

A black and white photograph showing the backs of two women hugging each other. They are standing in front of a window with sheer curtains, and the lighting is soft and natural. The woman on the left has curly hair, and the woman on the right has long, straight hair. They are both wearing light-colored, long-sleeved tops.

Mass Exit: Coverage in the Human Services Industry Increasingly Hard to Come By

The foster care and social services market is undergoing significant changes, particularly in light of new legislation passed in the last 18 months. The **Eliminating Limits to Justice for Child Sex Abuse Victims Act**, passed in September of 2022, removes time limits for survivors of child sex abuse to file claims for various crimes, including forced labor, sex trafficking and sexual exploitation. Previously, survivors had until age 28 or within a decade after discovering the abuse to file federal claims. Since the new law was passed, there has been a rise in abuse and molestation claims, making it exceedingly difficult to secure coverage for foster care operations.

CONTACT

To learn more about how Amwins can help you place coverage for your clients, reach out to your local Amwins broker.

LEGAL DISCLAIMER

Views expressed here do not constitute legal advice. The information contained herein is for general guidance of matter only and not for the purpose of providing legal advice. Discussion of insurance policy language is descriptive only. Every policy has different policy language. Coverage afforded under any insurance policy issued is subject to individual policy terms and conditions. Please refer to your policy for the actual language.

Courtesy of Amwins Group, Inc.



Capacity is at an all-time low

The removal or extension of the statute of limitations for abuse and molestation claims has been a pivotal development. This change has led to a surge in allegations dating back decades, placing immense pressure on insurance carriers specializing in the foster care sector. Insurance companies once willing to provide coverage are now exiting the market, leaving a void that poses challenges for foster care organizations.

The increase in abuse and molestation claims has made it exceedingly difficult to secure insurance coverage for foster care operations. A number of admitted carriers have left the space, while carriers that remain are limiting their appetite. The entire market now consists of approximately 12 domestic carriers and only two international carriers, making it extremely hard to find a carrier willing to get the job done.

Premiums have skyrocketed, with rates increasing by as much as 50% to 80% despite relatively low loss ratios. This steep rise in insurance costs has placed a heavy financial burden on both for-profit and nonprofit organizations operating in the foster care domain. Some regions are feeling the change more than others, notably in states like Florida, California, Illinois and New York, sending ripples through the insurance sector, causing those carriers that remain to reconsider their involvement in providing coverage for foster care and human services in specific locations.

Moreover, the trend of insurance carriers cutting back limits and implementing stricter underwriting criteria further exacerbates the challenges faced by these entities. With fewer options available in the market, organizations are forced to rely on brokers with specialized knowledge and extensive industry relationships to navigate the complex insurance landscape. Creative solutions, such as carving out specific coverages or pursuing monoline policies, have become necessary strategies to address insurance needs effectively.





New services are in high demand

In addition to legislative changes, external factors like the influx of refugee children into the foster care system have added to the strain. Organizations providing refugee services – particularly those that accept Office of Refugee Resettlement (ORR) contracts – are grappling with heightened demand and increased exposure, further highlighting the need for robust insurance solutions.

In foster care, an ORR contract typically refers to an agreement between the ORR and a foster care agency to provide care and services to unaccompanied immigrant children who have entered the U.S. without lawful immigration status and without a parent or legal guardian. These contracts are put in place to help guarantee that these children are provided with secure and suitable housing, along with access to education, healthcare, legal representation and other essential services while they are under the custody of the ORR. The foster care agencies that sign ORR contracts are accountable for recruiting, training, and licensing foster families to take care of these children. They also help in managing their cases and coordinating necessary services.


ORR policies can be risky; however, multiple claims can add up fast. This can be a highly politicized topic that is discussed constantly in the media, with very little actuarial loss data to pull from, making this a hard risk to wrap heads around. They can also be extremely expensive, making them very tough to place. So, when working with insureds that accept these types of contracts, it's important to have early conversations about the type of policy they will need. An in-depth discussion about the costs that come with this kind of contract is important. For example, if the ORR contract is \$1M in revenue to the insured, but the insurance costs add \$150K in premium, it may not make sense to pursue.

Looking ahead

The outlook for the foster care sector remains challenging. The ongoing shift in insurance dynamics, coupled with evolving legislative landscapes and external pressures, underscore the need for proactive risk management strategies.

Despite the formidable challenges, stakeholders in the foster care community continue their critical work, driven by a commitment to supporting vulnerable children and families. Collaborating with specialty brokers who understand the unique needs of foster care organizations is vital when navigating these uncertain waters.





We help you win

Amwins is a leading professional liability insurance broker specializing in financial, professional and management risks. Our experts across the country, and around the world, collaborate to deliver the right solution for your clients.

Through our commitment to the health and human services sector, we have established strong relationships with top-tier, specialty carriers. Our team of experts can guide you through all the available options to find the best fit for your business or organization. With Amwins on your side, you can help your clients operate with confidence.

Insights provided by:

Dylan Jordan, SVP, Amwins Brokerage in Atlanta, GA