risks already written. The remaining carriers are excess and surplus lines carriers who are imposing shortened retro-date allowances, offering limited capacity and premiums are climbing sharply.

Many foster and adoption providers are banding together to advance regulatory change, and attempting to work with state regulators to lower the burden placed on them by these changes. Those efforts will take some time, but the movement is encouraging and Gallagher is helping in those efforts where feasible.

Effective risk management controls are also of paramount importance, and there is a renewed focus among providers to assure that they are doing everything in their power to maintain safe and effective policies and procedures. Gallagher has developed proprietary evaluation tools to aid in this effort and stands ready to assist in enhancing our customers' risk profile in this regard.

Casualty | General Liability

Most nonprofit organizations continue to face sustained premium pressure after several years without meaningful reprieve. Casualty coverage has a longer tail, and its negative impact is being compounded by social inflation, nuclear verdicts, and litigation funding. Plaintiff-friendly jury pools are also driving up claim severity. Over the past five years, many primary carriers have moved to reduce umbrella limits, while many nonprofits are inclined to increase limits. At the same time, there is concern that higher limits may become targets. Ultimately, this unbundling, or separation of primary and excess coverage into separate offerings, increases the cost of higher limits and may make them unaffordable. Nonprofits should also be mindful of errors and omissions (E&O) exposures, particularly in the housing sector. Many housing organizations are performing complex real estate development functions, managing regulatory compliance tied to tax credits and other public funding sources or grants, delivering programming that can resemble professional services, and connecting residents to local community resources. These expanded responsibilities can create additional professional liability considerations beyond traditional general liability exposures.

Let's Hear from Gallagher's SMEs in YOUTH-SERVING ORGANIZATIONS

Market conditions are improving for youth-serving organizations with clean loss histories and strong safety programs, but remain challenging for those with large or frequent claims.

Affordable coverage for general liability, abuse and molestation, business auto and umbrella/excess liability depends on strong risk management: activity vetting, staff training, effective supervision and management oversight.

Vendor and third-party relationships — including transportation, adventure trips, sports partnerships, aquatics and residential operations — require careful agreement and MOU review to clarify responsibilities and protect the organization contractually.

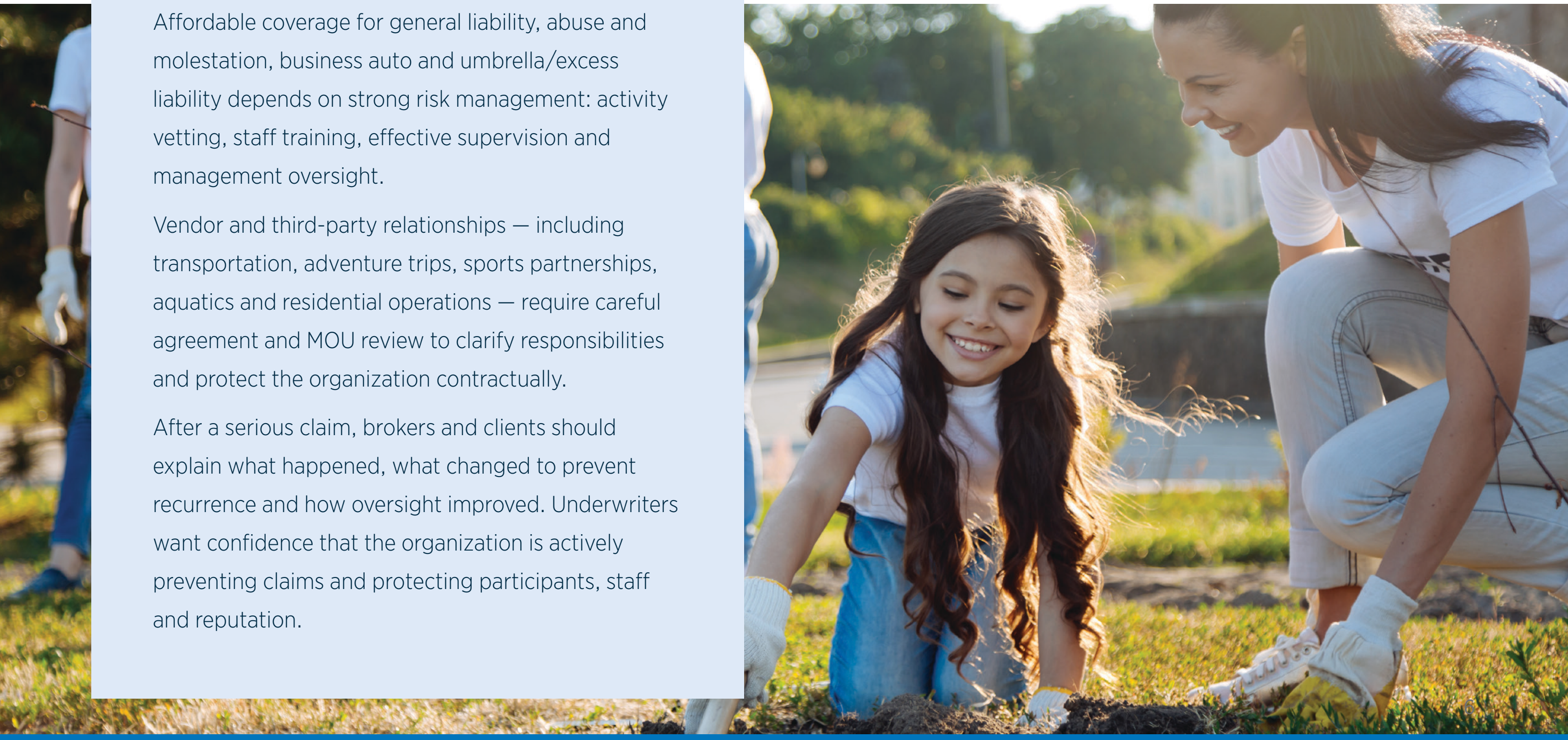
After a serious claim, brokers and clients should explain what happened, what changed to prevent recurrence and how oversight improved. Underwriters want confidence that the organization is actively preventing claims and protecting participants, staff and reputation.

Growth of the Excess and Surplus Lines Market

For nonprofits, the use of E&S markets has increased steadily. On the casualty side, admitted carriers are reducing limits and will only go so far when it comes to catastrophe-exposed property, third-party litigation funding threats to general liability, umbrella and auto, and emerging coverage gaps and challenges such as liquor or THC-infused liability, firearms, assault and battery, and AI. The complex nuances of many larger and youth-serving nonprofits have made E&S flexibility and manuscripting a valued long-term option.

Management Liability | D&O | EPLI

For many nonprofits, this line of coverage is performing well. It remains a target class with strong profitability, open appetite and growth potential. Large D&O carriers generally want lower-exposure, administrative-type nonprofit business, but many remain less interested in larger, more complex nonprofits, including large religious, higher education and healthcare organizations. For nonprofits, D&O is closely tied to EPLI. California remains an especially difficult venue for employment practices liability, although other states, such as New York, are also challenging. Employment decisions should be made with a knowledgeable HR professional, preferably an attorney. Good documentation is key. Frequent claims include retaliation, harassment and failure to properly engage in the interactive process for medical-related issues. From an AI perspective, "insured persons" definitions are expanding to include roles such as CTOs and CIOs who are responsible for AI and advanced technologies. We are pleased to share Gallagher's annual Nonprofit D&O Market Report. Our 2026 Nonprofit D&O Management Liability Report is forthcoming.



Property

Sharp reductions for many catastrophe-exposed nonprofit properties do not mean all nonprofits are seeing significant reprieve. Most nonprofits purchase a package that includes both property and still-challenging long-tail liability coverage. Carriers continue to seek moderate rate increases in package policies, so this blending can make it difficult to isolate meaningful property reprieve. In some cases, property premium may help fund the more challenging long-tail liability offering. Just as carriers may avoid difficult legal jurisdictions, many also cite concerns about wildfire, severe convective storm, flood surge and other catastrophe-exposed risks. More carriers require updated appraisals and tighter terms around agreed value clauses, replacement cost, and inflation guards.

Cyber

Cyber remains a buyers' market for nonprofits, with new entrants and existing carriers competing aggressively for business and driving competitive rates for buyers with strong security controls and clean loss histories. Rate outlook: −5% to flat. Over the past two years, most clients have secured year-over-year decreases through targeted marketing and/or early negotiations with incumbent markets. Despite the soft market, ransomware and privacy litigation losses continue to increase, and insurers are making more targeted rate adjustments in response. Wrongful collection coverage related to website tracking technology litigation is available in the market, subject to underwriting information. Nonprofits should also negotiate incident response vendors early, including hourly rates, retainer dollar application and carrier use of forensic accountants. Complimentary and discounted cyber risk management offerings from carriers and brokers are available and worth using. Gallagher also has a Global Cyber Risk Management Team and a curated suite of Cyber Defense Centre services that can audit third-party vendors and provide three key services: penetration testing, incident planning scenario exercises and phishing training.

Assault and Battery

Nonprofits are seeing umbrella carriers sublimit or exclude this fringe exposure. Assault and battery have become a major workers' compensation loss driver and are increasingly tied to human interaction rather than purely physical hazards, with the on-demand service economy contributing to workplace assault risk (see On-demand, high risk? How the service economy fuels assault claims rise | Insurance Business). Customer-facing risks are often central to nonprofit services. "While employers can install guardrails or redesign workflows to mitigate physical dangers, preventing a violent outburst is far less straightforward."

Event Cancellation Insurance (ECI)

The market for Event Cancellation Insurance has softened slightly for base rates, except for events taking place in coastal areas during hurricane season, where premiums can be punitive due to the scale and frequency of recent claims. Depending on the event location, Civil Commotion extension quotes have also increased slightly.

Generative Artificial Intelligence

AI is quickly becoming a household term and, for the insurance industry, a rapidly evolving exposure that is permeating operations. Broadly defined, generative AI is any machine-based learning system that creates content, including text, images, audio, video or code. Like any emerging risk, we need to acknowledge the reality of this exposure and the amplified risk it presents.

We have seen similar coverage evolutions over time, such as silent cyber in its infancy. Today, cyber coverage is better defined and continues to evolve toward restrictions and exclusions.

We are already seeing AI coverage being parsed, moving in some cases from silent coverage (Not So Silent: Tackling the Complexities of AI Liability | Gallagher) to defined aspects of affirmative coverage, as well as exclusionary language. We also need to recognize the amplified nature of AI risk, including silent AI risks being contemplated in traditional Tech E&O, Crime, Cyber & Media, EPLI, Medical Malpractice and even Property & Casualty policies.

Nonprofits should remain aware of AI risk and, where possible, transfer it while recognizing that this risk is evolving and that new AI exclusions may be added in the future.

Strategic Recommendations for Nonprofit Leaders in 2026

1 Moving from Compliance to Commitment to a "No Mistakes" Culture

Culture is the operative word as boards and executive teams cultivate collaborative, integrated and interdisciplinary environments driven by leadership's emphasis on preparedness, resiliency, and professionalism. The old standard of a duty to protect is being replaced by a new standard: an affirmative duty to protect. Unforeseeable mistakes will not be tolerated, moving closer to per se liability than negligence. Gallagher's nonprofit subject-matter experts have also produced our "Good Governance" series of videos. Nonprofits can also consult Gallagher's Resilience Ready free assessment as part of our Resilience Ready toolkit to understand their score, overall strengths and critical areas for improvement.

2 Optimizing Insurance Program Design

We are fortunate to have strong data and analytics tools specific to the third sector that can help strengthen a nonprofit's risk profile while balancing admitted carrier and E&S options, as well as risk retention and risk transfer. Just as there is a clear call for nonprofits to change, innovate and collaborate, insurance programs also need to evolve, with risk control leading the way. We must continue to find ways to protect nonprofits' margins, as Peter Drucker's management philosophy is often summarized: "There is no mission without margin." We also need to rethink insurance limits in a litigious environment and gain greater control over escalating financial expenses, including P&C insurance, employee benefits and retirement program funding.

3 Invest in and Align With Technology Partners That Embed Risk Controls

- Finance, operations and human resources should collaborate more effectively on holistic, interdisciplinary solutions. Nonprofits should focus on technology initiatives that deliver long-term return on investment while also improving the enterprise risk profile, beginning with the people who make services possible: staff and volunteers.
- Online training should be embedded in the culture, and the use of carrier and broker resources should be a priority. Risk control needs to move beyond a single person or department and become a mindset, culture, way of thinking and standing agenda item in every meeting.
- Risk should be viewed through two complementary lenses: minimizing the chance of loss and embracing opportunities to make a difference. It is often difficult for the nonprofit sector to compete financially with corporate job offers, but nonprofits that prioritize mental health and workforce and volunteer wellbeing will be better positioned to secure a stable workforce. As HBR suggests in "Treat Nonprofits as Strategic Partners, Not Just Philanthropic Recipients" (March 26, 2026), these qualities allow nonprofits to develop insights and relationships that corporate firms cannot easily replicate.
- Finally, nonprofits should embrace transparency, including engagement with specialized third-party accreditation organizations to reinforce their commitments to strong financial controls and ethical and safety standards.

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