

# Outlook 2025

## Nonprofit

Nonprofits who embrace risk management will flourish.



# What to Expect in 2025

Nonprofit organizations will need to prioritize critical risk management initiatives as economic and reputational challenges grow even greater. They need to prepare for emerging exposures specific to employment-related litigation and technology. With the right business strategies and advisors, nonprofits who lean into the opportunity can confidently achieve their mission and win big in 2025.

**52%**

*of the U.S. public trusted nonprofits in 2023, down 7 percentage points from 2020.<sup>1</sup>*

1. Independent Sector, "[Health of the U.S. Nonprofit Sector](#)," accessed October 3, 2024.

# Agility will be key to navigating ongoing financial uncertainty.

Stubborn inflation, job market volatility and fluctuating donor contributions have left many nonprofits in a tenuous financial situation, forcing them to adopt a wait-and-see approach to funding sources.

Nonprofit organizations are largely dependent on government contracts and donations to carry out their missions, as well as support from a large volunteer staff force. However, ongoing political and economic uncertainty is taking a toll on the sector. The cost of everything — employee salaries and benefits, fuel, rent and insurance — continues to rise, making it difficult for organizations to plan and operate effectively.

Although charitable giving increased 1.9% to \$557.2 billion in 2023, it did not outpace the rise in expenses.<sup>2</sup> Rate cuts announced by the Federal Reserve could help ease inflation slightly in 2025,<sup>3</sup> but it will not be enough to solve the nonprofit sector's persistent economic challenges.

And, in general, Americans are giving less than they have in the past, with the overall share of individuals who donate to nonprofits decreasing from 82% in 1983 to 67.2% in 2023.<sup>4</sup>

Nonprofits need to consider other ways to capture new revenue, such as diversifying their funding sources to be less dependent on declining income from individual donations. Foundational giving, for example, now comprises 19% of total charitable giving, compared with 6% in 1983, and corporate giving rose 14.3% over the last five years — both of which helped offset the individual decline.<sup>4</sup> Organizations can also secure new revenue sources in 2025 by contracting with government agencies for specific services.

Many nonprofits are exploring mergers and acquisitions with other nonprofits that offer similar services if they cannot overcome current economic pressures on their own. Others are broadening the spectrum of their social service offerings to include immigration or housing, which could enable them to receive more government funding.

According to the HUB International 2025 Outlook Executive Survey,<sup>5</sup> 48% of nonprofits are planning to implement a strategic partnership, merger or acquisition in the next 24 months. However, these new activities come with increased risk that requires the help of an advisor who understands the potential M&A pitfalls from due diligence to close.

Whether considering an M&A or remaining independent, organizations need to work with industry experts, including an insurance broker who specializes in this sector, to help manage costs. With expenses at an all-time high, nonprofits cannot afford to pay more for coverage they don't need, but they must ensure they are protected against evolving exposures. The right insurance broker will have access to analytics tools that can provide the required level of coverage without breaking the budget.

2. GivingUSA.org, "[5 Takeaways and Next Steps from the Giving USA 2024 Report](#)," July 2, 2024.
3. Associated Press, "[Powell at Jackson Hole: 'The time has come' for the Fed to soon begin reducing interest rates](#)," August 23, 2024.
4. GivingUSA.org, "[5 Takeaways and Next Steps from the Giving USA 2024 Report](#)," July 2, 2024.
5. HUB's Outlook Executive Survey polled 900 C-Suite and VP-level executives on the issues facing them on profitability, employee vitality and organizational resilience.



# A supportive culture will be essential to strengthen a struggling workforce.

Nonprofits need to maintain a strong workforce to be effective, but that hasn't been easy given the sector's financial struggles. While nonprofit employment grew 4% between 2021 and 2022 — faster than the private sector's 1.5% growth during the same period — 20% of nonprofit employees reported living paycheck to paycheck.<sup>6</sup> This has contributed to higher rates of burnout and more people leaving nonprofit employment for better-paying industries.

Nonprofit respondents of the HUB survey acknowledged there is work to be done when it comes to recruitment and retention, with 47% of U.S. respondents and 56% of Canadian respondents identifying it as a key priority that needs to be addressed in 2025.

Organizations must also contend with reputational challenges brought on by a recent increase in employment-related lawsuits. Discrimination charges against employers overall were up 10% in 2023 compared with 2022, and the Equal Employment Opportunity Commission has stepped up its enforcement of protections against anti-discrimination employment laws.<sup>7</sup>

Nonprofits are particularly vulnerable to these claims, depending on the sector they serve, which can cause serious reputational damage, hurting their ability to attract and retain staff. Volunteer participation, which has already been on a steady decline, can be negatively affected as well.<sup>8</sup>

To counter these challenges, organizations must foster a people-centric culture that protects its staff and volunteers. This can include developing a compelling [Employee Value Proposition \(EVP\)](#) and total rewards strategy to generate excitement within the organization where everyone feels not only valued but also like they are contributing to the greater cause.

Additionally, utilizing [employee benefits analytics](#) can provide important insights into what benefits employees want or need, such as mental health support, without

## Case Study

A service-based organization was challenged in providing benefits that lined up with for-profit companies in the area. Beyond the mission, the organization needed to be smarter on the benefits they offered. Using HUB's [Workforce Persona Analysis™](#), they identified a few subgroups of employees that they could focus on. Improving their specific employee experience by adding low cost and no-cost access benefits immediately created goodwill. Solving certain challenges — such as backup childcare — and enhancing PTO/leave programs for grandparents bolstered the reasons they stayed in the organization.

increasing costs. According to the HUB survey, more than half of all nonprofit respondents are using benefits analytics to streamline costs, improve individual outcomes and keep their healthcare plan solvent.

Providing access to [personal insurance](#) and [financial wellness tools](#) can also be a differentiator for employers to address a major component of employee stress, enhance recruitment and increase productivity.

6. Nonprofit Quarterly, "[Health of the Nonprofit Sector: The Latest Data](#)," February 27, 2024.
7. U.S. Equal Employment Opportunity Commission, "[2023 Annual Performance Report](#)," February 23, 2024.
8. University of Maryland Do Good Institute, "[New Research Report Examines Recent Declines in Giving and Volunteering in America](#)," November 1, 2023.

# Holistic risk management planning remains essential to achieving goals.

A comprehensive risk management strategy is crucial to ensuring nonprofits maintain a strong financial performance and reputation — and can ultimately determine their long-term resilience.

Unfortunately, many nonprofits are still taking a piecemeal approach to preparing and responding to the many risks they face, whether it be protecting their employees or the populations they serve, responding to disasters, or preparing for future challenges like climate change or cyber threats. Implementing an [enterprise risk management \(ERM\)](#) strategy creates alignment within the organization — from the CEO and board members to staff and volunteers — which is critical to managing the inherent risks of operating a nonprofit.

A well-structured insurance program with adequate limits is an integral part of a nonprofit's comprehensive risk management strategy, but limited carrier capacity for critical coverages like [sexual abuse and molestation](#) and higher insurance rates has made it difficult for many nonprofits to get the coverage they need.

With sexual abuse and loss payments against youth-serving organizations reaching as high as \$10 million in some cases, capacity is unlikely to improve anytime soon.<sup>9</sup> In fact, 92% of carriers expect the sexual abuse and molestation market will harden in the next three years, with 85% of carriers projecting higher premiums and 78% anticipating increased underwriting requirements that include organizational abuse risk processes.<sup>10</sup> Companies that do not implement proven sexual abuse prevention policies will face serious challenges ahead.

Nonprofits must also work proactively to protect against cyber-related threats as their dependence on technology increases, including artificial intelligence, to run their organizations and process financial transactions. The

## Case Study

A nonprofit that specializes in working with at-risk youth reached out to HUB fearing it was under a ransomware attack, exposing vulnerable patient and resident data. HUB immediately put an action plan into place to minimize access to emails and other sensitive information. After bringing in forensic accountants, it was determined there was no data stolen during the event.

The client was not only relieved that the impact was minimal and resulted in a total claim under \$60,000, but the organization also took the opportunity to train its staff to be better prepared in the future.

majority are simply not doing enough to mitigate cyber risks and the financial and reputational damage that comes with it.

According to the HUB survey, only 29% of respondents from nonprofit organizations have cyber insurance to protect their organization.

9. Praesidium, "[Praesidium SML Report 2024](#)," accessed September 5, 2024.

10. Praesidium, "[Insurance Carrier Benchmarking: Sexual Abuse and Molestation Liability](#)," April 2023.

# Navigating Your Next Steps

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 2025. Here are some initial considerations:

1

Develop a comprehensive risk plan.

A thorough [enterprise risk management \(ERM\)](#) process can help identify exposures and place your nonprofit in the best light in case of an incident. Work with a broker who understands how to strategically approach risk and identify gaps in the organization.

Personalized benefits can differentiate your organization from other nonprofits. Adopt a creative approach to benefits — such as funding them through a human capital endowment — to deliver more affordable benefits that give you an edge in recruiting and retaining talent.

2

Create a personalized benefits strategy.

3

Rely on your broker in a crisis.

An incident can be devastating to a nonprofit's reputation. Take advantage of your broker and insurer's expertise if an event occurs. They can assist with developing a thorough crisis response plan to minimize financial and public relations impact.

Consistent communication with your insurance broker will help identify and mitigate issues in advance of renewal and position your organization to get the right coverage at an affordable rate. 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.

4

Be transparent with your broker.

## Nonprofit Rate Guide — U.S.

HUB International's rate guidance comprises an analysis of proprietary national survey data and interviews with HUB commercial insurance brokers and risk services consultants who specialize in the Nonprofit industry.

On average, rates for middle- to upper-middle-market companies are experiencing rate increases for nearly all coverages as carriers need additional premium to support increased losses and expenses. Below are projections of rate increases that we anticipate in 2025. It's important to discuss your business' exposure with your insurance broker and understand what to expect well in advance of your next renewal.

Coverage	2025 Nonprofit Rate Guide	Insights
<b>Commercial Auto</b>	+5% to 15%	<p>Expect rates to rise due to increase in loss trends and more flexibility with loss-sensitive or deductible programs. Some carriers may offer more attractive terms in a multiline primary casualty program that includes workers' compensation.</p> <p>Carriers are scrutinizing exposures specific to coverage for hired and non-owned auto, especially for accounts with claims activity. Specific to social services, exposures for large passenger vehicles are requesting increased primary limits, and carriers are reluctant to provide. There is more underwriting attention on the number of passengers transported, not just the number of vehicles.</p>
<b>General Liability</b>	Flat to +10%	<p>General liability coverage in the nonprofit sector can extend beyond just premises operations. Specific to human services, the coverage also contemplates abuse and molestation and professional liability exposures, which continue to be challenging from an underwriting perspective. Underwriters are carefully scrutinizing which risks they quote and capacity offered. Expect to demonstrate appropriate protocols to manage abuse risks (i.e., screening, supervision and channels for feedback).</p> <p>For foster care and adoption services risks, the market has dried up, especially in California because of profitability concerns.</p> <p>Insureds must pay attention to reporting clauses for all casualty coverages.</p>
<b>Workers' Compensation</b>	-3% to +3%	<p>Workers' compensation remains highly profitable, but reinsurers anticipate trouble ahead due to rising claims severity. Increased workplace violence and worker classification (independent contract vs. employee) are possible factors in rate changes.</p>
<b>Umbrella &amp; Excess Liability</b>	+10% to 15%	<p>Capacity remains the biggest concern as most carriers have reduced limits offered. For programs requiring more than \$5M in coverage, it has become increasingly more difficult to build towers to secure adequate limits; abuse and molestation coverage is typically sublimited within the umbrella.</p>

# Nonprofit Rate Guide — U.S.

Coverage	2025 Nonprofit Rate Guide	Insights
<b>Commercial Property</b>	-10% to +5%	<p>Results reflect market recovery and depend heavily on account metrics (occupancy, business class, loss control, catastrophic exposure, claims history, etc.). Accounts that are being non-renewed by incumbents, particularly single-carrier placements, are still seeing less favorable results in the form of larger rate increases and/or increased deductibles or retentions.</p> <p>As construction costs continue to rise, insureds should continue reviewing property valuations each year.</p> <p>In addition to rate, deductibles for water damage are also increasing. Some policies are excluding coverage or increasing deductibles resulting from backup of sewer and drains.</p>
<b>International Package</b>	-5% to +10%	<p>For risks with international exposure, underwriting is based on account merit and prior loss exposure for foreign package, business travel accident, and kidnap and ransom. Expect territorial limits for international exposure to high-hazard locations.</p>
<b>Catastrophic Perils</b>	Flat to +5%	<p>While rates in certain geographies have stabilized, there are exceptions — especially for wind- and earthquake-exposed accounts that have seen drastic run-ups in rates and premiums during the hard market cycle. Carriers remain focused on valuations, driving increased costs for some insurance programs. While signs point to a softening market with specialty carriers, the standard is still working to achieve adequate rates on their book. More commonly are dollar (flat) deductibles transitioning to a percentage of coverage.</p> <p>Severe convective storms and wildfires remain significant concerns for underwriters, with a major focus on the Atlantic wind season that concludes in November. Flood limits are now typically capped at \$5M.</p>
<b>Management Liability</b>	-10% to +5%	<p>Employment Practices Liability claims remain the most frequent source of litigation 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 benefit plan sponsors.</p> <p>Employee dishonesty claims lead the way within the crime segment, with computer fraud, funds transfer fraud and fraudulent impersonation (phishing) claims following close behind as state-of-the-art technology evolves.</p>
<b>Cyber</b>	-10% to Flat	<p>While renewal premiums continue to fall, underwriters remain selective in the nonprofit sector and require more controls.</p> <p>Breaches and outages of significant service providers (i.e., Change Healthcare and CrowdStrike) haven't led to rate hikes yet but may point to harder market conditions in the first half of 2025.</p>

# Nonprofit Businesses – U.S.

## 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., politically tinged nonprofits may be challenged 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, habitational, adoption or foster care elements can be difficult to place. Risks with abuse and molestation exposure will have limited options, especially beyond primary coverage.

Increased underwriting scrutiny is expected for habitational risks involving immigration or migrant housing resulting from lack of controls and ability to screen those needing support.

### Religious Organizations

Abuse and molestation continue to be a leading concern for religious organizations. Buildings with unique or historical architectural features can present property valuation challenges, demanding 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 while providing an insurance company with a profit for a unit of exposure. *Exposure* refers to a business' or individual's susceptibility to various risks encountered daily. Carriers evaluate the level of risk an insured faces in calculating insurance premiums.

# HUB Nonprofit

When you partner with us, you're at the center of a vast network of experts who will help you reach your goals. For more information on how to manage your insurance costs, reduce your risk and take care of your employees, talk to a HUB nonprofit insurance specialist.

**\$550M**

in commercial insurance premium brokered by HUB

**50,500**

insurance policies managed

**20,000**

nonprofit clients

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