

# Nonprofits and Liability Insurance

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## An Ongoing Insurance Crisis

Across the U.S., nonprofit organizations that provide critical human services, such as foster care, mental health treatment, substance use recovery programs, and elder care, continue to face a liability insurance crisis. Coverage limitations, nonrenewal by their carrier, unaffordable premiums, and carriers exiting the market are among the critical challenges being experienced by providers, regardless of their insurance claim or loss history.

Management liability and cyber insurance costs are projected to fall in 2025 for nonprofits, according to [Risk Strategies' 2025 Insurance Trends Report](#). However, all other forms of insurance costs are projected to increase 10-30% for nonprofits in the coming year, particularly for general liability (+5-10%), abuse and professional liability (+15-20%), and umbrella (+20-30%) coverage. A [2025 national survey](#) conducted by the National Organization of State Associations for Children (NOSAC) and the Association of Children's Residential & Community Services reveals the gravity of the situation. Since 2019, respondents reported an average increase of 163% in premiums, with one quarter seeing a premium increase of 200-1800%. Such increases are unsustainable for already under-resourced nonprofits.

## Drivers Behind Rising Insurance Costs

Several factors are contributing to this crisis, including:

- **High-Risk Work:** Providers often care for individuals with significant physical, emotional, or behavioral needs, making the likelihood of incidents, and therefore legal claims, much higher than other sectors.
- **Escalating Demand:** More families and seniors are seeking care, increasing the chances of incidents and liability.
- **Economic Inflation:** Inflation has driven up the costs of health care, legal defense, and settlements, making liability claims more expensive to resolve. These higher claim costs are then passed on to providers through increased insurance premiums.
- **Staff Shortages:** Compounding the problem is a widespread shortage of qualified direct service staff. With fewer workers available to provide care, staff are overburdened, increasing the likelihood of mistakes or oversights that can result in liability.

## Resulting Challenges for Providers and Their Communities

Increasing barriers to securing affordable and sufficient insurance coverage poses challenges that are experienced throughout communities.

- As costs reach unsustainable levels, organizations may reconsider the services offered, reduce staff and programs, or delay or discontinue service expansions.
- Without the appropriate insurance, organizations may be unable to continue offering services, even as communities' needs are increasing. The cost of services also may rise, fostering further challenges for individuals and leaving them without critical supports.

## Proposed Policy Solutions

To address this growing crisis, Social Current has proposed a set of policy solutions aimed at making liability insurance more accessible and affordable:

- **Public or Captive Insurance Fund:** The creation of a public or nonprofit-backed captive insurance fund designed specifically for high-risk service providers could offer more stable and predictable insurance coverage, shielding organizations from the volatility of the commercial insurance and reinsurance market.
- **Federal Mandates for Affordable Coverage:** Federal legislation that would require states to provide affordable liability insurance options to high-risk nonprofit organizations would ensure that nonprofits are not forced to reduce services or shut down entirely due to rising insurance costs.
- **Shared Insurance Pools:** Shared-risk insurance pools would allow groups of nonprofits to band together to purchase insurance as a collective, leveraging their combined scale to negotiate better terms and distribute the financial risk.

Without swift and strategic action, the liability insurance crisis threatens to destabilize organizations that families and communities rely on for essential care and support. Social Current emphasizes that this issue demands collaboration across sectors—including insurers, policymakers, and nonprofit leaders—to build long-term, sustainable insurance solutions. By implementing targeted reforms such as public insurance funds, federal mandates and incentives, and pooled insurance models, the sector can protect the future of human services and ensure that communities continue to receive support.

### Sources and Further Reading:

- [Policy Brief: The Growing Liability Insurance Crisis](#). Social Current. (2024).
- [Insuring Care: How Liability Insurance Access Threatens Community Services for Children](#). ACRC. (2025).
- [Illinois community-based foster homes face insurance 'crisis'](#). Capitol News Illinois. (2025)
- [State of the Insurance Market 2025 Outlook: Nonprofit and Human Services](#). Risk Strategies. (2025).
- [What Is a Captive Insurance Company?](#) Investopedia. (2024).
- [Nonprofit Pooling 101](#). Gallagher. (2024).

## Social Current Solutions

### Risk Assessment & Reduction

Large-scale solutions are needed to address this complex challenge. Unfortunately, risk mitigation at the organizational level does not necessarily translate to lower insurance costs. Yet, individual organizations can reduce their exposure to liability claims through [strategic risk mitigation](#). Social Current offers several resources to support risk management.

### Nonprofit Risk Management Center (NRMC)

[The Nonprofit Risk Management Center](#) (NRMC) is a nonprofit dedicated to helping other nonprofit organizations understand and manage the various risks they face. Social Current network organizations have access to NRMC's extensive collections of risk assessments and

tools, including in-depth information on insurance coverage. For access, [create an affiliate member account](#) and choose Social Current as the affiliate.

### **Leadership and Organizational Development Consulting**

One of the most effective risk mitigation strategies is building a risk-aware workplace culture. It's more than just compliance; it's about proactively prioritizing the recruitment and retention of qualified employees, alongside continuous training. Social Current offers customized [leadership and organizational development consulting services](#) designed to ensure your team is well-equipped to perform their jobs expertly and reduce risk for your organization.

### **COA Accreditation**

[COA Accreditation](#), a service of Social Current, provides an evidence-based framework for nonprofit organizations to reduce risks. By requiring adherence to rigorous, research-based standards, COA Accreditation requires organizations to proactively examine and enhance their operations across critical areas like legal compliance, financial management, human resources, governance, and program delivery. This systematic approach ensures the development of clear policies and procedures, robust internal controls, and a culture of accountability, minimizing vulnerabilities to legal challenges, financial mismanagement, and operational failures.

Additionally, COA Accreditation fosters continuous quality improvement and the adoption of best practices, leading to more effective service delivery and better outcomes. Achieving COA Accreditation mitigates internal risks as well as builds external credibility and trust with funders, donors, and the public, strengthening the organization's reputation.

## **Knowledge and Insights Center Resources**

### **Business, Media, & Research Databases**

From thousands of premium journals to the latest social sector news and media, [Social Current Impact Partners](#) and KIC subscribers have access to a wealth of evidence-based resources to support them in addressing any leadership challenge.

### **About the Knowledge and Insights Center**

Social Current's [Knowledge and Insights Center](#) equips social sector professionals with the research and resources they need to stay current on trends, implement best practices, and improve their organizations. It specializes in vetting information sources and systematizing information so that it is easy to understand. Gain access to the Knowledge and Insights Center by becoming a Social Current [Impact Partner](#) or [purchasing access](#).

## **About Social Current**

Social Current is the premier partner and solutions provider to a diverse network of more than 1,800 human and social service organizations. Together with our network, we are activating the power of the social sector to effect broader systemic change that is needed to achieve our vision of an equitable society where all people can thrive. We support, strengthen, and amplify the work of the social sector in five core integrated areas including brain science and trauma-informed approaches; COA Accreditation; child, family, and community well-being; government affairs and advocacy; and leadership and organizational development.

Learn more by [visiting our website](#).