

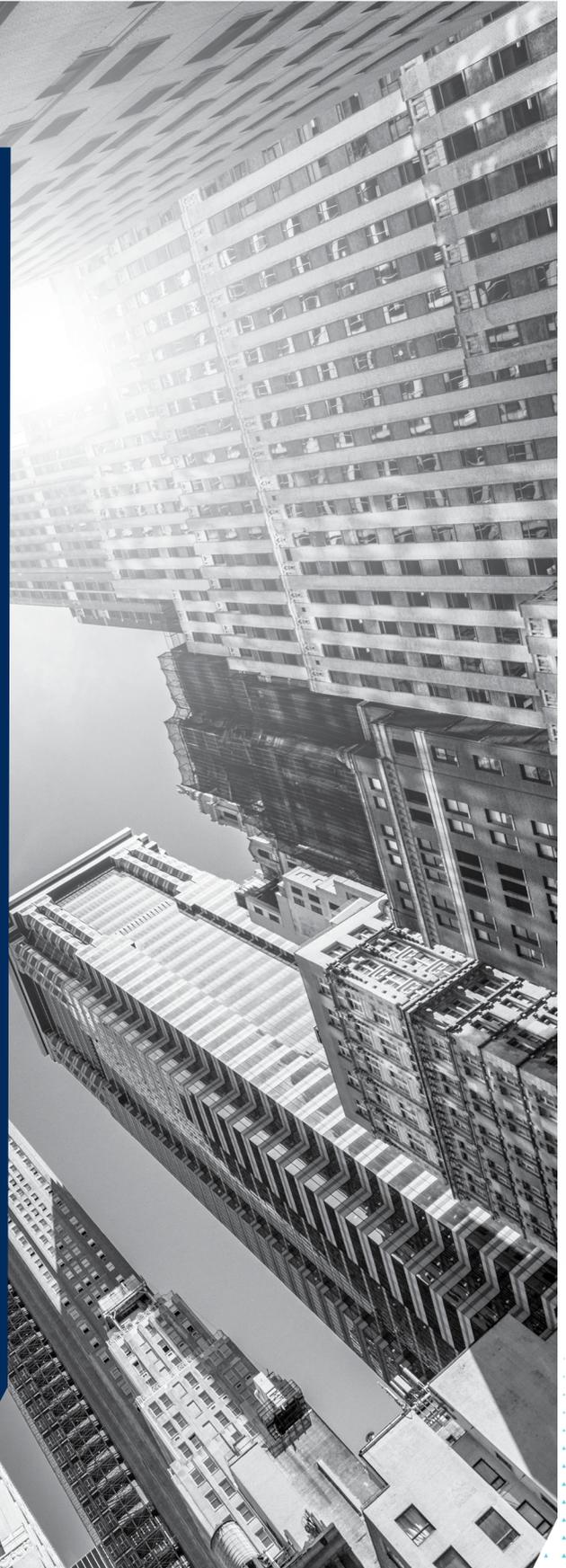
State of the Market

A focus on Public Entity

The public entity market remains stable, with few notable challenges.

The property market continues to show signs of softening; competition remains strong and capacity is readily available in most segments. Conditions generally favor insureds; however, a significant catastrophe loss, especially in high-exposure areas like California, could shift the market quickly. Until then, healthy combined ratios, strong carrier appetite, new market entrants, carrier growth goals and increased capacity suggest the current softening is unlikely to change in the near term.

The public entity casualty market continues to navigate complex pressures driven by legal system abuse, escalating loss cost trends and shifting legislative landscapes. Overall capacity is stable while underwriting discipline remains firm particularly for high-severity exposures such as law enforcement, street and road design, auto liability, and sexual abuse and molestation (SAM) claims arising from juvenile detention facilities and foster care programs.





Property

Accounts with significant CAT exposure or frequent or severe losses are facing stricter underwriting standards. You can also 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 capacity.

Larger shared and layered programs remain a focus and are often becoming oversubscribed. We expect to see changes to the structure of layered programs to help achieve the most effective structure, coverage and cost. In addition, we have seen an uptick in carriers 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.

While decisions are still often dictated by budget, the current reduction in property rates has resulted in public entities purchasing additional limits and/or lower deductibles – especially for insureds that lowered limits and increased deductibles during the hard market cycle. We have also seen increased purchasing of higher terrorism limits and/or active assailant covers. Alternative solutions such as deductible buy-backs and parametric coverages are often being considered as well.



Anticipated changes to FEMA

In the coming months, FEMA is expected to advance major reforms to the Public Assistance (PA) program that will reshape how states and municipalities access federal disaster recovery aid. According to recent reports, it is expected that the current per-capita damage threshold (\$1.89 before PA eligibility) will be increased substantially (to more than \$7). Similarly, reports suggest the proposed federal cost share would be fixed at 75%, eliminating the current option to raise that amount to 90% to 100% for catastrophes.

The stated intent of these proposed changes is to help control federal disaster spending. In practice, most experts agree it will likely shift the cost burden to state and local governments. According to the Urban Institute, more than 70% of past major disasters would have been denied under the current proposed framework. That means that roughly \$15B in aid (or 9% of PA) would have shifted to state and local budgets.



Parametric solutions

When you combine the [anticipated changes in the way communities nationwide recover from natural disasters](#) with the complexity of property risks, it can be hard for traditional insurance to adapt. A parametric insurance policy helps fill gaps posed by the financial impact of deductibles, sub-limits and exclusions – rounding out the risk transfer to cover the inevitable unknowns and unexpected.



Parametric insurance is gaining in popularity, potentially growing to a market value of **\$34.4 billion** by 2033, according to Allied Market Research. Public entities across the U.S. have been using parametric insurance for more than **15 years** and delivering encouraging results, including faster payouts, more flexible funding and coverage for often underserved risks.

Consider Florida's response to hurricanes Ian and Nicole. The proposed FEMA changes would have consumed 21% of the state's rainy-day fund (\$563M). A parametric policy, paired with a robust risk mitigation and insurance strategy, would have triggered a faster response by private insurers and reduced the financial burden on federal, state and local authorities.

At Amwins we have extensive experience structuring parametric solutions, as well as unmatched market knowledge and access. Learn more about how we can help identify [what coverage option is right for your clients](#) here.



Casualty

Retailers and insureds face a marketplace with fewer carriers 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.

Regulatory & litigation trends

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.

One of the most impactful developments for public entities has been the rise of reviver statutes. 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.

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.

Technology & AI

AI and advanced analytics are emerging as valuable tools for managing casualty risk. Public entities are using predictive modeling to spot high-risk exposures and take preventive action. For example, law enforcement is using AI to review body camera footage and incident reports, helping to flag problematic trends in officers before a claim arises.

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.



Professional lines

Cyber liability coverage remains a priority for public entities as claims have not slowed. However, we have not yet seen rate increases across the board and cybersecurity underwriting requirements are consistent among carriers. 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.

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.



Underwriting

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 buyers looking for larger towers often need to spread coverage across more markets or take on higher retentions to reach the same overall limits.

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.



Takeaway

At Amwins, we understand public entities are the backbone of state and local infrastructure. The complexities and risk exposures of the crucial services they provide create unique risk exposures that can be difficult to find coverage for.

We don't believe in one-size-fits-all public entity insurance. **Our specialists provide comprehensive solutions**, collaborating with you to place coverage that taps into the needs of your clients' businesses – helping your clients overcome today's risks, while preparing for the future.

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