

# State of the Market

## Public Entity / Q3 2025

The public entity market has exhibited relative stability throughout 2025; nevertheless, certain challenges persist. Competition across many segments of the property market remains high as a result of increased capacity and accounts with large CAT footprints, loss frequency or severity still face stricter underwriting. In the casualty market, overall capacity remains stable, though pressure resulting from social inflation, litigation trends and ongoing shifts in legislation continues.

At the same time, carriers have become more selective, relying on updated data, valuations and technology to manage risk. And while some insureds can take advantage of more favorable terms, budgets across public entities remain under pressure.

With exposures constantly evolving, having an experienced broker is more important than ever.



## Property



### Market Overview

The public entity property market is showing signs of continuing softening, with more capacity coming online and increased competition across many segments. Large, shared and layered programs remain a focus. However, more carriers are targeting middle-market opportunities, offering products for smaller entities like regional school districts and municipalities.

Technology and AI are helping carriers handle higher submission volumes more efficiently, making it easier to write smaller accounts while at the same time resulting in more aggressive pricing and broader terms in the middle-market space.

For larger public entities, purchasing decisions are still driven by budget rather than by market condition – keeping limits and retentions relatively consistent year over year. For example, during the hard market, capacity for public entities was often considered “stickier” than in other sectors as carriers viewed these accounts as stable and more predictable.

For now, conditions generally favor insureds, though a significant catastrophe loss, especially in high-exposure areas like California, could shift the market quickly. Until then, healthy combined ratios, strong carrier appetite and increased capacity suggest the current softening is likely to continue in the near term.



## Emerging considerations

Valuations continue to be a key consideration as inflation and increased construction costs affect replacement values. To maintain accurate valuation data, many public entities are implementing physical appraisal programs. Some concerns have been raised regarding the consistency of desktop valuation tools, as these may provide underwriters with inaccurate information that could result in gaps in coverage. Working with a broker who has expertise in public entity risk can help ensure that appropriate coverage is maintained.

Other areas of interest include:

- **Parametric solutions and alternative risk structures:** Both can fill coverage gaps and round out risk transfer to help cover the inevitable unknowns and the unexpected.
- **New program formations and pooled structures:** Both can offer cost efficiencies but require careful planning. However, these programs work best when key members are committed, with each participant understanding the risk they're taking and implementing a strong support system to help manage loss.

As competition drives innovation, public entities should lean on their brokers to evaluate options holistically and secure coverage that fits both their budget and risk tolerance.



### Be on the Lookout

Public entity property buyers should be ready for continued capacity challenges, especially on larger schedules and in areas with high catastrophe exposure. Some markets are showing renewed interest, but carriers remain cautious.

Expect closer scrutiny on property valuations as carriers push for more accurate reporting and a greater focus on factors such as roof age and construction type, as well as mitigation and loss control efforts – all of which will significantly influence both pricing and availability.

Retail brokers should prepare insureds for the possibility that layered programs may become more common, even for accounts that previously relied on a single carrier.

## Market Overview

The public entity casualty market continues to navigate complex pressures driven by legal system abuse, escalating loss cost trends and shifting legislative landscapes. While overall capacity has stabilized compared to the peak of the hard market, underwriting discipline remains firm, particularly for high-severity exposures such as law enforcement, street and road design, and sexual abuse and molestation (SAM) claims arising from juvenile detention facilities and foster care programs.

Retailers and Insureds face a marketplace where fewer carriers are willing to participate in the lead layer, line sizes are shrinking and excess participants are increasingly selective, requiring creative structuring and positioning to ensure comprehensive coverage.

## Nuclear verdicts and reviver statutes

Nuclear verdicts continue to be a significant driver of rising liability costs, particularly in law enforcement and transportation-related claims. These verdicts are increasingly fueled by third-party litigation funding which has intensified settlement pressure and made claims resolution more costly and unpredictable. Combined with broader legal system trends, including growing jury sympathy and plaintiff attorneys' expanded damages theories, the result is an upward spiral of loss volatility.

One of the more impactful developments for public entities has been the rise of reviver statutes. California's AB 218 is a prime example, enabling lawsuits stemming from incidents dating back decades. For K-12 schools, municipalities and counties, the consequences have been staggering. Los Angeles County, for instance, faced thousands of claims tied to foster care, juvenile detention facilities and educational institutions, resulting in a historic \$4B settlement.

These challenges are further complicated by the lack of defensible positions for many of these cases. With decades-old allegations, records are limited, witnesses are unavailable and evidence can be nonexistent. Public entities are resorting to issuing general obligation bonds to fund settlements, creating liabilities that extend for decades into the future. Initially focused on schools, plaintiff attorneys are now leveraging these statutes to target broader public entity exposures, including foster care and detention facilities.



## Federal claims migration and tort caps

Another trend adding complexity is the migration of claims into federal courts through civil and/or constitutional rights violations. Incidents once contained within state courts, and subject to protective tort caps, are being pled as constitutional rights violations, bypassing state limitations altogether.

Alongside federal migration, there is increasing concern over the erosion of immunity protection. Novel legal theories, such as claims based on “failure to warn” or “gross negligence,” are increasingly being used to circumvent statutory defenses. The result is higher severity, broader exposure and a heavier reliance on experienced and specialized defense counsel, with Insureds now collaborating in the filing of amicus briefs to mitigate adverse precedence and case law.

## Emerging risks

Public entities face a unique blend of casualty exposures that continue to evolve:

- **Juvenile detention facilities and foster care programs:** Litigation frequency and severity are rising, particularly where reviver statutes apply.
- **Transportation & transit risks:** The cadence of traumatic brain injury (TBI) claims has increased, driven by more aggressive litigation tactics and plaintiff-friendly medical narratives.
- **Civil unrest and political violence:** Municipalities face greater liability tied to crowd control, policing strategies and ICE-related activity.
- **Climate change impacts:** Wildfires, flooding and other natural disasters increasingly lead to premises liability claims and broader questions around municipal preparedness.
- **Staffing shortages:** Difficulty recruiting and retaining bus drivers, jail staff and law enforcement personnel continues to strain operations, leading to more frequent claims.



## AI-driven risk management and defense collaboration

One of the most promising developments has been the growing collaboration within the defense counsel community. Traditionally, plaintiff attorneys held an advantage by robust sharing of best practice strategies and resources, while defense firms often worked in silos. Today, pools and carriers are often mandating defense panels coordinate and communicate more effectively, deploying plaintiff attorney tactics such as mock trials, jury testing and data-driven litigation strategies to achieve better outcomes, alongside focused education on defeating jury anchoring and reptile theory methodologies. This shift has begun to level the playing field and help to improve results for public entity defendants.

In addition, AI and advanced analytics are also emerging as valuable tools for managing casualty risk. Public entities are using predictive modeling to spot high-risk exposures and take preventive action. Law enforcement is using AI to review body camera footage and incident reports, which helps flag problematic trends in officers before a claim arises. Municipalities are also using AI-enabled surveillance systems that can detect weapons and other threats in real-time. On the claims side, carriers are using AI to assess reserve adequacy, validate data and improve pricing accuracy, helping to create a more informed and efficient underwriting process.



### Be on the Lookout

The key to navigating today's casualty market lies in preparation, positioning and partnership. Complete, high-quality submissions backed by credible reserve data are essential to securing the most advantageous terms. As exposures become more complex and litigation trends accelerate, brokers must guide clients through creative alternative risk transfer solutions, advocate for proactive claims strategies and educate stakeholders on evolving legislative and federal trends.

While challenges remain in this sector from nuclear verdicts to revival statutes to rising social inflation, there are also opportunities. With better collaboration, enhanced analytics and a growing adoption of innovative risk management tools, public entities can better control outcomes and position themselves for long-term stability.



## Professional Lines



### Cyber liability

Public entities are particularly vulnerable to cyberattacks, often due to less than robust security measures. Additionally, public entities provide crucial services to a large and diverse constituency, making business disruption especially problematic. As a result, claims have not slowed.

On a positive note, the high number of claims has not yet triggered rate increases across the board. Cybersecurity underwriting requirements are consistent among carriers, and the appetite for cyber liability remains stable.

We have seen a tightening in the market for larger risks (e.g., pools and joint purchase agreements). Underwriters continue to focus on e-crime and social engineering, and while there is a growing interest in AI, endorsements for this type of coverage are just beginning to develop.

Exclusions for wrongful collection of personal information and pixel tracking persist, unless an insured can provide additional information such as a risk assessment of their use of tracking technology. Learn more about how your clients can mitigate this type of risk.

The number of carriers offering higher limits is contracting after multiple years of a reduction in premiums and expanded sub limits, especially aggregates. Carriers are evaluating their exposure, narrowing their appetite and competing in areas only where they are most interested.

This more defined approach has given rise to proactive risk security service offerings, with most carriers extending complimentary services to help insureds improve their cyber security measures. This can include security assessment services, online educational materials and access to third-party vendors (sometimes for a fee).



## Public official, crime and fiduciary liability

Package and program carriers offering blended professional and general liability coverage with property coverage are reducing limits and, in some cases, eliminating certain types of coverage altogether. Coverage for public official and employment practices liability is a particular focus, as are fee suits exclusions and sub limits for fiduciary liability.

As these key coverage and dedicated limits grow, we have seen an increased focus on standalone policies. Capacity for these policies has opened up; the limits aren't large, but the coverage is competitive where available. Pricing is sustainable and retentions are often reasonable.

We have seen an increase in interest from insureds when it comes to choice of counsel. Boards are largely driving this discussion, with a desire to partner with counsel that knows and understands the entity rather than work with a litigator chosen by the carrier. Carriers have been flexible, especially with marquee accounts, while others are offering rate caps and making selection of counsel subject to their approval.

There is a renewed focus on the Fair Claims Act as well as regulatory sub limits. And while AI is not really a focus – yet – we expect carriers will take a position soon to either clarify or actively address AI exposure.

### Key aspects of the Fair Claims Act



#### Fair handling of claims

Insurers must investigate claims promptly and handle them in good faith.



#### Communication

They must acknowledge communications about claims and provide prompt and reasonable responses.



#### Timely settlement

There are regulations on the timeframe for investigating and settling claims.



#### Enforcement

State insurance departments enforce these regulations, which can result in penalties for insurers who violate them.



## Market Overview

Underwriting in the public entity space remains selective and highly dependent on jurisdiction, with many long-standing markets holding firm despite growing competition. While some newer players are taking a more aggressive approach, established carriers continue to be selective, especially on higher-exposure accounts.

Capacity is tightening and \$10M limits are becoming increasingly rare outside of legacy placements. For new business, most carriers now cap their participation at \$5M or less, and several have signaled plans to phase out existing \$10M commitments. As a result, buyers looking for larger towers often need to spread coverage across more markets or take on higher retentions to reach the same overall limits.

## Regional and exposure-specific challenges

Geography continues to heavily influence underwriting decisions. California remains one of the most challenging environments, driven by rising claims cost, social inflation and ongoing impacts from AB 218 and other reviver statutes expanding the window for sexual abuse and molestation (SAM) claims. New Jersey and select Northeastern states are experiencing similar pressures, with carriers particularly cautious on K-12 school exposures. On the West Coast, Washington is difficult due to the absence of meaningful tort caps, resulting in claim costs often several multiples higher than comparable exposures in Oregon, where strong, inflation-adjusted tort caps provide more stability.

Specific exposures continue to drive underwriter selectivity. Transportation remains difficult unless tied to states with favorable tort caps, while foster care, corrections and law enforcement accounts face heightened scrutiny due to ongoing concerns around fatalities, excessive force and inmate care claims. SAM remains one of the largest risk drivers for schools, while counties and municipalities increasingly contend with exposures tied to foster care programs and jails.

## Pricing & capacity

While rate pressures have eased when compared to the peak of the hard market, underwriting remains firm. For clean accounts, average increases are typically 4% to 6%, but accounts with losses often face much higher jumps, sometimes more than 20%, depending on the jurisdiction and claims history. Pools and larger programs are seeing more variation, with many averaging increases of 8% to 10%, even when carriers aim for lower targeted increases.

Historical pricing inadequacies are still being corrected and carriers continue to rely heavily on credible, recent loss experience when making decisions. Where 10 years of loss history used to drive pricing models, many underwriters are now focusing primarily on the most recent three to five years, which has amplified increases for accounts with emerging or deteriorating trends.

Capacity pressures are also driving changes to structure. Higher retentions and increased self-insured layers are becoming common as entities balance limited market capacity with shrinking budgets. Some public entities are even choosing to self-insure more aggressively to help offset premium costs, especially where budgets are under strain.

## Emerging considerations

On policy forms, there are fewer surprises. Standard exclusions for PFAS, cyber and biometric exposures have become the norm and are now expected in most jurisdictions. While significant changes to core coverage terms remain uncommon, underwriters are consistently tightening conditions around retentions, deductibles and higher layers, especially for accounts with deteriorating loss experience. In larger programs, carriers are increasingly requiring SIRs be recalibrated upward if they haven't been adjusted in several years, citing rising claim costs and inflationary pressures.



### Be on the Lookout

Early engagement and high-quality submissions remain critical. With carriers increased selectivity, the accounts that get prioritized are those presented with organized, complete and credible data. Disorganized submissions with scattered attachments are far less likely to receive attention in a timely manner, particularly in tougher jurisdictions. Retailers should prepare insureds for continued increases, potentially explore higher retentions or alternative structures and ensure that underwriting narratives proactively address key exposures.

Looking ahead, underwriting discipline is expected to remain tight despite growing competition and increased capacity in certain segments. While rate increases have slowed, carriers are unlikely to relax standards meaningfully in high-severity states or on challenging exposures. Strong storytelling, clear data and early positioning remain the most effective levers for brokers looking for the best results for their public entity clients.



## Takeaway

As public entities consider renewals, the need to get started early cannot be overstated. Examine loss runs and determine any unique exposures now so there's time to ascertain if alternative structures are needed to address capacity and limits.

Working with a carrier that has an established history in the class, understands its claims experience and can take a long-term view is key. You must go beyond shopping for premium.



## We help you win

At Amwins, our markets go beyond surface lines coverage. And our expertise extends across municipalities, transit districts, educational institutions and other specialty agencies at the county, city and state levels.

We don't believe in one-size-fits-all public entity insurance. Our approach to placing coverage taps into the unique needs of your clients' businesses — enabling us to curate and customize solutions that help your clients overcome today's risks, while preparing for the future.

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