PRAESIDIUM

2024

Praesidium Insurance Carrier Benchmarking: *Sexual Abuse & Molestation Liability*

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PRAESIDIUM

Table of Contents

INTRODUCTION
AND OVERVIEW

In fall 2022, Praesidium launched its inaugural benchmarking survey to gather data directly from insurance carriers on sexual abuse and molestation liability (SML) coverage. The survey was designed to benchmark underwriting expectations, trend projections, and loss control measures. Responses to this survey were completely voluntary and anonymous, and Praesidium received 13 unique responses from carriers Praesidium received valuable feedback from organizations, brokers, and carriers alike about the usefulness of this survey report that helped shape our plans as we continue to track this important data over time.

In the fall of 2024, Praesidium launched its second survey to see what's changed, and what hasn't. As with the 2022 survey, responses were voluntary and anonymous. In 2024, Praesidium received responses from 17 unique carriers, a **21%** increase in responses over 2022.

Additionally, in 2024, Praesidium expanded its benchmarking efforts by introducing surveys for consumer serving organizations. This initiative gathered comprehensive data and provided valuable insights into trends that affected organizations serving vulnerable populations.

As the insurance and reinsurance markets have continued to harden in many sectors, carriers are adapting by using creative and sophisticated approaches to underwrite the risk of sexual abuse and support insured organizations to consistently maintain safe practices, while also demonstrating a more limited appetite for the amount and types of risk they are willing underwrite. Praesidium was interested to learn more about how carriers are responding to these challenges and how they ensure organizations are implementing best practices to prevent abuse incidents.

The survey results have been summarized in this report to provide a detailed look into the current landscape of SML coverage, what's changed since 2022, and what carriers anticipate as they look ahead.

SURVEY
DEMOGRAPHICS

2024 Scope of Survey Respondents

Praesidium asked the anonymous survey respondents to tell us where they provide SML coverage and in what industries or sectors.

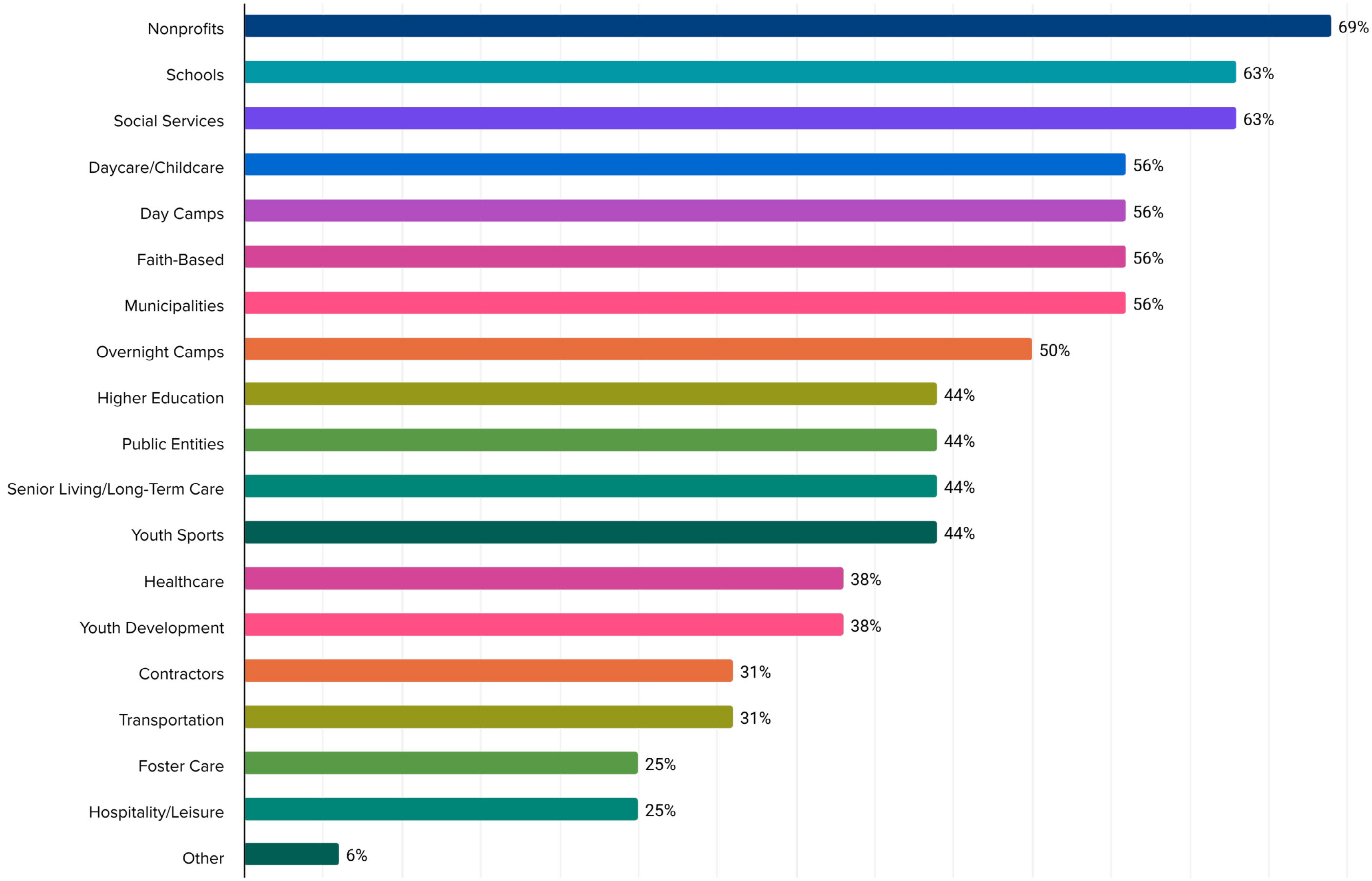
In our second Insurance Benchmarking Survey, Praesidium tracked responses from carriers who offer sexual abuse and molestation liability coverage in various sectors globally.

"In what industries or sectors do you currently write SML Coverage?"

The increased response rate for the most recent survey further diversified the pool of respondents and the sectors in which they write SML coverage.

Notably, **38% of respondent carriers in 2024 write SML coverage in the Healthcare space** compared to only **14%** in **2022**, and **63% write in Schools**, compared to only **50%** in **2022**.

DEMOGRAPHICS
INDUSTRY COVERAGE



SML COVERAGE
CHARACTERISTICS

Survey results reveal key insights into the types of SML policies carriers provide and their current limits of liability, highlighting the current state of industry standards and practices.

CHARACTERISTICS

SML POLICY TYPE

Praesidium asked carriers to tell us about the SML coverage they provide. **100%** of surveyed carriers offer sexual abuse and molestation liability coverage, but the policy specifics vary across carriers.

88% of carriers offer SML coverage with in the **Primary** policy limits

41% of carriers offer a **Standalone** SML product compared to 33% in 2022

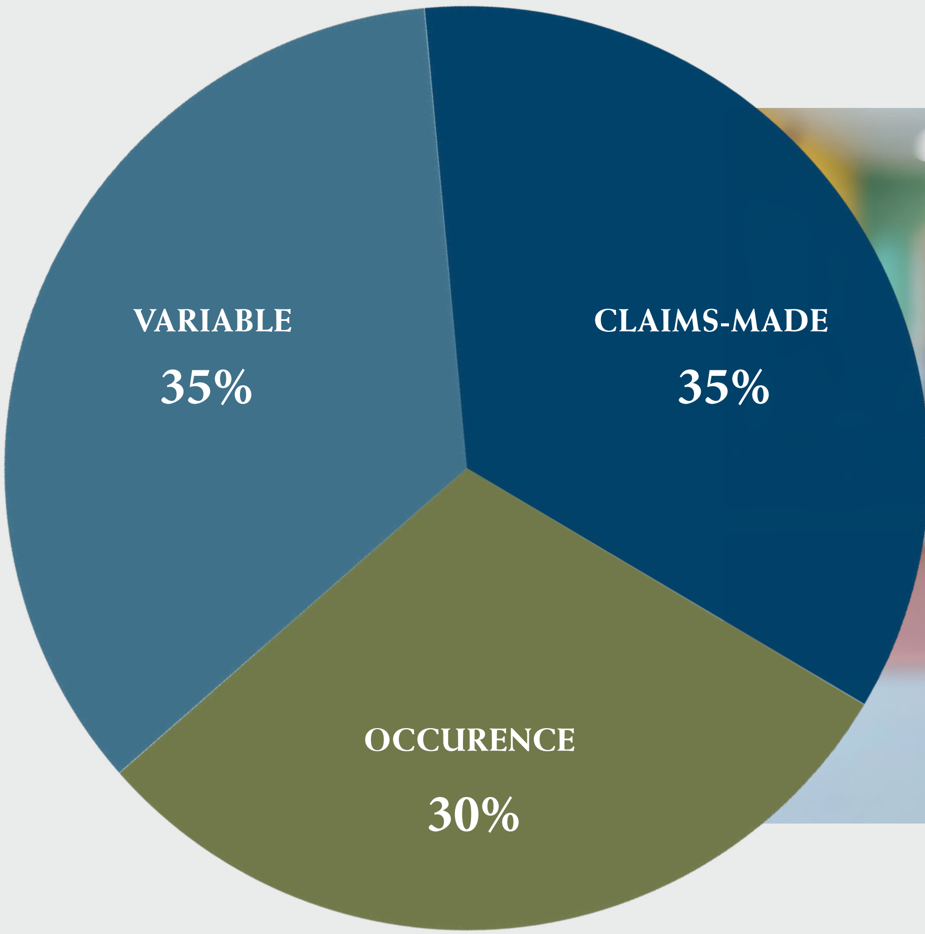
35% of carriers offer SML Coverage as part of their **Commercial General Liability** Policies

13% of carriers offer SML Coverage up into **Excess** policy limits

CHARACTERISTICS

CLAIMS-MADE VS. OCCURRENCE-BASED POLICIES

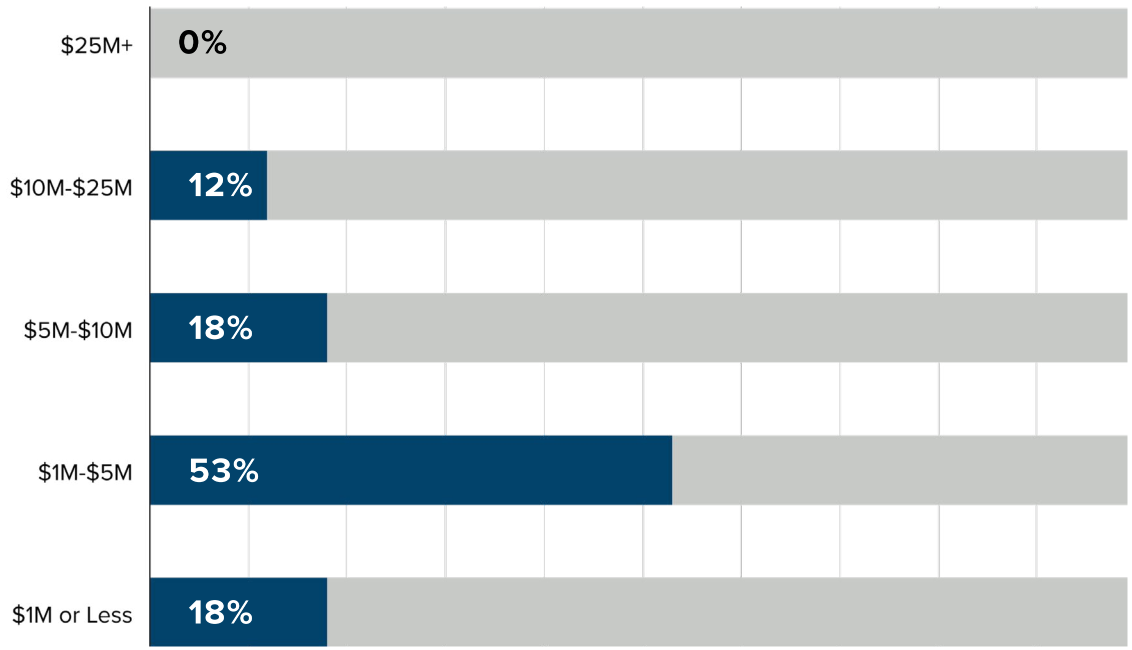
Praesidium asked carriers to tell us about the SML coverage they currently provide. In 2024, carriers wrote more claims-made policies than occurrence-based policies, compared to 2022 when only **15%** of respondents offered claims-made policies.



CHARACTERISTICS

CURRENT LIMITS OF LIABILITY

We asked respondents: "*What are your current limits of liability for SML?*" **71%** of responding carriers offer $5 Million or less in limits for SML coverage, and only **12%** offer $10 Million or more.



Defense Costs

We also asked carriers whether defense costs are within their SML limits? In 2022, **33%** of carriers responded "Yes, All Policies", and **50%** responded "Yes, Some Policies."

In 2024, more carriers are including defense costs within their SML limits.

50% of carriers include them for all policies, and **31%** for some.

EXPECTATIONS
FOR UNDERWRITING

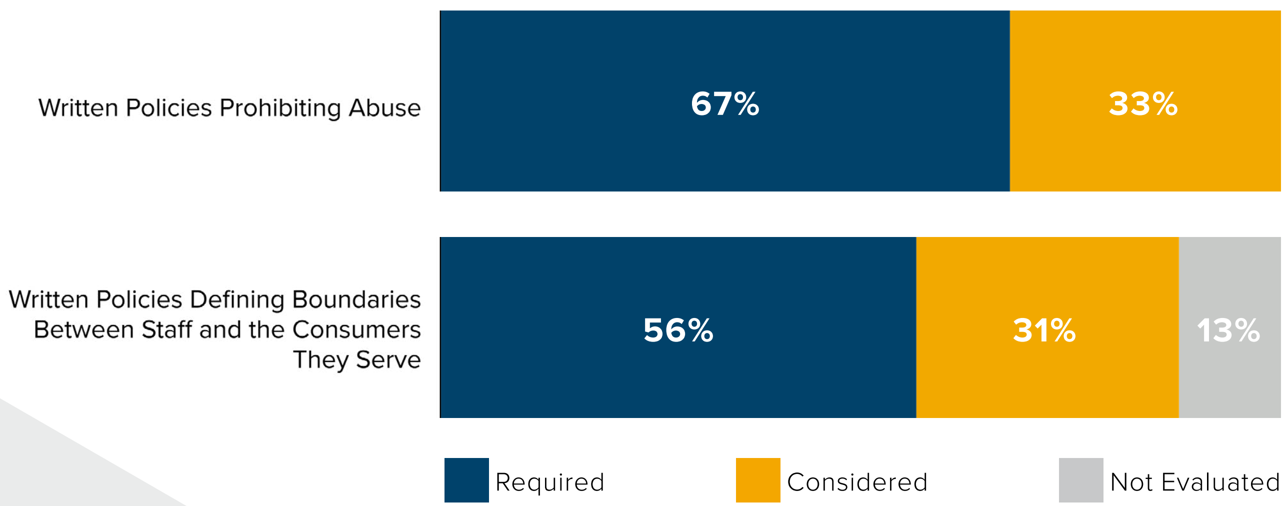
Carriers are continuing to strengthen their underwriting guidelines, expecting more of their prospective insureds across most controls. And they expect this trend to continue.

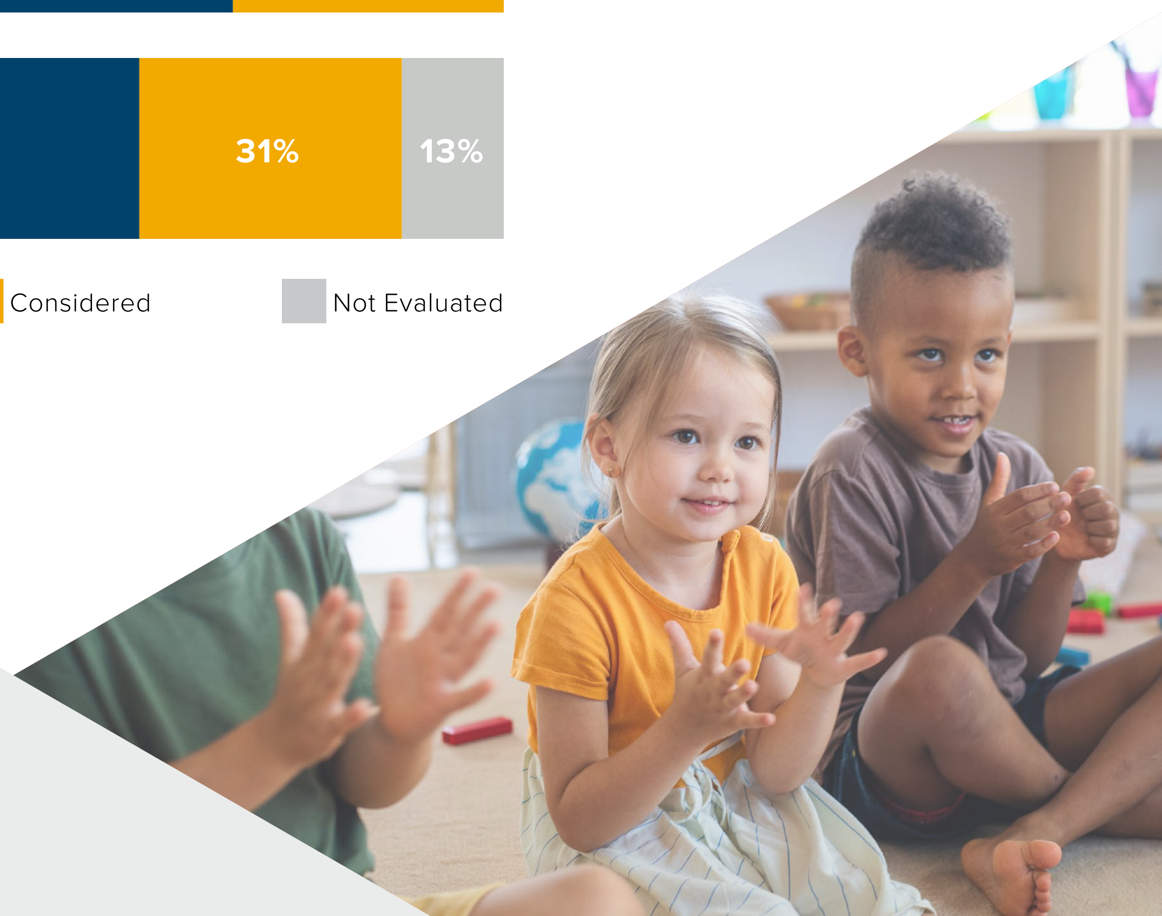
In 2024, **94%** of responding carriers (compared to **82%** in 2022) report they have defined underwriting requirements addressing the abuse prevention risk control practices that insureds must have in place in order to obtain SML coverage. The following pages show some of what they are looking for.

EXPECTATIONS

POLICIES

94% of respondents require abuse prevention policies.





EXPECTATIONS
SCREENING

88% of respondents require certain screening protocols.

	Required	Considered	Not Evaluated
Background Checks for Employees	94%	6%	
Background Checks for Volunteers	75%	25%	
Reference Checks for Employees	56%	33%	6%

Background Checks for Employees: **Up** from 78% required in 2022

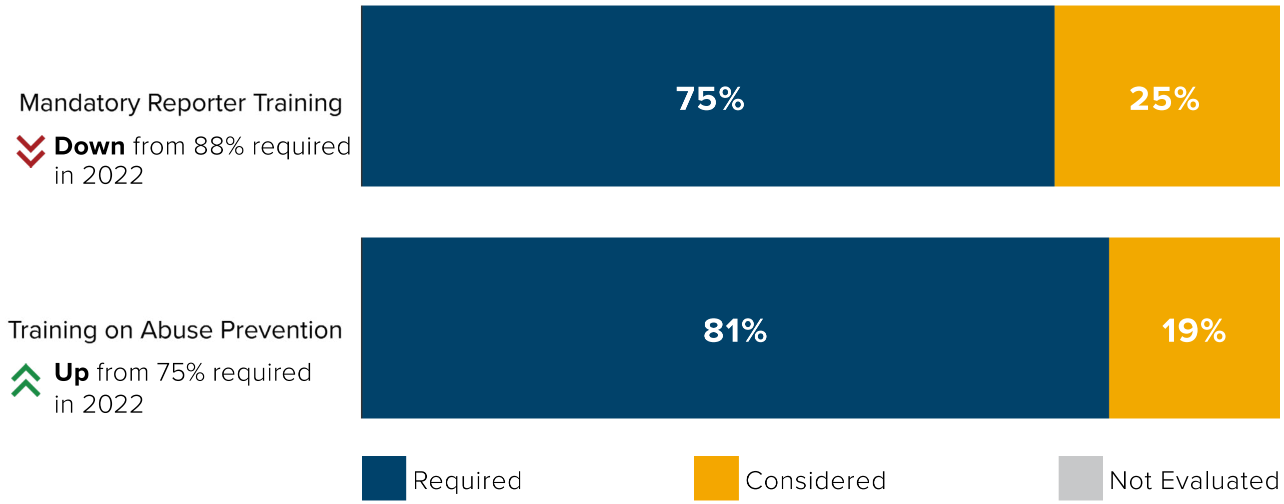
Average Payout

Praesidium's incident analysis found that the average payout for negligent hiring cases was **$40.8 million**.

EXPECTATIONS

TRAINING

94% of respondents have requirements addressing how an organization trains its employees in abuse prevention.



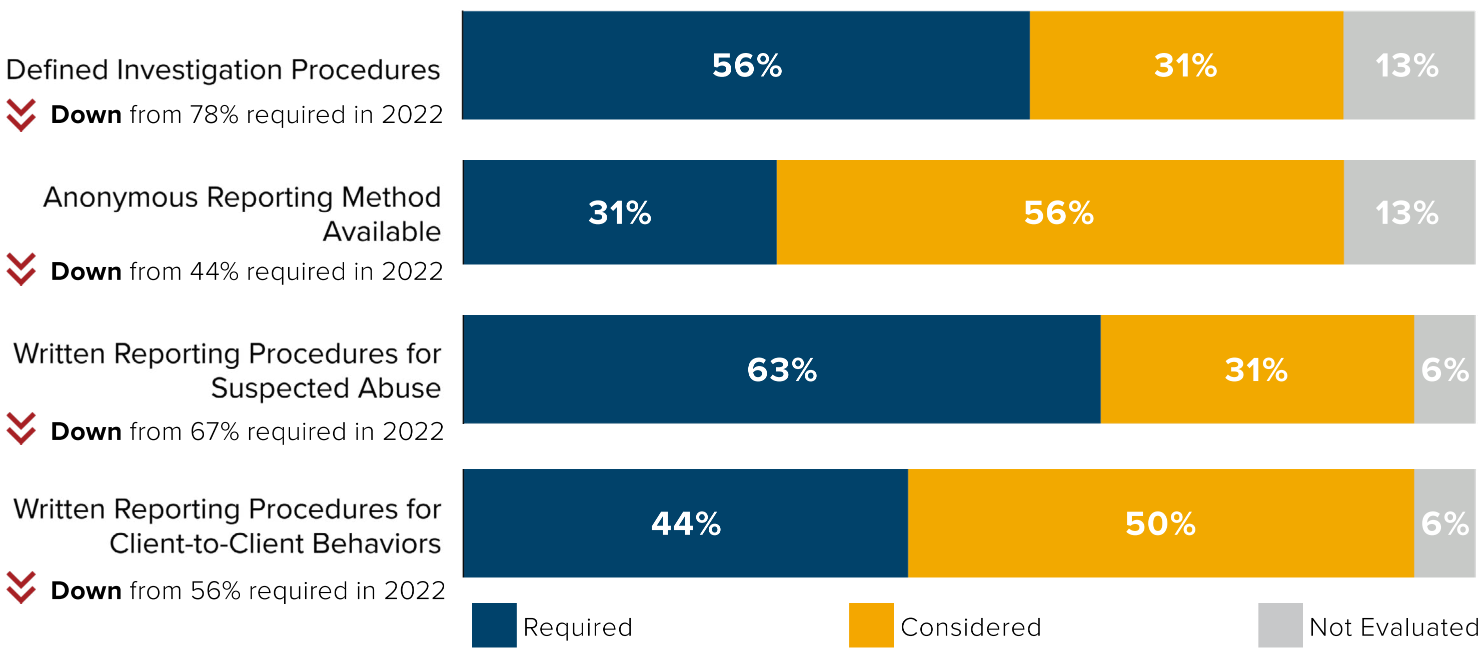
Average Payout

Praesidium's incident analysis found that the average payout for negligent training cases was **$23.2 million.**

EXPECTATIONS

RESPONDING

81% of respondents have defined requirements addressing how an organization responds to incidents and allegations.



Responding to Allegations

Although the changes were relatively small (between **4-13** percentage points), respondents in 2024 are less likely to require specific responding mechanisms compared to the respondents in 2022.

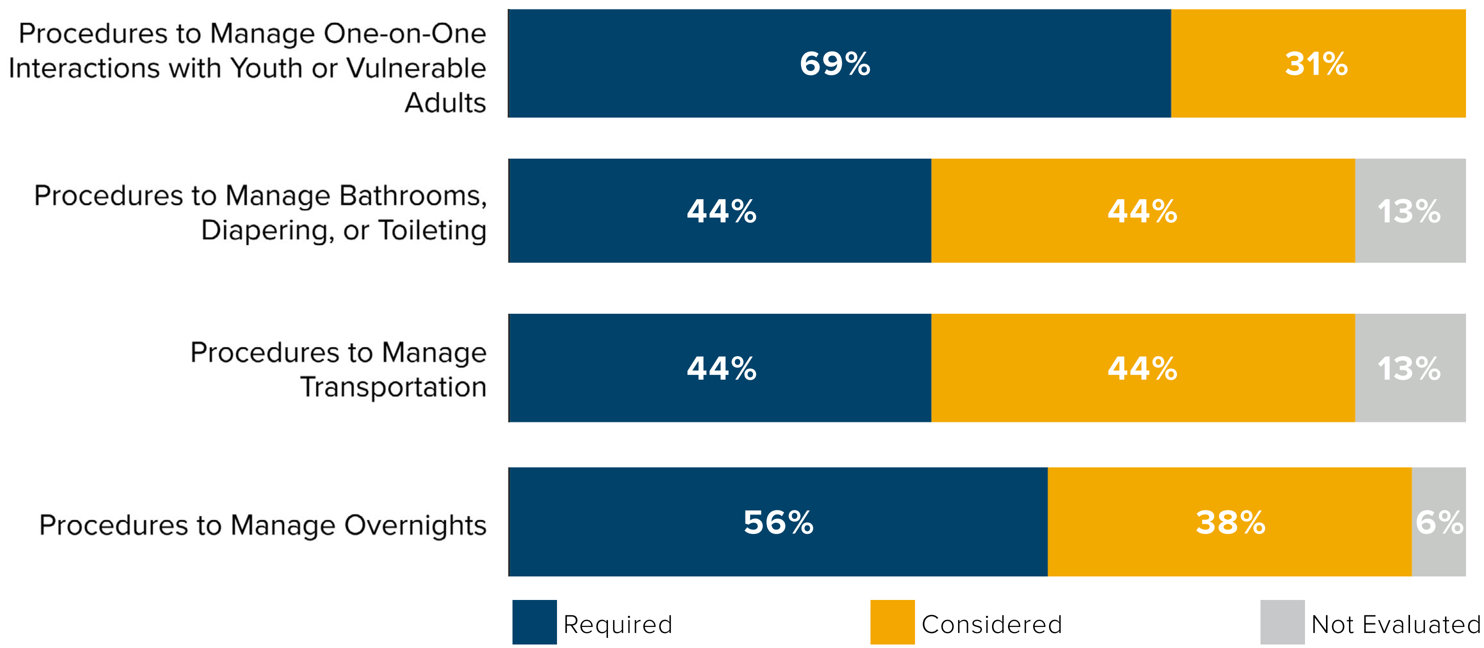
EXPECTATIONS

MONITORING & SUPERVISION

Among the 2024 respondents, the biggest shift towards higher standards in terms of specific abuse prevention policies and practices was in the area of **Monitoring & Supervision**.

In 2024, **88%** of respondents reported their underwriters have defined requirements addressing how an organization monitors and supervises high-risk situations in order to obtain SML coverage as compared to **67%** in 2022.

What are those 88% looking for from insureds? One, some, or all of the following:



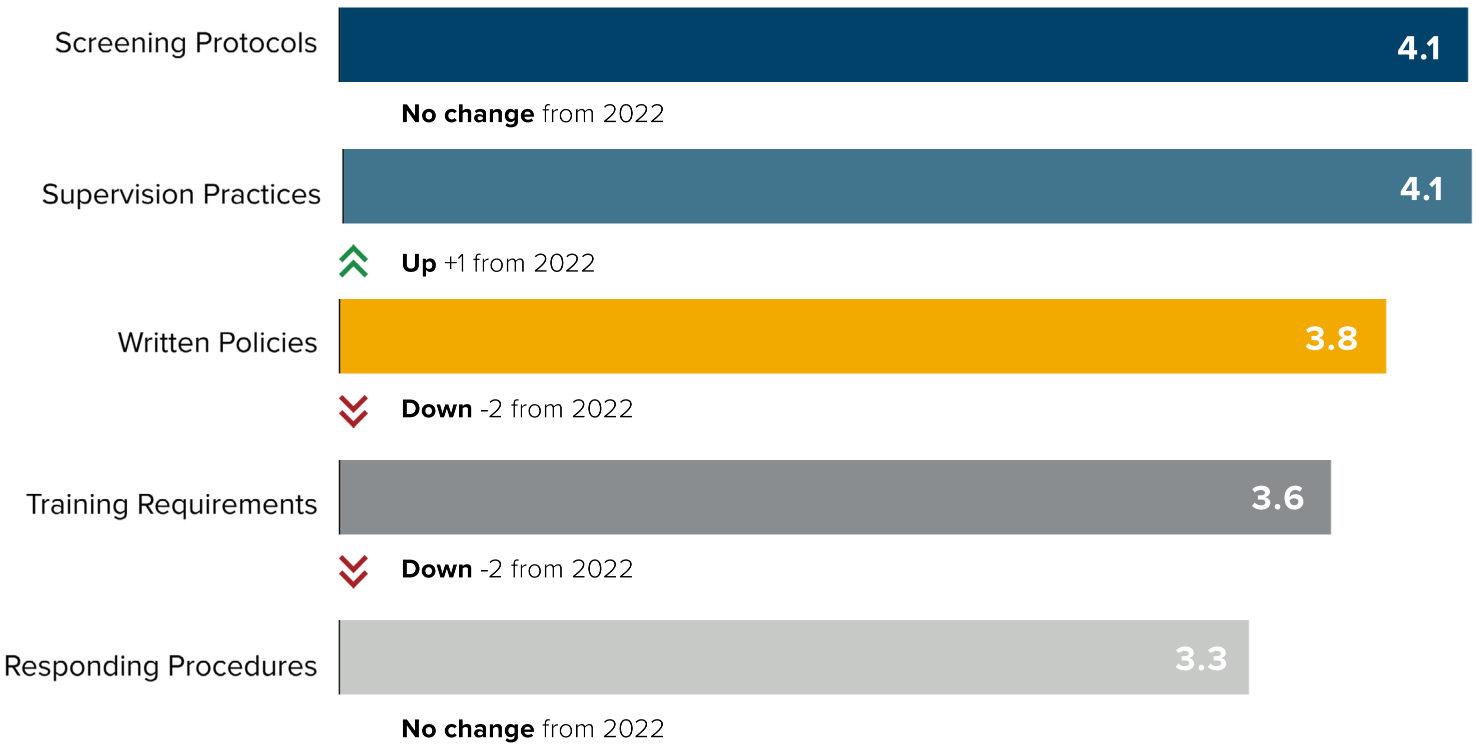
Average Payout

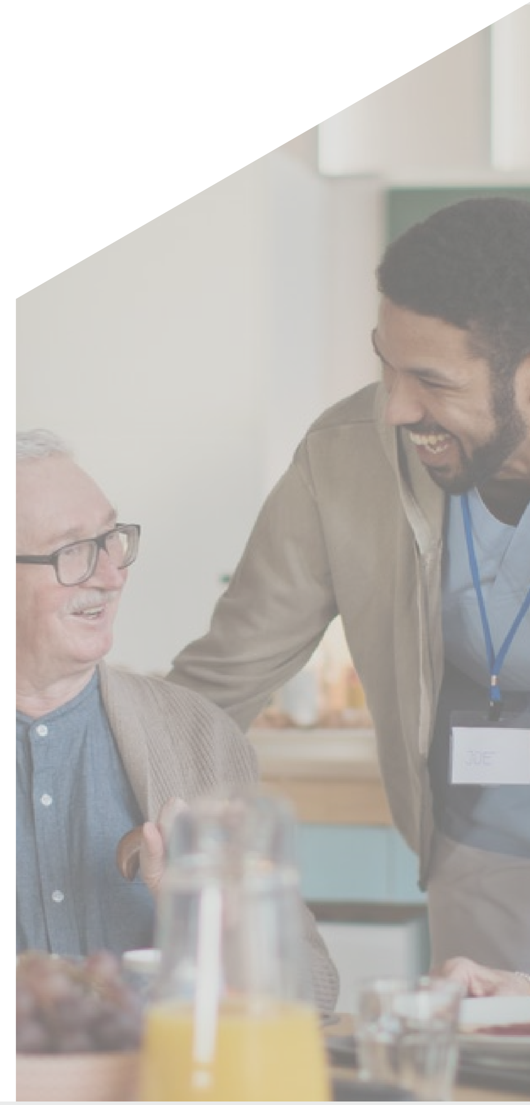
Praesidium's incident analysis found that the average payout for negligent supervision cases was **$54 million.**

EXPECTATIONS

RANKED BY IMPORTANCE

In both 2022 and 2024, Praesidium asked carriers to rank the relative importance of the five major abuse prevention risk control policy and practice areas (Policies, Screening, Training, Responding, and Monitoring & Supervision). Carriers ranked these practices 1 through 5, with 1 as the least important and 5 as the most important. Using a weighted average of responses, here is how carriers ranked these practices:





Looking Forward, Policies are not Enough

Industry standards have moved beyond policies alone as sufficient for safeguarding consumers, and insurance carriers agree. Having a policy in place is not enough. Organizations need to be taking proactive measures and a adopt a holistic approach to abuse prevention.

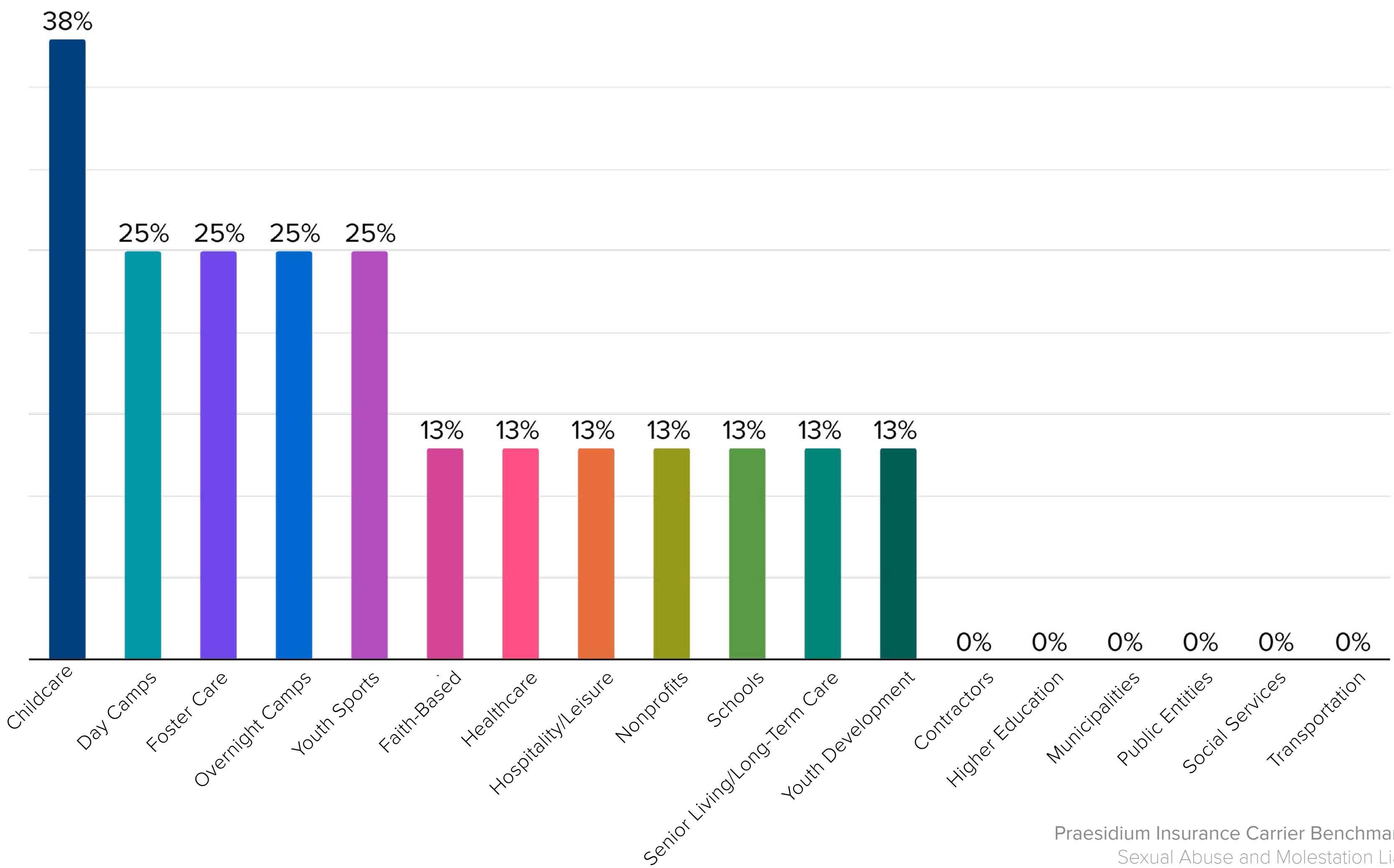
SML TRENDS

OVER THE NEXT THREE YEARS

SML TRENDS

INDUSTRY COVERAGE

We asked carriers whether they **expect their company to decline to write SML coverage, at any level**, for any of the following industries in the next three years. Only **38%** of respondents forecasted no change in industries they would write coverage for. According to the survey results, many industries face the risk of losing coverage options, and no consumer-serving sector is exempt from this trend.



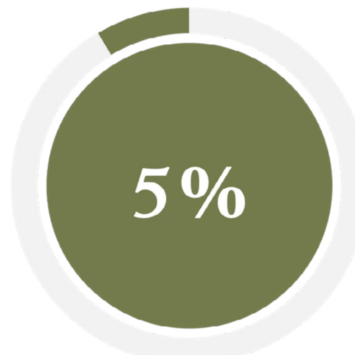
SML TRENDS
EXPECTATIONS

WHAT'S NEXT?

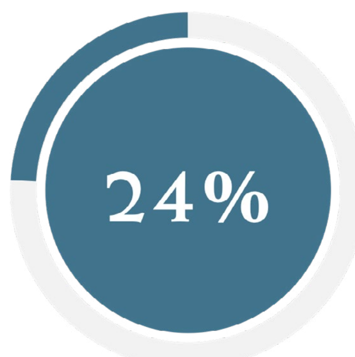
Praesidium asked carriers to fill in the blank:

"We expect underwriting requirements to ________________________ in the next three years with regard to the abuse prevention risk control practices an organization has in place to obtain SML coverage."

Project Underwriting Requirements to **INCREASE**



Project Underwriting Requirements to **DECREASE**



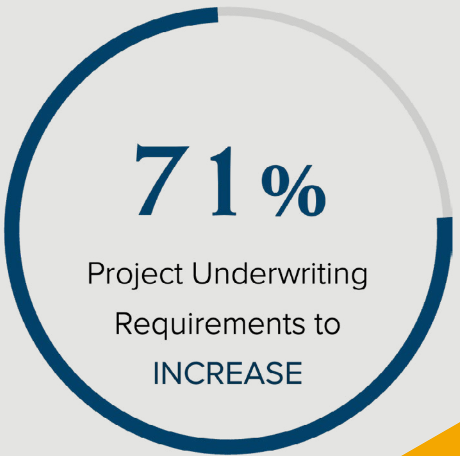
Project Underwriting Requirements to **REMAIN THE SAME**

SML TRENDS
EXPECTATIONS

WHAT WILL THAT MEAN TO INSUREDS?

We asked the **71%** that expect the already high standards to increase what they anticipate that will look like in practice. Here is some of what they shared (taken directly from anonymous survey responses):

- **Lower limits & higher retentions**
- **Greater scrutiny on larger, more complex risks**
- **Higher standards, higher frequency of checks and training**
- **More robust understanding of controls**
- **We will likely begin attaching exclusions to healthcare accounts.**
- **Planning to require more proof of policies and procedures in advance of offering excess limits on some risks, and prior to offering any limits on higher hazard exposures.**



SML TRENDS

MARKET

Looking ahead, we asked carriers what they expect in the market over the next three years in terms of the availability and in terms of SML coverage. Respondents could select more than one response or leave it blank. Here is what they shared.

59% expect the **market will continue to harden** in terms of price, limits, and availability, with an additional **6%** reporting they expect to see a hardening of overall insurance market conditions.

24% see **potential for the market to open** somewhat for SML coverage (compared to **0%** in 2022), with some providing commentary indicating increased activity and availability in some international markets.

6% expect **no change** to the current general market for SML coverage.

Limits

We asked carriers about limits specifically: *"In the next three years, where do you see the limits of liability for SML coverage?"*

65% Decreasing

18% Increasing

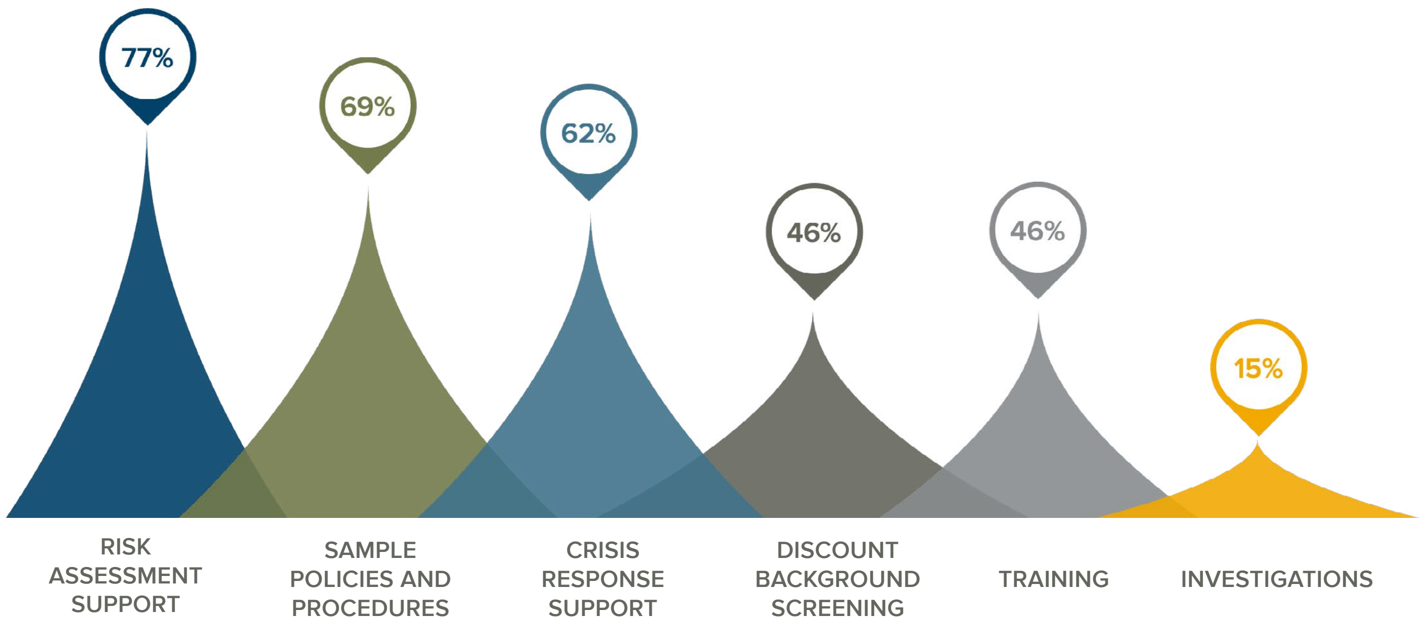
18% No Change

RISK MITIGATION
SERVICES

RISK MITIGATION
SERVICES

As part of their SML offerings, **75% of the carriers** surveyed are providing value-added services designed to enhance the insured's loss control & risk mitigation practices. **20% are not offering services, and 6% were not sure.**

For the **75%** of respondents offering services, we asked: *"Which value-added services do you offer to your SML policyholders? (Please check all that apply.)"*



Compared to 2022, carriers in 2024 are offering training and discounted background checks less frequently by a large margin. In 2022 for both categories, **70%** of responding carriers were offering those services, compared to only **46%** in 2024.

However, carriers in 2024 are offering sample policies and procedures more often (**69%** compared to **50%** in 2022), as well as crisis response support (**62%** compared to only **40%** in 2022).

A DIFFERENT PERSPECTIVE

CONSUMER SERVING ORGANIZATIONS SURVEY

As we look ahead at what this means for you, we also have additional data this year – collected from organizations who require SML coverage to operate hoping to understand the insured's perspective.

A DIFFERENT PERSPECTIVE

CHALLENGES FOR CONSUMER SERVING ORGANIZATIONS

Respondents in Praesidium's consumer serving organization survey shared challenges with securing needed or desired SML coverages, finding far fewer options, lower limits, and extreme premium increases over prior years.

88% of respondents currently maintain SML coverage -- **28%** via standalone SML policies, and **72%** as part of a CGL package

72% of responding organizations stated they are required to maintain SML coverage (for example by contract, as part of a funding requirement, or by a national chartering or accrediting body).

33% of responding organizations reported being unable to secure SML coverage with the terms they wanted or requested.

61%+ of respondents reported fewer carriers willing to offer quotes, **73%** reported lower limits available, and **82%** reported carriers are less willing to negotiate on pricing.

"We had to purchase SML policy from one insurance company and our excess insurance policy from another. No one carrier was willing to provide both."

"Our premiums went up almost 300% for less coverage (both general and excess were reduced from $2M to $1M) and our deductible increase from $50k to $250K."

"Our incumbent carrier will no longer offer SML coverage in their Umbrella policy. To get the same limits, we had to access the E&S market and use several different companies. Pricing was 3x what it was the year before."

A DIFFERENT PERSPECTIVE

TACFS SURVEYS

We are grateful to our colleagues at TACFS, the Texas Alliance of Child & Family Services, who shared recent data with us collected independently from social and human services providers throughout Texas in the TACFS Provider Insurance and Liability Survey 2024. All survey data has been de-identified.

Consistent with observed trends, service providers in Texas reported significant increases over the last 5 years (2019 compared to 2024) in their overall insurance premiums, and shared some of the consequences that the tightening insurance market has on their organizations' ability to serve.

A DIFFERENT PERSPECTIVE

TACFS SURVEYS

TACFS asked:

"What are the consequences of the declining insurance market for your organization?"

Human and Social Service Providers shared:

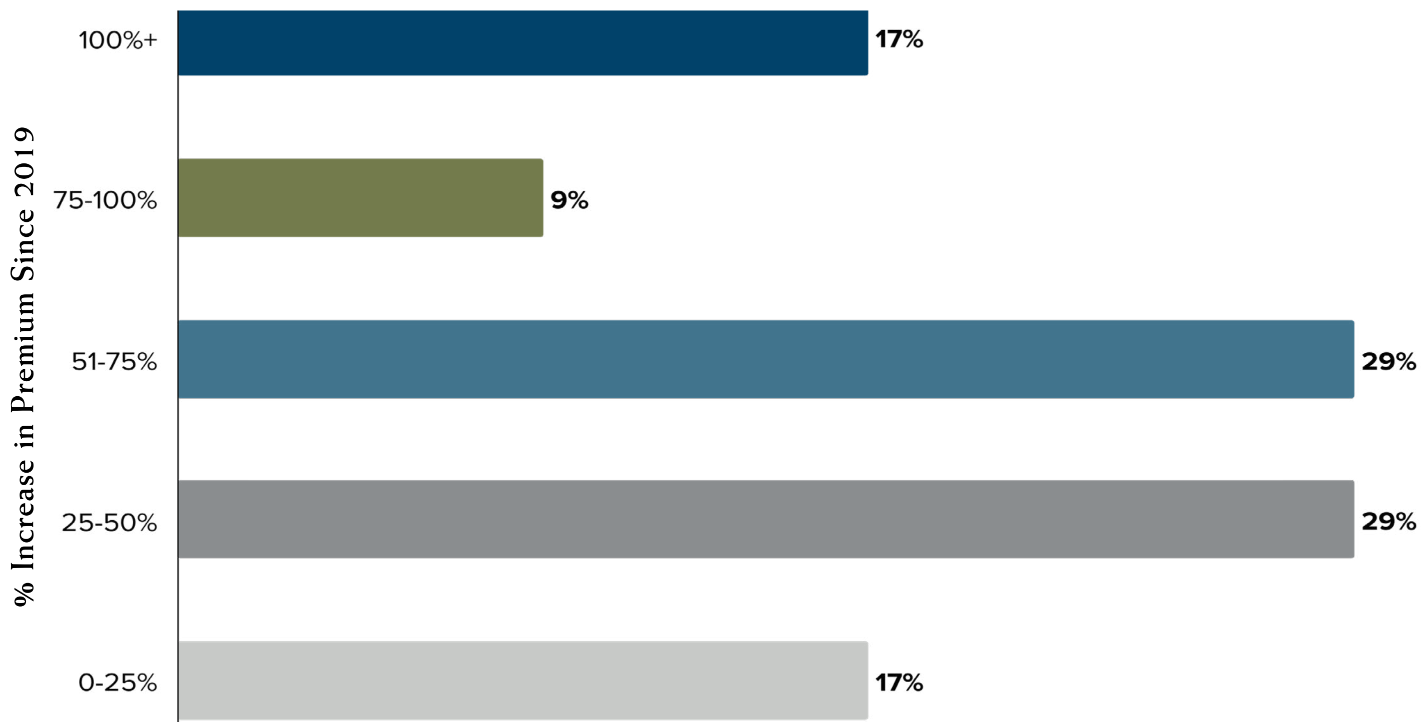
- If the cost of securing insurance coverage continues to increase, it could impact our ability to continue to provide foster care services.
- We will have to close our doors and no longer provide services to the 300+ children and families that we serve every year.
- Higher costs. Less money for programs. Cuts to other programs.
- Not enough choices.
- We are unable to apply for additional contracts that require more insurance coverage. It impacts services and organization growth.
- Unfortunately, the insurance availability and pricing constraints can cause evaluation and hesitancy in operational decision making by our management and Board regarding serving the most vulnerable children.

A DIFFERENT PERSPECTIVE

TACFS SURVEYS

TACFS asked:

"How much has your organizational insurance premium increased compared to rates in 2019?"



55% of respondents reported overall premium increases of over **50%** since 2019.

17% of respondents have had their premiums more than double in that time.

OPPORTUNITIES & OUTLOOK

ENGAGEMENT

CONNECTING THE DOTS.

While the majority of responding carriers are signaling that they expect the market to continue to harden for SML coverage, they are also identifying opportunities for insureds to demonstrate their commitment to abuse prevention. By enhancing underwriting guidelines and expecting more from insureds, carriers are serving as another layer of accountability in their insureds' cultures of safety.

Carriers are likely to continue moving towards claims-made offerings, responding to the continuing prevalence of historic abuse allegations and limiting future exposures, and we expect that we may see more carriers with the appetite for SML risk to offer standalone and excess products to take advantage of the need among insureds required to carry the coverage.

SHARING RESOURCES
AND SHARING GOALS

INSURANCE PROFESSIONALS AND CONSUMER-SERVING ORGANIZATIONS.

The hardening market has naturally created some tension between the carrier and customer sides of the insuring transaction as carriers employ more stringent underwriting guidelines and customers are experiencing decreasing options; but this creates an opportunity for partnership centered on a shared mission – abuse prevention.

Organizational feedback tells a clear story that potential insureds who require SML coverage are discouraged by the tightening market conditions. Insureds, however, may also not be aware of how your agency or company is able to support them in their abuse prevention efforts or, perhaps more importantly, how those efforts may impact the SML coverage they can obtain.

In 2022, **82%** of carrier respondents reported offering value-added services to SML policyholders like sample policies and procedures, risk assessment support, crisis response, training, discounted background check services, etc. In 2024, **75%** of carrier respondents said the same. Carriers also report overwhelmingly that they are requiring abuse prevention practices like written policies, consistent response procedures, and training to consider writing SML coverage.

Organizational respondents, however, do not indicate that they know about or are regularly taking advantage of those services and resources that carriers provide. In its 2024 consumer serving organization survey, Praesidium asked: Does your carrier offer value-added services to supplement your abuse prevention efforts?

25% YES

37% NO

38% UNSURE

As the insurance industry expects more from insureds' abuse prevention efforts, commitment, and consistency, it's critical to also engage with consumer-serving organizations around the resources you can provide to support that work.

THIRD-PARTY ACCREDITATION

Praesidium asked carriers: *"If an outside expert publicly accredited an organization as meeting or exceeding best practices in abuse prevention, would that status positively impact their ability to access SML coverage? If yes, how so?"*

94% of respondents replied "YES".

53%

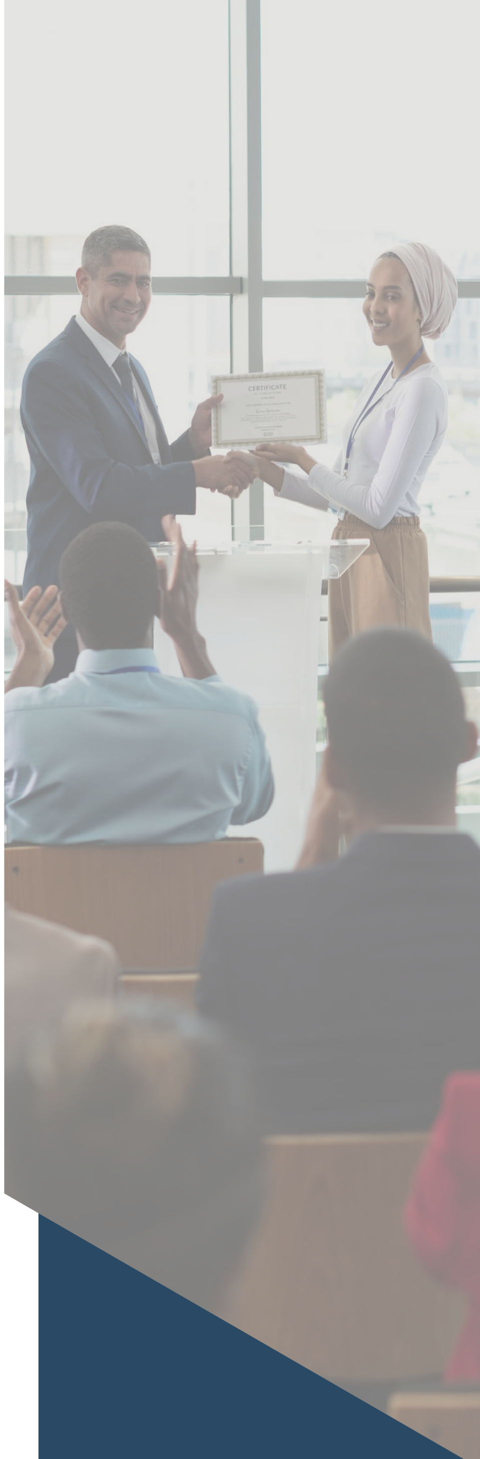
More likely to offer a **LOWER PREMIUM**

60%

More likely to offer **HIGHER LIMITS**

93%

More likely to offer **ANY COVERAGE**



THIRD-PARTY ACCREDITATION

Carriers are looking increasingly at third-party expert accreditation as a tool to further gauge an organization's abuse prevention practices and incident response preparedness.

In the 2022 Praesidium Benchmarking Survey, **67%** percent of responding carriers said Yes, if an organization was **publicly accredited** by an **outside expert** as **meeting or exceeding best practices** in abuse prevention, that status would positively impact the availability of SML coverage. In 2024, that number increased to an overwhelming **94%**. The remaining **6%** indicated they were "Unsure" if accreditation could impact coverage.

We dug deeper in 2024, asking more specifically how carriers expected accreditation could positively impact coverage.

Based on responses to Praesidium's survey, consumer serving organizations are also beginning to see the positive impact of accreditation on their organization's SML insurance purchasing power.

53% of respondents reported that they currently hold a third-party accreditation for meeting or exceeding best practices in abuse prevention. Among those respondents, they shared holding accreditations from Praesidium Accreditation, Council on Accreditation (COA), and American Camp Association (ACA).

63% of accredited respondents reported that accreditation had a positive impact on their SML insurance purchasing process, with one organization reporting that it "lowered our renewal rate", and another sharing that the accreditation(s) they hold "instills confidence in our youth protection policies."

CONCLUSION

MOVING BEYOND POLICIES

In 2022, carriers ranked Policies as the most important abuse prevention risk control practice area, but in 2024, it fell to third place behind Monitoring & Supervision in first and Screening in second. Industry standards are moving in a clear direction that insurance carriers see and understand: **policies alone are not enough to prevent abuse.**

Abuse prevention policies are now the baseline. Organizations focused purely on compliance and policy language will not be able to compete – for consumer trust or for SML coverage – with organizations that demonstrate a true commitment to abuse prevention as a crucial component of their overall safety culture.

Policies are, of course, a part of that. They must be clearly written, communicated, and understood by all levels of your consumer-serving organization. But effective abuse prevention requires more.

Leadership must demand accountability and model the consumer-focused culture required for consistent **Monitoring & Supervision** that denies any opportunity for abuse. Organizations must effectively **Screen** employees and volunteers, communicating through both their written materials and a rigorous process that their organization is both alert for and intolerant of abuse and boundary-violating behaviors. **Training** must require comprehension and empowerment, move beyond mandatory reporting, and encourage internal reporting through channels that are easy to use and anonymous if possible. And critically, organizations must **Respond** quickly, empathetically, and consistently.

Carriers & agencies will need to continue to deepen their understanding of industry best practices, while consumer-serving organizations need to consider how they can best to share their safety story to powerfully communicate the value and efficacy of their abuse prevention culture.

GLOSSARY

TERMS & DEFINITIONS

1 Standalone SML coverage:
Insurance carriers may offer coverage for sexual abuse and molestation liability through a separate, or standalone, insurance policy that is in addition to any other forms of coverage the organization may purchase (i.e., a general liability policy). The standalone insurance policy will have its own applicable terms, conditions, and limits of liability.

2 Occurrence Basis and Claims-Made Policies:
Insurance policies will typically have either an occurrence or claims-made timing trigger that determines when a covered loss falls within the insurance policy, subject to other applicable terms and conditions. Insurance policies issued on an occurrence basis typically afford coverage for losses that took place, or occurred, during the dates of the policy period, regardless of when notice of the claim is provided to the insurance carrier. See IRMI online. On the other hand, a claims-made policy typically affords coverage only for loss events that are reported during the policy period, even if the alleged loss event took place at an earlier date. See IRMI online.

3 Defense Within Limits:
An insurance carrier has an inherent duty to provide a defense for covered losses, subject to any reservation of rights. Under some insurance policies, these defense costs are in addition to the policy's stated limits of liability, while other policies specify that defense costs will reduce, or erode, the available limits of liability. If defense costs are considered within the limits of liability, they may theoretically erode the availability of coverage before any loss is paid. See IRMI online.

4 Primary and Excess Liability Policies:
Organizations may purchase an intricate set of insurance policies that attach to a covered loss at different dollar amounts and/or upon the exhaustion of other underlying layers. An insurance policy that responds to a covered loss on a primary basis is typically the first policy that responds to the loss, after any applicable deductible. See IRMI online. An insurance policy that provides coverage above the primary layer is often called an excess or umbrella insurance policy, the terms of which may not apply until exhaustion of the primary liability layer. See IRMI online.

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