

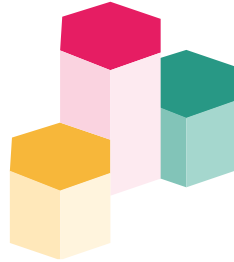
Outlook.

Nonprofit

Practical risk management solutions
will help nonprofits persevere.

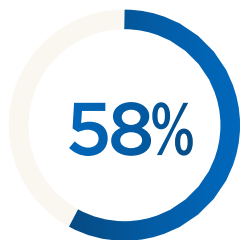


Risk & Insurance | Employee Benefits | Retirement & Private Wealth



What to Expect in 2024

Nonprofits have maintained a frenetic pace in response to catastrophic events in the U.S. and around the globe. But declines in charitable giving and government funding — not to mention staffing issues — will challenge nonprofits' ability to fulfill their missions. Organizational resilience will be key for nonprofits in managing new and ongoing risks.



Of educational institutions said their organization is prepared to effectively address loss of brand credibility/reputation.

HUB International 2024 Outlook Executive Survey.

Financial woes may persist amid higher costs and reductions in funding.

Funding remains a top challenge for nonprofits. Seven out of 10 nonprofit organizations reported their charitable donations will decrease or remain flat in 2023 and nearly the same number expect their donor base will decrease or stay the same.¹ This follows a 3.4% decrease in overall charitable giving, or 10.4% when adjusted for inflation, in 2022.²

Cuts to government funding and higher labor costs will affect nonprofits' finances. In addition, nonprofits will face more frequent and severe disasters and higher prices for the goods and services they need to carry out their missions.

Higher insurance costs are also hurting nonprofits, with rates increasing 5% to 15% on average for insurance. But forgoing or reducing coverage exposes nonprofits to greater risk at a time when losses remain elevated.³

Property insurance, commercial auto and abuse and molestation coverage will have the greatest impact on nonprofits' bottom line in 2024. Although many nonprofit organizations responding to the HUB International 2024 Outlook Executive Survey indicated that they are confident in their risk preparedness, only 18% said they have enough insurance coverage to achieve their mission-critical organizational goals.⁴

While shouldering more risk may be necessary from a financial standpoint, nonprofits need to ensure they are insuring against risks that could devastate them and spend time and effort developing remedial strategies to mitigate other exposures.

Despite this challenging economic outlook, nonprofits are improving their viability by becoming increasingly agile. More are engaging in strategic partnerships with other nonprofits or even for-profit corporations — an approach that can expand their outreach, increase access to funding opportunities and magnify social impact.⁵ Organizations that think outside of the box, maintain strong leadership and have a strategic, actionable plan for managing risk will be best positioned for the future.

Property insurance, commercial auto and abuse and molestation coverage will have the greatest impact on nonprofits' bottom line in 2024.

1. National Council of Nonprofits, [2023 Nonprofit Workforce Survey Results](#), April 2023.
2. Philanthropy News Digest, ["Total U.S. charitable giving declined in 2022 to \\$499.33 billion,"](#) June 20, 2023.
3. Swiss Re, ["Severe Thunderstorms Account for Up to 70% of All Insured Natural Catastrophes in First Half of 2023,"](#) August 9, 2023.
4. HUB's 2024 Outlook Executive Survey polled 900 C-Suite and VP-level executives on the issues facing them on profitability, employee vitality and organizational resilience.
5. NonProfit Pro, ["How Nonprofits Can Capitalize on Strategic Partnerships for Long-Term Sustainability,"](#) September 27, 2023.

Improve retention with personalized benefits.



A tight job market continues to test the nonprofit sector. Nearly 75% of nonprofits currently are hiring and 52% of nonprofits have more job vacancies now than in the past five years.⁶ Talent retention was the biggest concern for 73% of HUB's nonprofit survey respondents, followed by talent recruitment at 63% and compensation at 62%.

Salary ranks as one of the top challenges according to nonprofit survey respondents. Higher costs strain budgets, yet they must compete for talent with the private sector, which can offer better salaries.

Rising healthcare costs also continue to plague nonprofits, particularly when those organizations rely on the quality of their benefits to offset lower wages.⁷

However, personalized benefits that take into account individualized employee needs and focus on wellbeing can help nonprofits recruit and retain talent, even with salary constraints. Wellness programs, retirement plans and mental health services that speak to individual employees can be a key differentiator in recruitment and retention.

Though personalized benefits may seem untenable, options are available. Nonprofits can take advantage of unconventional funding strategies, such as creating a human capital endowment fund, or exploring a benefits captive. A **captive** can also act as a source of contingent capital for organizations facing cash-flow issues by paying a dividend or loaning capital to the nonprofit. A knowledgeable broker can help organizations find captive solutions that meet their needs.

Nonprofits with limited financial means can provide a range of minimal-cost benefits such as narrow health network plans, health savings accounts and emergency savings funds. Organizations could also offer free or reduced-cost access to financial education and wellness platforms and help connect workers to personal risk advisory solutions like **VIU by HUB**.

6. National Council of Nonprofits, *2023 Nonprofit Workforce Survey Results*, April 2023.
7. Fierce Healthcare, "[Employer health costs set to rise 6.5% in 2023](#)," August 19, 2022.

Prioritize risk management to effectively respond when needed.

Budget pressures and staffing shortages have made it difficult for nonprofits to prepare and respond to risks. HUB's business survey found that just 30% of nonprofits have fostered a culture of risk awareness, preparedness and mitigation — with 70% needing to improve their risk management or face the exposures.

Built in partnership with all organizational stakeholders, strong risk management can help mitigate expensive losses from catastrophic events. The key to organizational resilience is developing an enterprise risk management (ERM) plan that includes a thorough assessment of all aspects of the organization and implements strategies for addressing exposures.

ERM should be ingrained in the organization's culture, with everyone — from the CEO to the new social media assistant to the janitorial manager — committed to risk reduction. Successful ERM teams spend time with all stakeholders to identify areas of improvement in each department and connect the dots between exposures to eliminate, or at least minimize, gaps in the overall risk management plan.

70%

of nonprofits need to do a better job fostering a culture of risk awareness, preparedness and mitigation.

Too often organizations work in silos, which can threaten resiliency. For example, a nonprofit may have strong water damage mitigation measures but fails to implement controls for vetting employees and volunteers, exposing the organization to risk — something ERM likely would have identified as a potential hazard. Failing to conduct background checks or to review motor vehicle records could expose an organization to significant liability. Many nonprofits have paid out millions or faced bankruptcy in cases when abuse occurred, but the perpetrators' histories of such conduct were overlooked.

Making risk management a true part of the organization can also help nonprofits navigate today's tough insurance environment by improving the organization's insurability and potentially saving on insurance costs.

Plan for the worst in an era of rising reputational risk.

Nonprofits are experts at responding to those in need during a crisis, but they aren't always as prepared to handle crises that affect themselves.

In general, charities are more trusted by the public than other institutions, and 70% of people said trusting a charity is the most important factor they consider when donating.⁸

Abuse allegations against the organization, board transgressions or financial misconduct, or a cyber breach that compromises personally identifiable information, can cause devastating reputational damage or even result in criminal action against an organization.⁹

How a nonprofit handles a crisis can determine if the organization can rebuild public and donor trust, and ultimately, if the organization can survive the fallout.

A robust crisis management plan can help a nonprofit respond quickly if an incident occurs, but not all organizations have one: Only 57% of nonprofit respondents to HUB's Outlook Executive Survey say they are prepared to deal with events that could damage brand credibility or reputation.

Your crisis management plan must go beyond contacting board members for help and should involve a call to your insurer or broker first after an incident. Nonprofits may overlook the fact that their insurers have the resources to handle a range of situations and will be equipped to assist with crisis management, legal counsel or digital forensics. Notifying your broker and insurance carrier immediately after an incident may also accelerate the claims process and save the organization money.



8. Give.org, *Donor Trust Report: State of Public Trust in the Charitable Sector*, accessed September 19, 2023.
9. NOLA.com, "LaToya Cantrell-aligned nonprofit plans to shut down; judge upholds firing of former leader," October 20, 2022.

Make a plan

HUB nonprofit insurance and risk management specialists will work with you to develop a tailored strategy that will protect the bottom line, support your workforce and build resiliency for 2024. Here are some initial considerations:



Develop a comprehensive risk plan.

Making ERM a key component of your organization's culture can help you identify exposures and place your nonprofit in the best light if an incident occurs. Make sure your broker understands how to strategically approach risk and identify gaps in the organization.



Create a personalized benefits strategy.

Stand out from the competition by offering benefits your employees want. Consider less typical benefits to fit your budget or adopt an unconventional funding approach such as creating a human capital endowment.



Rely on your carrier in a crisis.

An incident can be devastating to a nonprofit's reputation. Take advantage of your insurer's expertise if an event occurs. It may be able to assist with such areas as legal counsel, crisis management or digital forensics.



Be transparent with your broker.

Consistent communication with your broker will help you identify and mitigate issues in advance of your next renewal and position your organization in the best light. Review exposures and insurance needs at least 90 days prior to policy renewal to allow your broker to find the optimal mix of coverage for your organization's needs.

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Nonprofit Industry Rate Guide – U.S.

HUB International interviews brokers and risk services consultants and analyzes survey data to bring you our proprietary rate report each quarter. Read the HUB 2024 Commercial Lines Rate Report to know what to expect in advance of your next renewal.

Coverage	2024 Nonprofit YOY Rate Outlook	Insights
Commercial Auto	+5% to 10%	Rates continue to rise to offset loss costs driven by higher vehicle replacement expenses, production backlogs on part replacements, labor salaries and increased medical costs. Distracted drivers continue to steer loss activity. Organizations with favorable loss experience will achieve better outcomes.
General Liability	+5% to 10%	Social inflation continues to worry liability underwriters. Insurers are expanding their scrutiny of policyholders due to increased losses from abuse and molestation claims triggered by reviver statutes favoring victims of legacy misconduct. Underwriters are requiring airtight abuse prevention, training, education, supervision and investigation protocols from both new and renewal applicants. Physical security remains a concern for some human services organizations and “soft target” arts, cultural and religious organizations. Adoption and foster care service risks are especially challenging to place, even when representing a minority of the policyholder’s operations.
Workers’ Compensation	-10% to Flat	Workers’ compensation remains the most stable and profitable line for the commercial insurance industry, and carriers will continue to offer competitive rates. Inflationary pressures may impact future loss costs due to increases in wages and medical expenses, including prescription drugs.
Umbrella & Excess Liability	+15% to 25%	With reinsurers pressing for higher rates and coverage limitations due to abuse and molestation losses, the standard markets are limiting capacity. Excess liability insurers are raising their attachment points, forcing some buyers to build layered and quota-share towers to secure adequate limits. Policyholders should closely examine exclusions in umbrella and excess liability policies, which can render coverage more restrictive than the primary policies they complement.
Commercial Property	+10% to 20% or higher	The property market is facing unprecedented challenges driven by wind, flood, earthquake and wildfire losses. Reinsurers will continue to apply pressure behind the scenes. Insurers will scrutinize risk profiles with unfavorable brush mapping and/or protection classes. Carriers are decreasing capacity on per-location insured values while increasing deductibles or imposing per-location loss limits. Risk control measures remain critical in this sector; organizations that defer property maintenance may face challenges. The market remains focused on valuation. While many organizations have now “right-sized” their values, insurers continue to impose policy restrictions (coinsurance, margin, loss limits, etc.) that force insurance-to-value.

Coverage

2024 Nonprofit YOY Rate Outlook

Insights

Catastrophic Perils

+20% to 30%
for lesser
Tiers/Zones

+30% to 50%
or higher
for High-Hazard
Tier/Zones

Losses in 2023 will drive rate increases in 2024. While traditional CAT perils (flood, earthquake and windstorm) remain a concern, insurers are increasingly focused on exposures from severe and convective storms, wildfires and winter storms. Organizations with CAT exposures are seeing larger rate increases of 50% to 100% or more. Those in high-hazard zones will find few carriers in the non-admitted market entertaining new business.

Management Liability

+5% to 15%

Employment practices liability insurance (EPLI) lawsuits remain the most frequent claim against organizational leaders, with discrimination, sexual harassment and wrongful termination actions driving losses.

Fiduciary liability cases are on the rise, with new regulatory changes that place additional scrutiny on retirement and benefits plan sponsors. In the crime segment, employee dishonesty remains the most common claim, but computer fraud, funds transfer fraud and fraudulent impersonation (phishing) claims are increasing as technology and the sophistication of bad actors evolve.

Cyber

Flat to +10%

After a market-wide, multiyear recalibration in the cyber market due to loss patterns brought by the newly remote workforce, those headwinds have finally tapered off. Despite steady reports of ransomware claims and cybercrime by proficient actors, ample market capacity and competition have tempered rate adjustments.

Underwriters are also imposing stringent eligibility requirements for cyber insurance, mandating that policyholders implement multifactor authentication (MFA), endpoint detection and response (EDR), and maintain people and process controls.

Business

Insights

Arts & Culture

Arts & Culture has emerged as a target class for many carriers. As public liability challenges persist, operational resilience should be a key concern for clients that depend on admission, rental and concession revenues.

Associations & Public Advocacy

With increased polarization in the U.S., nonprofits with political ties or perceived political connections may face insurance challenges depending on the nature of their work and constituency. Insurers are reluctant to engage with organizations that could be targets of litigation or violence.

Human Services

While there is ample appetite for the sector, programs with heavy transportation, residential, adoption or foster care elements can be difficult to place. Risks with abuse and molestation exposure will have limited options, especially beyond primary coverage.

Religious Organization

Abuse and molestation continue to be a leading concern for religious organizations. Buildings with unique or historical architectural features can present property valuation challenges that require expert appraisal guidance. In today's polarized culture, some organizations may be especially vulnerable to hate crimes that expose their people and property.

NOTE: *Rate* is typically defined as the amount of money necessary to cover losses and expenses, as well as provide an insurance company with a profit for a unit of exposure. *Exposure* refers to a business' or individual's susceptibility to various daily risks. Carriers evaluate the level of risk an insured faces in calculating insurance premiums.



HUB Nonprofit

When you partner with HUB, you're at the center of a vast network of experts who will help you improve your profitability, enhance the vitality of your workforce and remain resilient into the future. For more information on how to manage your insurance costs, reduce your risk and take care of your employees, talk to a HUB nonprofit advisor. We're here to help.

\$487M

in commercial insurance premium brokered by HUB

18,400

nonprofit clients

47,200

insurance policies managed

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