



PRAESIDIUM

Insurance Carrier Benchmarking:
Sexual Abuse and Molestation Liability

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PRAESIDIUM

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INTRODUCTION

The past several years have significantly changed how insurance carriers provide coverage to organizations that serve vulnerable populations. The surge of sexual abuse litigation driven by rising standards and the widespread repeal of states' statutes of limitations continues to affect the insurance market and how carriers provide coverage. As a result, insurance carriers have begun to employ different strategies to provide coverage commonly referred to as Sexual Abuse and Molestation Liability Insurance (SML).

In the fall of 2022, Praesidium launched its inaugural benchmarking survey to gather data directly from insurance carriers to benchmark the carriers underwriting expectations, market trend projections, and loss control measures offered to insureds.

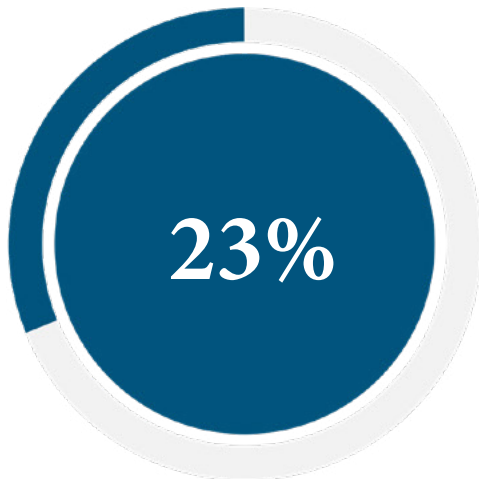
Over the past few years, the SML market has continued to harden, with carriers taking more sophisticated approaches to underwrite abuse risk and incentivize organizations to have strong prevention standards in place. Praesidium was interested to learn more about how carriers are responding to these challenges and how they can ensure their customers are implementing best practices to prevent abuse incidents.

The survey results, which include 13 insurance carriers, are summarized in this paper to show a detailed look into the current landscape and future trends of SML coverage.

SML COVERAGE DEMOGRAPHICS

COVERAGE TYPE

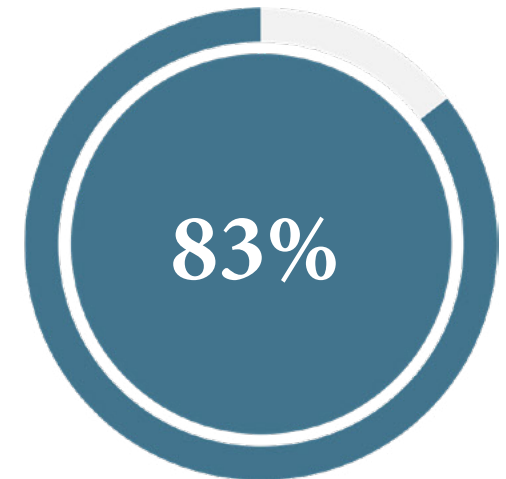
Praesidium asked carriers to tell us about the SML coverage they provide. The results indicate few carriers offer standalone SML coverage¹, and most are writing on an occurrence basis². A majority of carriers include defense costs within the limits of SML coverage they offer. While the number of carriers providing standalone SML coverage remains relatively low, this is a space to watch on the primary and excess layers. Similarly, a majority of responding carriers may currently provide coverage on an occurrence basis, the question becomes how long will this balance last as carriers explore ways to manage the long tail nature of abuse risk and escalating litigation.



of carriers surveyed provide standalone SML coverage.



of carriers surveyed provide SML coverage on an occurrence basis.



of carriers surveyed said defense costs³ are within the limits of SML coverage they offer for some or all policies⁴.



DEMOGRAPHICS INDUSTRY FOCUS

Praesidium asked carriers to check all industries they may consider writing SML coverage. Some industries, including foster care and healthcare, may find it more challenging to find coverage.



UNDERWRITING EXPECTATIONS

Praesidium asked carriers to tell us more about the risk mitigation expectations they have in place for an organization to obtain SML coverage. The majority of responding carriers are requiring organizations to have a threshold of abuse risk processes in place to extend coverage. In addition, carriers anticipate these expectations increasing more. This section will cover what specifically carriers may expect from organizations.



92%

OF CARRIERS

have defined **underwriting requirements** addressing abuse risk control practices an organization must have in place to obtain SML coverage.



78%

OF CARRIERS

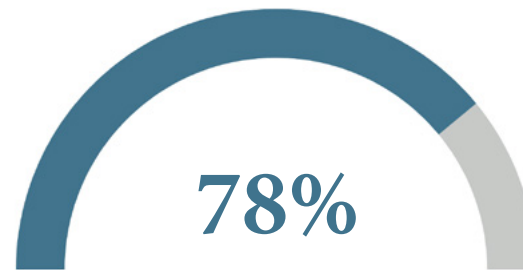
see their underwriting requirements **increasing** in the next three years with regard to abuse risk **processes** an organization must have in place to obtain SML coverage.





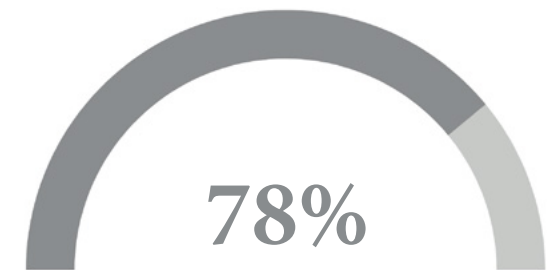
UNDERWRITING EXPECTATIONS POLICIES

Praesidium asked carriers to tell us about the policy expectations they have in place for an organization to obtain SML coverage.



require written policies prohibiting abuse.

Another **11%** consider, but do not require them.



require written policies defining boundaries between employees and the consumers they serve.

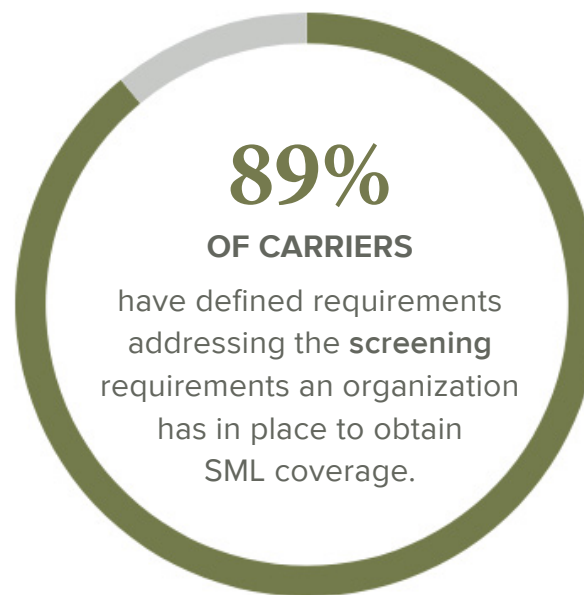
Another **11%** consider, but do not require them.



UNDERWRITING EXPECTATIONS

SCREENING

Praesidium asked carriers to tell us about the screening expectations they have in place for an organization to obtain SML coverage.



78% **OF CARRIERS** require organizations to conduct background checks on employees.

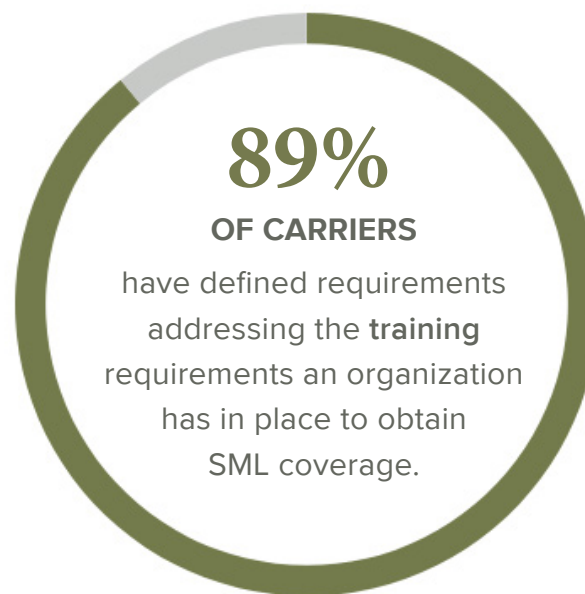
67% **OF CARRIERS** require organizations to conduct background checks on volunteers.

67% **OF CARRIERS** require organizations to conduct reference checks on employees



UNDERWRITING EXPECTATIONS TRAINING

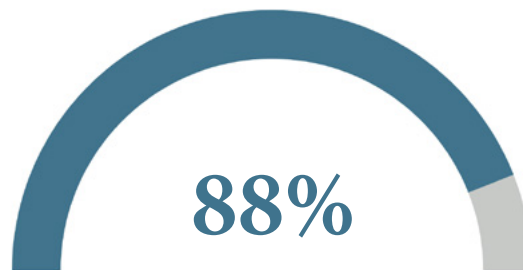
Praesidium asked carriers to tell us about the training expectations they have in place for an organization to obtain SML coverage.



89%

OF CARRIERS

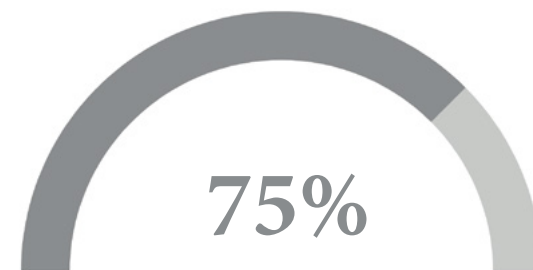
have defined requirements addressing the **training** requirements an organization has in place to obtain SML coverage.



88%

OF CARRIERS

require organizations to provide training on **mandated reporting**.



75%

OF CARRIERS

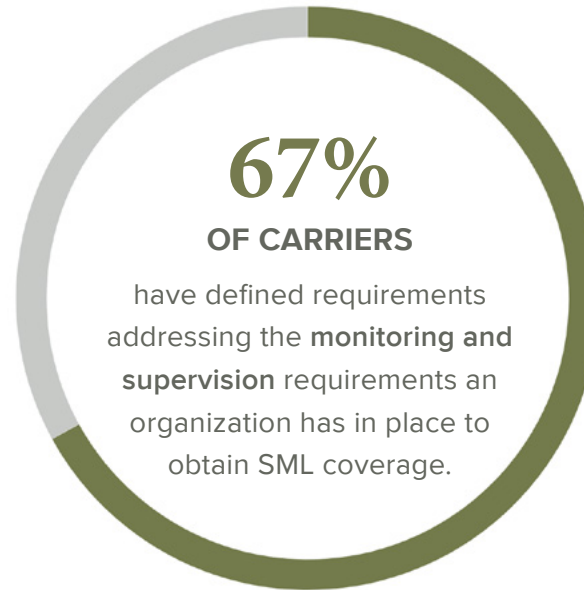
require organizations to provide training on how to **prevent abuse**.



UNDERWRITING EXPECTATIONS

MONITORING AND SUPERVISION

Praesidium asked carriers to tell us about the monitoring and supervision expectations they have in place for an organization to obtain SML coverage.



78% **OF CARRIERS** require organizations to have procedures to manage **one-on-one interactions**.

67% **OF CARRIERS** require organizations to have procedures to manage **bathrooms, toileting, and diapering**.

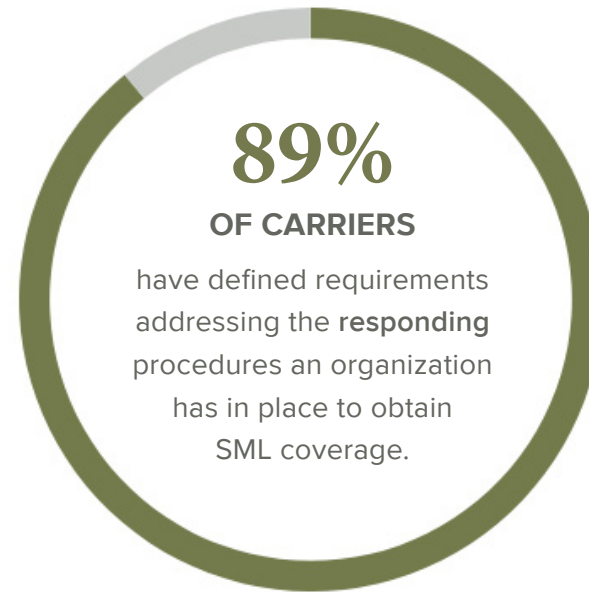
67% **OF CARRIERS** require organizations to have procedures to manage **overnight activities**.

56% **OF CARRIERS** require organizations to have procedures to manage **transportation**.



UNDERWRITING EXPECTATIONS RESPONDING

Praesidium asked carriers to tell us about the responding expectations they have in place for an organization to obtain SML coverage.



67% **OF CARRIERS** require organizations to have defined **investigation** procedures.

67% **OF CARRIERS** require organizations to have written reporting procedures for **suspected abuse**.

56% **OF CARRIERS** require organizations to have written procedures for responding to **client-to-client behaviors**.

44% **OF CARRIERS** require organizations to have an anonymous **reporting** method.

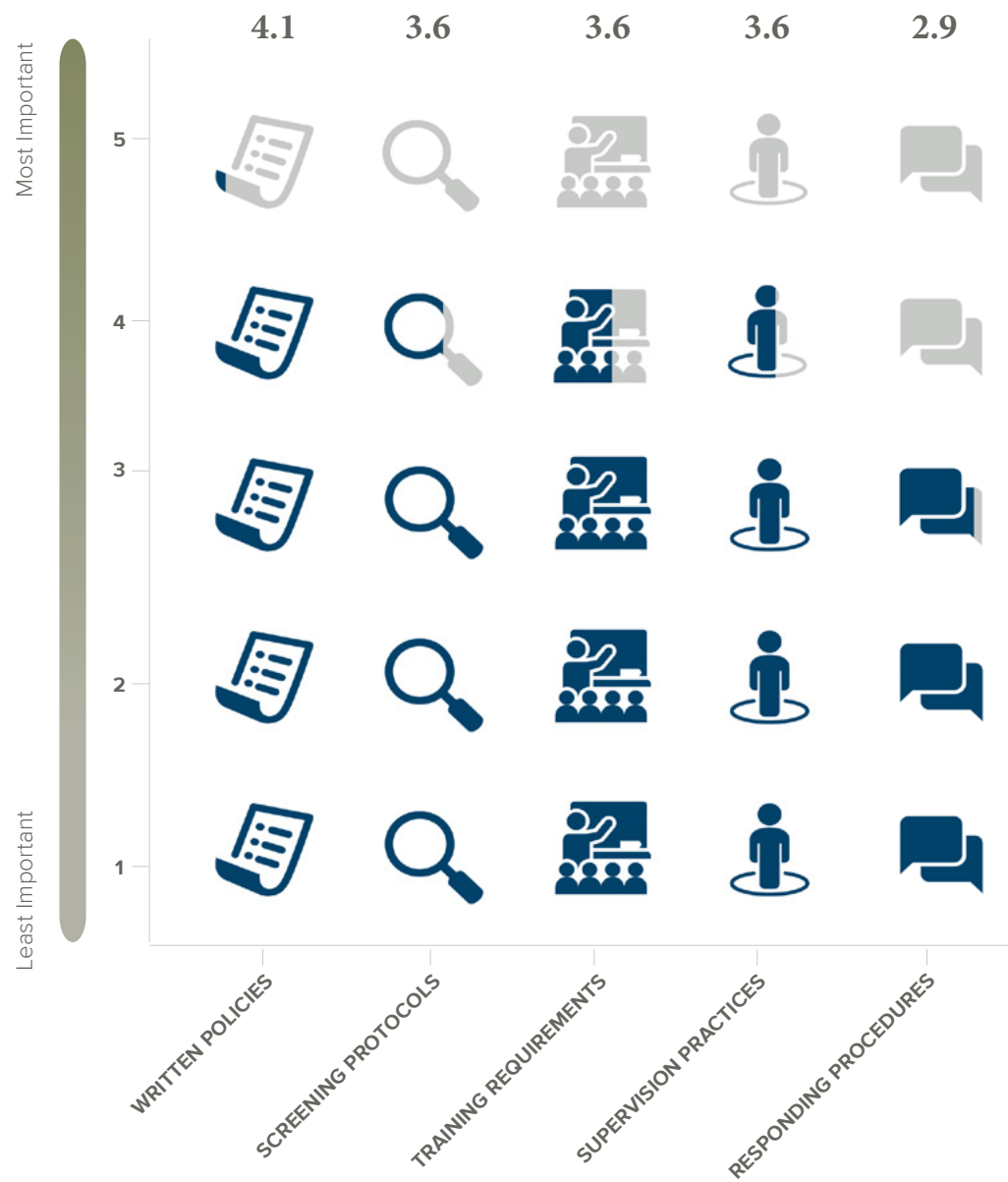


UNDERWRITING EXPECTATIONS

RANKED IMPORTANCE OF RISK CONTROL PRACTICES

Praesidium asked carriers to rank the importance of the following risk control practices in the underwriting process. Carriers ranked these practices as 1 being the least important and 5 being the most important. The survey results indicate that while having a variety of risk control practices in place is important, carriers value the importance of abuse prevention policies.

Risk Control Practices ranked least important (1) to most important (5)





UNDERWRITING EXPECTATIONS

THE IMPACT OF ACCREDITATION

Praesidium asked carriers to tell us more about how external accreditation can impact an organization's SML coverage. Results indicate that a majority of carriers agree there may be opportunities for organizations that are publicly accredited by an outside expert as meeting or exceeding best practices in abuse prevention.

86% **OF CARRIERS** stated that organizations with accreditation are more likely to get **higher limits**.



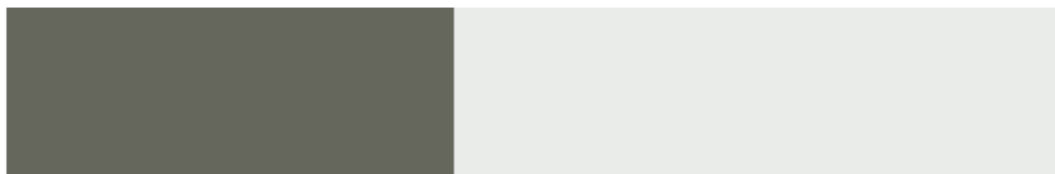
71% **OF CARRIERS** stated that organizations with accreditation are more likely to **get coverage**.



67% **OF CARRIERS** stated that an organization's SML coverage would be **positively impacted by external accreditation**.

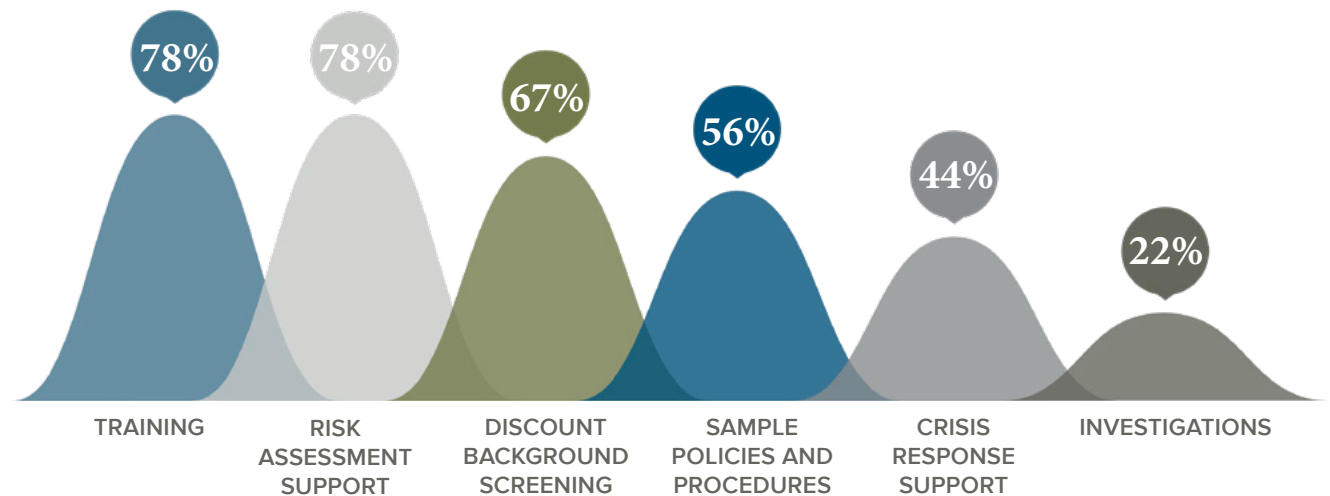


43% **OF CARRIERS** stated that organizations with accreditation are more likely to get a **lower premium**.



RISK MITIGATION RESOURCES

Praesidium asked carriers to tell us more about the value-added services they have in place for an organization that may purchase SML coverage. The results indicate carriers are finding ways to support organizations' abuse prevention efforts through value-added, loss control resources, with many providing training, risk assessment support, and discount background screening.



SML TRENDS

OVER THE NEXT THREE YEARS

Praesidium asked carriers where they see the SML coverage market in the next three years. The overwhelming majority of responding carriers agreed they see the market hardening in a variety of different ways.



PROJECT INCREASED PREMIUM

85%

PROJECT INCREASED UNDERWRITING REQUIREMENTS

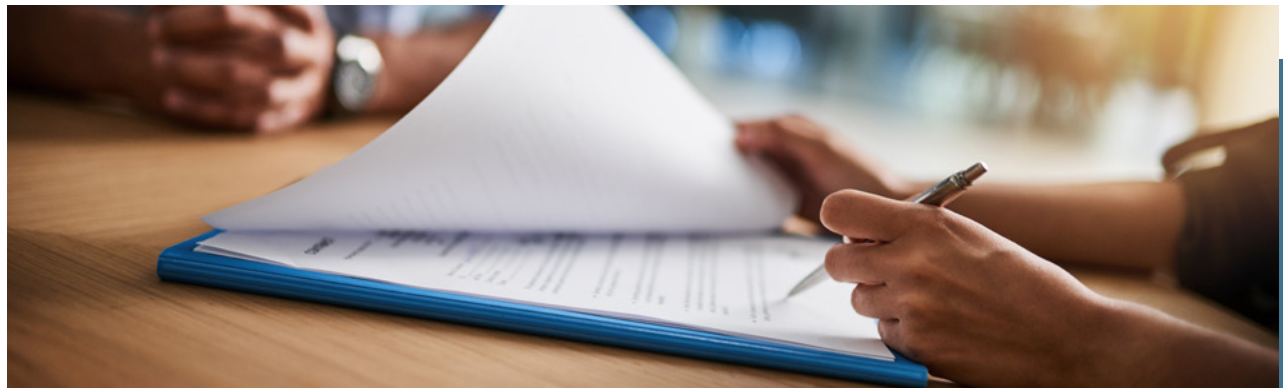
78%

PROJECT DECREASED LIMITS

77%

PROJECT DECREASED COVERAGE

69%



WHAT DO THESE RESULTS MEAN FOR INSURANCE PROFESSIONALS?

MARKET UPDATE. As you review year-end financials, assess market research, and prepare reinsurance proposals, take stock of how your peers are writing coverage. Few carriers offer a standalone product, and according to respondents of this survey, most are writing on an occurrence basis.

UNDERWRITING AND LOSS CONTROL. The majority of responding carriers are requiring organizations to have a threshold of abuse risk processes in place to obtain or extend coverage for abuse risk. Evaluate your underwriting requirements to ensure they meet the rising standards for preventing abuse. Carriers are also pouring back into policyholders and finding ways to support their efforts to protect consumers through value-added, loss control resources.

CONSIDER ACCREDITATION. Despite the trends of a continued hardening market, some carriers acknowledge external validation through the accreditation of an organization's abuse risk framework and may open new opportunities for coverage or create higher coverage limits. The result is a carrier with a better-performing book of business, and a safer organization with the infrastructure to prevent abuse.



WHAT DO THESE RESULTS MEAN FOR CONSUMER SERVING ORGANIZATIONS?

PLAN FOR A HARD MARKET. The data reinforces what many in the field have been saying for some time: the market is hardening, expectations to obtain coverage are increasing, and the coverage that is available may cost more and cover less than previous years. A trusted and experienced insurance broker is key to navigating this landscape. It also means some industries that have been difficult to place for some time, including foster care and healthcare, may continue to see challenges.

EXCEED UNDERWRITING REQUIREMENTS. Insurance carriers are consistently requiring organizations that serve vulnerable populations to articulate their loss control measures for abuse risk. If your team does not already have abuse prevention policies, screening, training, supervision, and responding practices in place now is the time to strengthen your efforts. A potential gap in these operations may impact the organization's financial bottom line when seeking insurance coverage and expose your clients to harm.

TAKE ADVANTAGE OF ABUSE PREVENTION RESOURCES. The data also suggests most carriers are offering prevention resources to help their policyholders. Be sure to take advantage of and demonstrate how you implemented any prevention resources your carrier may have offered.



WHAT DO THESE RESULTS MEAN FOR CONSUMER SERVING ORGANIZATIONS?

CONSIDER ACCREDITATION. Despite the trends of a hardening market, some carriers have indicated that organizations who are publicly accredited by an outside expert as meeting best practices in abuse prevention may receive favorable coverage such as higher limits and lower premiums. Achieving accreditation will protect your consumers and staff, show your community your organization's commitment to safety, and may help you acquire quality SML coverage.



If your organization would like more information on risk management, creating a culture of safety, screening, accreditation, or training as it relates to sexual abuse prevention, please [contact Praesidium today](#).

GLOSSARY

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](#).