

Outlook 2026

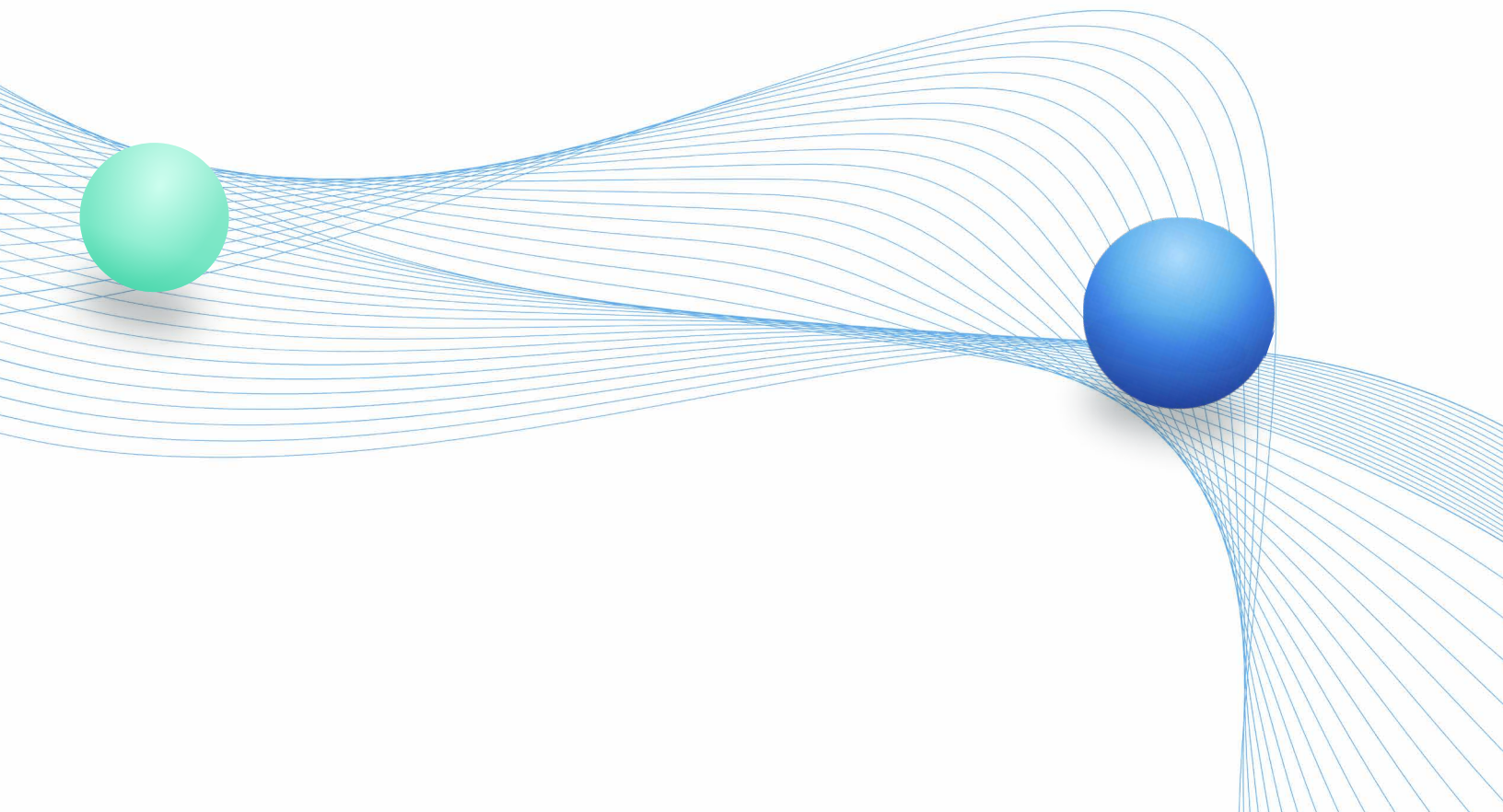
# Nonprofit

Nonprofits that embrace innovation, diversify funding and improve resilience will be best positioned to serve with strength.



# What to Expect in 2026

Nonprofits will face unprecedented pressures as government funding priorities shift. As they reposition their organizations to do more with less, agile nonprofits will diversify revenue streams, embrace technology and form strategic partnerships to ensure long-term success. Staying vigilant about emerging risk exposures will become even more critical in 2026.



## Economic Viability

# Financial diversification key to easing funding pressures.

Nonprofits enter 2026 navigating considerable financial challenges as the new tax law signed in July 2025 threatens to cut off government funding to nonprofits,<sup>1</sup> and economic uncertainty continues to affect private funding and individual donations. The law requires individuals to contribute over 0.5% of taxable income and corporations at least 1% of taxable income in charitable donations before they are eligible for tax benefits. However, the reinstated \$2,000 universal deduction for non-itemizers might help offset some losses from smaller donors.<sup>2</sup>

Reduced funding from public and private donors is already impacting the sector: From January 20 to June 30, 2025, nonprofits shed nearly 23,000 full-time jobs.<sup>3</sup> Cash raised in 2024 grew just 3.5%, barely outpacing the rate of inflation of 2.9%, while economic pressures continued to increase demand for services, especially those related to food security, mental health and housing.<sup>4</sup>

Forward-looking organizations are getting creative. Revenue diversification has become more important than ever, with many nonprofits expanding beyond traditional funding sources to pursue corporate partnerships, foundation grants, membership models and fee-for-service arrangements. These initiatives have proven beneficial, with 56% of nonprofits meeting or exceeding their goals using the fee-for-service funding model, where organizations derive a significant amount of their revenue from membership fees.<sup>5</sup>

In addition, nonprofits will focus on implementing operational strategies that reduce risk, such as shifting certain workloads to well-trained volunteers while maintaining professional oversight for sensitive functions. In addition, strategic partnerships and mergers can create stronger organizations that eliminate operational redundancy yet preserve service levels. Technology will be a driver of efficiency:

About 58% of nonprofits already use AI in their digital communications, compared to the 47% adoption rate of other industries.<sup>6</sup>

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However, making operational changes requires careful management. [Policies to ensure proper screening and training of volunteers](#) and cyber preparedness that enables safe digital innovation are critical. An insurance plan developed with a broker with deep expertise in the nonprofit sector can optimize financial protection and reduce the risk of reputational damage that could occur and damage an organization's economic viability.

Properly executed, these strategies can turn a nonprofit from survival mode into a model for future growth.

1. NonprofitQuarterly.org, "[Trump Budget Bill Spells Trouble for Nonprofits](#)," July 1, 2025.
2. BDO USA, "[New Tax Law Will Have Significant Impact on Tax-Exempt Organizations](#)," July 23, 2025.
3. The Chronicle of Philanthropy, "[What We Know—and Don't Know—About the Nonprofit Layoff Crisis](#)," April 10, 2025.
4. The Chronicle of Philanthropy, "[Donors Down, Dollars Flat: Trends in 2024 Set Stage for 2025](#)," April 28, 2025.
5. The Center for Effective Philanthropy, "[State of Nonprofits 2025: What Funders Need to Know](#)," accessed August 4, 2025.
6. Twilio, "[2024 State of Nonprofit Digital Engagement Report](#)," accessed August 19, 2025.

# Tackling labor shortages will require focus on retention and wellbeing.

The core of any successful organization is its employees. But nonprofits are facing serious labor challenges, with 65% of organizations saying staffing shortages are affecting their ability to operate.<sup>7</sup> This will only intensify as funding cuts collide with increased demand for nonprofit services.

*The aging nonprofit workforce further complicates labor issues, as more than half of nonprofit employees are over age 45<sup>9</sup> and most board members are over the age of 50.<sup>10</sup>*

Financial pressures compound traditional recruiting and retention hurdles like low wages and high burnout. Seventy-two percent of nonprofits identify compensation and 66% cite budget constraints as the most critical factors in employee retention.<sup>8</sup>

The combination of mission-driven work and strained resources creates a perfect storm for employee burnout, [making robust mental health support a most valuable benefit](#) for nonprofits to offer.

The aging nonprofit workforce further complicates labor issues, as more than half of nonprofit employees are over age 45<sup>9</sup> and most board members are over the age of 50.<sup>10</sup> This demographic reality creates an urgent need for succession planning and knowledge transfer while recruiting younger leaders who come with a different set of compensation and benefits expectations.

To compete effectively, organizations must reimagine benefits as strategic retention tools rather than cost centers. Personalized benefits packages based on employee demographics can attract and retain highly skilled workers. [In HUB's 2025 Workforce Vitality Gap](#)

[Index](#), 73% of employees agreed that a comprehensive and personalized benefits program would increase the likelihood they would stay with their current employer.

[HUB Workforce Persona Analysis](#) can help organizations develop the right benefits options to maximize recruiting, retention and productivity in a competitive labor market.

7. Forvis Mazars, "[2025 Annual Report State of the Nonprofit Sector: Rising to the Moment in Evolving Times](#)," February 7, 2025.
8. Urban Institute, "[Nonprofit Leaders' Top Concerns Entering 2025: An Analysis from the Nonprofit Trends and Impacts Study](#)," accessed August 4, 2025.
9. Social Impact Architects, "[2025 Nonprofit Trends: Uniting Generations in the Workplace](#)," January 29, 2025.
10. Stanford Law School, "[Recruiting Young People to Nonprofit Boards](#)," January 10, 2022.

## Nonprofits have several options to improve benefits and lower costs:

- Pooling with other nonprofits for better health insurance rates through a [captive](#).
- Self-funding low-risk benefits like dental and vision coverage.
- Offering flexible work arrangements and professional development opportunities.
- Consider the dual-value of strategic partnerships with an insurance partner like [VIU by HUB](#) and offer employees access to competitive personal insurance programs and generate much-needed income to offset operating costs.
- Creating volunteer recognition programs to boost engagement and enhance employee culture.

## Resiliency

# As operating models evolve, adaptive ERM will be vital in 2026.

Nonprofits are feeling the squeeze with their insurance as they absorb higher deductibles and lower policy limits across areas such as auto liability, excess and umbrella and cyber insurance. Meanwhile, organizations face growing threats that make it imperative they have strong risk management and insurance programs.

Cybersecurity is one such growing threat. Nonprofits' increased reliance on technology — including operations with donor data and digital fundraising — makes them prime targets for cyberattacks, which are becoming [more sophisticated and expensive](#). In 2024, 67.4% of all phishing attacks utilized artificial intelligence.<sup>11</sup> The average cost of a data breach reached \$2 million.<sup>12</sup> Nonprofits experienced a 50% increase in credential phishing attacks, where cybercriminals gain access to internal communications, donor databases and financial records.<sup>13</sup> Most organizations are taking notice, with 60% indicating they are concerned about technology and cybersecurity risks, a 16% increase over 2025, according to the HUB International 2026 Profitability & Resiliency Executive Survey.<sup>14</sup>

The good news is cyber coverage has become noticeably more affordable in recent years, with current rates flat to up slightly at the end of 2025. Nonprofits should work with their broker to either enhance their current cyber coverage or secure better rates, rather than simply renewing as-is. A broker with deep carrier relationships can help you find better value and stronger terms, taking full advantage of market capacity and competitive pricing rather than settling for the status quo.

Insurance carriers are also wary of nonprofit sexual abuse exposure after a number of high-profile abuse cases and large settlements. Rates are rising for nonprofit

umbrella and excess liability coverage 5% to 15%, with even greater increases for organizations with significant abuse and auto exposures. Many organizations have received nonrenewal notices, reductions in coverage limits and increased policy exclusions as insurers seek to limit the risk of sexual abuse claims.<sup>15</sup> Standalone sexual misconduct liability insurance rates are rising as much as 20%.

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*The average cost of a data breach reached **\$2 million** in 2024.<sup>12</sup>*

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Because market dynamics have forced nonprofits to absorb more risk through higher deductibles and self-insured retentions and by carriers reducing the limits they will offer, it is incumbent on nonprofits to meticulously manage risk.

Organizations must take comprehensive risk management steps, including enhanced background screenings and training of staff and volunteers to secure coverage and safeguard their organizations. Insurers are also demanding strong cybersecurity measures before even considering a nonprofit for cyber insurance.

These measures are not just necessary business practices — they also help organizations avoid reputational damage, preserve donor trust, sustain funding and attract talent. Nonprofits must safeguard their reputation through transparency, accountability and crisis communication planning well before problems arise.

# Resiliency

Ultimately, risk management starts at the top and is the responsibility of everyone within the organization, including volunteers. Effective [enterprise risk management \(ERM\)](#) requires board-level engagement to set organizational priorities and provide resources for risk mitigation. This approach ensures risk management becomes embedded in organizational culture rather than being an afterthought. Organizations practicing comprehensive ERM are better positioned to identify emerging risks early and [develop appropriate response strategies](#).

An experienced, proactive broker can provide comprehensive risk advisory services — from developing staff training programs to conducting insurance gap analyses that identify vulnerabilities. The right partner seeks to avoid the risk for the organization rather than just transfer it, offering an important perspective on exposures that may not have been previously recognized or considered.

Organizations that invest in comprehensive risk management today will be better positioned to navigate uncertainty and service their communities effectively in 2026 and beyond.

11. CyberAngel, "[External Threat Intelligence Report](#)," accessed August 4, 2025.
12. BDO USA, "[The Crucial Role of Cybersecurity for Nonprofit Organizations in 2024](#)," February 19, 2025.
13. Abnormal.ai, "[Mission Interrupted: Nonprofits Face a Rising Wave of Email Attacks](#)," March 5, 2025.
14. The HUB International 2026 Profitability & Resiliency Executive Survey polled 350 industry leaders and executives across North America on the issues facing them on profitability and resilience.
15. Insurance Business Magazine, "[Hiring Practices in Spotlight for Nonprofits as Abuse and Molestation Claims Rise](#)," January 22, 2025.

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## Case Study

When a reputational crisis left Operation Underground Railroad (OUR) without insurance coverage, [HUB stepped in to rebuild trust and stability](#). By assessing risks, strengthening governance and implementing new safety and crisis management protocols, HUB helped OUR transform into a risk-aware organization with improved protections for staff and clients. Within a year, the organization — now operating as OUR Rescue — secured comprehensive insurance, regained donor confidence and established a strong foundation for sustainable global growth.

# Moving Your Organization Forward

HUB's specialized nonprofit team is ready to help you adapt and thrive through a tailored strategy that will protect the bottom line, support your workforce and build resiliency for 2026. Here are key areas to prioritize:

## **Advance your risk maturity.**

**1**

A thorough [ERM](#) process can help identify, prioritize and remediate exposures to avoid losses and place your nonprofit in the best light if an unfortunate incident occurs. Work with a broker who can evaluate your risks holistically — including those beyond reach of commercial insurance — and find a strategic solution.

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## **Create a personalized benefits strategy.**

**2**

Personalized benefits can differentiate your organization from other nonprofits. By taking a creative approach to benefits and working with a nonprofit benefits specialist, your organization can deliver more affordable benefits that give you an edge in recruiting and retaining talent.

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## **Rely on your broker in a crisis.**

**3**

Damage to a nonprofit's reputation can cause irreparable harm. Take advantage of your broker and insurer's expertise in responding if an event occurs. They can assist with developing a thorough crisis response plan to minimize financial and public relations impact.

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## **Be transparent with your broker.**

**4**

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.

# 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, liability coverages are seeing the largest rate increases as carriers need additional premiums to support increased losses and expenses. Below are projections of rate increases that we anticipate in 2026. It’s important to discuss your exposure with your insurance advisor and understand what to expect well in advance of your next renewal.

Coverage	2026 Nonprofit Rate Guide	Insights
<b>Commercial Auto</b>	+5% to +10%	<p>Insurers are increasingly focused on geographic exposure, particularly in jurisdictions known for elevated litigation risk. Buyers with vehicle concentrations in these regions are likely to face higher rates and reduced insurance capacity.</p> <p>Average loss severity in auto continues to deteriorate, with claims values increasing across all size thresholds. This trend is driven by:</p> <ul style="list-style-type: none"> <li>○ Higher rates of litigation</li> <li>○ Escalating legal defense and settlement costs</li> <li>○ Increasing nuclear verdicts</li> </ul> <p>Insurers are applying increased scrutiny to contingent auto exposures, particularly when third-party distributors are involved. Hired and non-owned auto risks — including short-term vehicle rentals and the use of personal vehicles for business purposes — can be challenging placements for insureds with large numbers of volunteer drivers.</p>
<b>General Liability</b>	Flat to +10%	<p>Nonprofit buyers are facing growing cost pressures and reduced GL capacity, particularly for coverages addressing violence and abuse exposures. Coverage elements once embedded within a standard GL policy are now often restricted or excluded entirely. Assault, battery and sexual misconduct liability (SML) are among the most frequently excluded coverages and often require separate specialty placements.</p>
<b>Workers' Compensation</b>	-5% to +5%	<p>After several consecutive years of rate declines, many insurers are beginning to push back, seeking modest rate increases — typically in the 1% to 2% range — on renewals.</p> <p>While industry-wide claims frequency continues to decline, severity is increasing, driven in part by an aging workforce with more complex, co-morbid health conditions.</p> <p>There is increasing scrutiny of “dual remedy” protections, particularly with workplace violence. Emerging case law could present new challenges for employers and carriers alike.</p>
<b>Umbrella and Excess Liability</b>	+5% to +30%	<p>Rate pressure is expected to continue, driven primarily by claims severity for auto and abuse.</p> <p>Insurers remain highly cautious and aggressive in their “limits management” strategies, where they offer smaller limits per layer. Insureds are then required to stack multiple excess policies, which significantly increases the total program cost. There is less capacity for lead layers, and the rate range will vary based on position in the tower.</p> <p>Accounts with habitational exposures are facing heightened underwriting scrutiny.</p>

# Nonprofit Rate Guide — U.S.

Coverage	2026 Nonprofit Rate Guide	Insights
<b>Commercial Property</b>	-5% to -15%	<p>The property market continues to exhibit signs of softening amid insurer competition and favorable reinsurance treaty renewals. Rate outliers exist depending on factors such as occupancy type, geographic location, loss experience and the integrity of buyer risk control initiatives.</p> <p>Record-setting natural catastrophes marked the first quarter of 2025, largely driven by California wildfires and severe convective storms, but improved weather moderated losses in the second quarter. If the 2025 named wind season concludes with only moderate damage, property rates are expected to ease in 2026, particularly for non-CAT and well-engineered risks.</p>
<b>International Package</b>	-5% to +10%	<p>For risks with international exposure, underwriting is based on geography, nature and scope of travel, preparedness for contingencies, prior loss exposure for foreign package, business travel accident, and kidnap and ransom. Expect territorial exclusions for high-hazard locations.</p>
<b>Catastrophic Perils</b>	-5% to -20%	<p>Rates are expected to continue falling, particularly for insureds that experienced the most significant rate increases during the prolonged hard market. While underwriters remain cautious with secondary perils, overall capacity is still adequate. However, wildfire coverage continues to present challenges, as many insurers are excluding entire counties based on elevated wildfire risk scores, making capacity for this peril increasingly scarce.</p>
<b>Management Liability</b>	-20% to +5%	<p>Organizations are facing a growing number of challenges stemming from the broader sociopolitical environment.</p> <p>Amid a prolonged soft market — with several carriers either reducing capacity or exiting the market altogether — premium decreases will eventually plateau. Loss-free clients without exposure changes can expect flat renewals.</p> <p>Artificial intelligence-related exposures are attracting increased scrutiny, with growing concerns about how AI is impacting work, employment and risk governance. Employment practices liability coverage is becoming more expensive due to economic inflation and nuclear verdicts.</p>
<b>Cyber</b>	Flat to +5%	<p>Claims frequency for ransomware and social engineering attacks remained elevated in 2025. Dependent business interruption is also a growing focus area, especially following large-scale third-party outages.</p> <p>The use of AI by cybercriminals is enabling more credible phishing attacks. The cyber market is more disciplined and better capitalized than it was at the height of the ransomware surge five years ago. Barring a large systematic event, expect small rate increases in 2026.</p>

# Nonprofit Businesses — U.S.

Business	Insights
<b>Arts and Culture</b>	Arts and culture remain an attractive class for many insurers. Aside from public liability challenges, businesses that heavily rely on admission, rental and concession revenues should prioritize operational resilience as a critical part of their risk management strategy.
<b>Associations and Public Advocacy</b>	Amid increasing political polarization in the U.S., nonprofits engaged in politically sensitive or social advocacy work may face heightened challenges. Carriers are increasingly cautious about insuring organizations that could be targets of litigation or violent acts.
<b>Human Services</b>	While there is a strong insurer appetite for the sector overall, programs involving frequent transportation, habitational or child welfare services — especially adoption or foster care — may be challenging to place. Risks with abuse and molestation exposure face limited options. Robust abuse prevention and risk management protocols remain mission-critical. As insurance capacity continues to contract, organizations are increasingly required to retain more risk, heightening the importance of rigorous internal controls across recruitment, screening, training, supervision and feedback mechanisms.
<b>Religious Organizations</b>	Abuse and molestation exposures continue to be a top concern for religious organizations. Properties with distinctive or historical architectural features also present complex valuation challenges, often necessitating specialized appraisal expertise. In addition, growing political polarization in the U.S. has heightened the potential for hate crimes, increasing both human and property risk for many institutions.

**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 daily risks. 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.

**\$610.5M**

in commercial insurance premium brokered by HUB

**19,000**

insurance policies managed

**51,000**

nonprofit clients

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