

Letter From The President



Staying Ahead of the Tidal Wave: Hard Insurance Market for Nonprofits Remains on the Horizon

*“The time to prepare the ship for stormy weather is not when you are already out at sea.”
(paraphrase of) Demosthenes of Athens warning to fellow citizens*

The insurance market for nonprofits continues to face challenges. Three main factors are driving this trend.

First, liability claims have been exceeding inflation for several years in a row due to social inflation (+57%)¹, legal system abuse, litigation financing and nuclear verdicts.* This trend impacts the insurance costs of automobile, umbrella and general liability policies.

Second, property insurance rates have continued to accelerate due to the aging of buildings across America and the increased costs of materials and labor to repair them when they are damaged. Catastrophes and severe weather events have caused an estimated \$120 billion in property damage, globally.²

Third, automobile insurance rate increases continue to remain elevated above normal inflation, averaging +20%³ across the country (both personal and commercial) due to distracted driving, increased costs and complexity of replacement parts and overall, less law enforcement.

These three major coverage areas are either leaking or are under water and when combined all at the same time in the same year create a “perfect storm” leading to another year of double-digit rate increases that exceed general inflation.

To stay seaworthy, many admitted nonprofit insurance carriers have jettisoned numerous nonprofit classes of business and reduced limits of coverage in addition to strengthening their ballast by increasing both rates and prior claim reserves, leaving excess and surplus lines insurance carriers often as the only option to provide insurance, typically with more restrictive coverage, lower limits and higher rates.** Nonprofit sectors affected most prominently include housing/habitational, daycare/childcare, organizations with abuse/molestation exposures and animal-related nonprofits etc.



Industry-wide rate increases between 10-30% have been common in this marketplace, as well as umbrella liability limit reductions down to \$5 million and in some instances even \$2 million.

These are turbulent waters for the insurance industry, consumers and especially nonprofit organizations with limited or fixed budgets.

At Great American Insurance Group, we continue to maintain our seaworthiness in these turbulent waters to remain a calm "port in the storm" for our nonprofit policyholders and agents.

As an insurance company, Great American is working to stabilize rising costs by supporting industry efforts to regulate runaway litigation financing, advocating for tort reform, utilizing public relations to combat legal system abuse and tightening our underwriting and claims execution strategies.

The Specialty Human Services team continues with a cautious approach in our underwriting and pricing decisions, coverage offerings and service delivery for the nonprofit marketplace.

Our lead insurer, Great American Insurance Company, has received an "A" (Excellent) or better rating by AM Best for over 115 years, and we look forward to continuing to be a stable provider of insurance and risk-related services to nonprofits for many, many more years.

With a history of serving over 16,000 policyholders across the U.S. for 45 years, our Specialty Human Services team's role is to be a reliable insurance market and responsible financial steward for our nonprofit clients and the agents who serve them.

As always, we welcome the continued dialogue with our policyholders and agents and look forward to connecting with you.

And of course, thank you for continuing to put your trust in us.



Mike Liguzinski

Divisional President, Specialty Human Services

*The median nuclear (over \$10MM) verdict increased by 27.5% over a ten-year period, far outpacing inflation.

**Large US companies spent \$22.8B due to litigation reflecting the high costs of defending against nuclear verdicts:

<https://instituteoflegalreform.com/research/nuclear-verdicts-an-update-on-trends-causes-and-solutions/>

1. <https://riskandinsurance.com/social-inflation-drives-57-surge-in-us-liability-claims-over-a-decade/#:~:text=Litigation%20costs%20drove%20a%2057,in%202023%2C%20Swiss%20Re%20reports.&text=Social%20inflation%20has%20increased%20liability,an%20analysis%20by%20Swiss%20Re>

2. <https://www.insurancebusinessmag.com/us/news/reinsurance/global-nat-cat-losses-soar-to-120-billion-in-2024-munich-re-reports-510348.aspx#:~:text=Global%20losses%20from%20natural%20catastrophes,the%20first%20half%20of%202024.>

3. https://data.bls.gov/timeseries/CUUR0000SETE?output_view=data

