

# 2025 WEBINAR SERIES



## Emerging Topics for 2025 & Beyond



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## Thought for the Day

*"We must play what is dealt to us and the glory consists not so much in winning, as in playing a poor hand well"*

- Henry Wheeler Shaw  
Humorist



# AGENDA



## Table of Contents

- What is an Emerging Risk Trend?
- State of the Public Entity Insurance Market
- The Top Emerging Risk + Bonus



## What is an Emerging Risk Trend?



## What's an Emerging Trend?

Either new trends or current issues that are impacting a trend

### Emerging Trends As Cited By:

- World Economic Forum
- Swiss Re Institute
- Gallagher Public Sector
- My own research

Mostly we want to give you a *heads up* on something that might impact your budget



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## Global risks ranked by severity over the short and long term

"Please estimate the likely impact (severity) of the following risks over a 2-year and 10-year period."

### 2 years



### 10 years



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## Swiss Re – Emerging Trends 2024-2025 +

### SONAR

- Catastrophes impact on our infrastructure
- Cyber Enabled Fraud
- Recycling when Energy Becomes Hazardous
- Next Generation Nuclear
- AI & “unintended coverage”
- Underfunding Public Health
- Global Supply Chains
- Smart Drugs
- Big Tech & Dependency
- Climate Change threatens International Security



**Swiss Re**



## State of the Public Entity Insurance Market

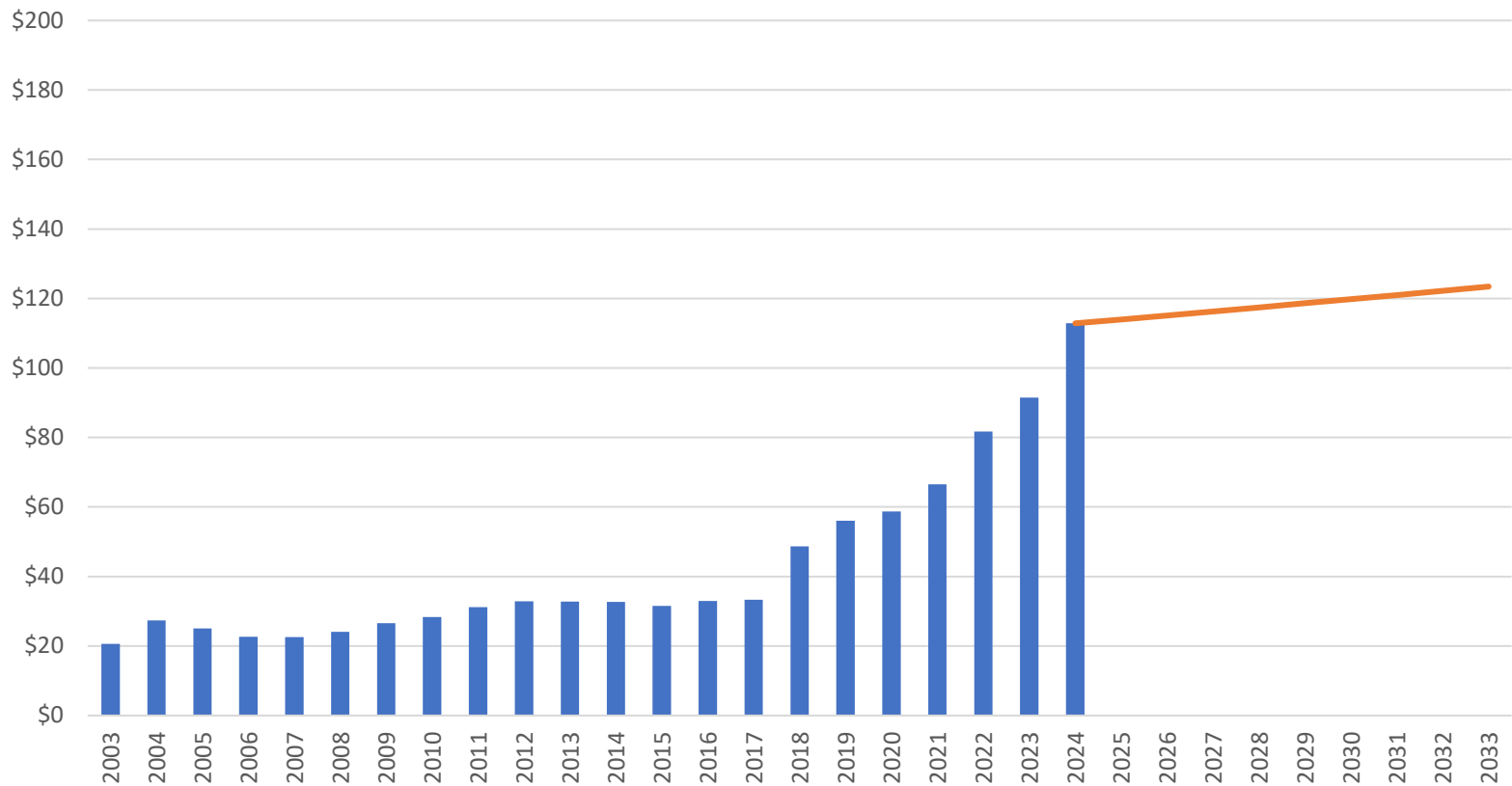




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## State of the Market The Picture tells a story – Data Subset



## Property

- 2024 saw rates moderate despite continued catastrophes including Milton and Helene and Severe Convective Storms (SCS) & Wildfire
- Second straight profitable year for property market has resulted in competitive environment
- Clients should see an opportunity to enhance their program
- Clients without appraisals will suffer with Occurrence Limits or Margin Clauses
- Schools are challenged by lack of maintenance in respect of roofs and Underwriters will want details on what you are doing to rectify
- Key to success is forging personal carrier relationships



## Casualty

- There is no relief to be seen in respect of the legal environment - Market is restricted and tight with continued departures of companies (Market)
- More exclusions i.e. PFAS, Biometric, SAM
- Social Inflation and Nuclear Verdicts are unabated
- Geography is critical with larger more populated jurisdictions getting punished
- Growth in Third Party Litigation Funding is closely correlated with the increase in severity of claims outcomes



## Workers' Compensation

- Workers' Compensation and Excess Workers' Compensation continue to balance the increases of property and casualty rates as profits are still common for companies and pools alike.
- Signs are clear: there are more large claims as medical technology improves but this has not resulted in an increase to rates or attachments with no imminent signs of change.



## Cyber

- The Cyber Market continues to be competitive despite increase in ransom ware and e-crime among public entity accounts
- Public Agencies with robust cyber hygiene will continue to attain high limits, low retentions and rates
- Public Agencies that have been slow to implement MFA, EDR and can document back up protection will not



## Crime

- The Market for Crime for Public Entities is challenged by increased e-crime claims and traditional embezzlement events.
- E-Crime and Faithful Performance are very difficult to attain in this market.
- All public agencies should anticipate more comprehensive applications from the limited number of Crime carriers.



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## The Top Emerging Risk (plus a bonus)



## Gallaghers Top 10 Public Entity & K12 Education - Emerging Trends

1. Mass Deportations
2. PFAS (Perfluoroakyl and Polyflouroakyl Substance)
3. AI in the workplace
4. Homelessness/Mental Illness
5. First Amendment Audits
6. Cyber
7. Sexual Abuse & Molestation
8. Social Inflation & Thermonuclear Verdicts
9. Law Enforcement
10. Hiring & Retaining Staff

\*Bonus: Pandemics – We aren't kidding...





## 1) Potential Mass Deportations

- Increased Liability Exposure
- Employment Practices Liability (EPL)
- Law Enforcement Liability
- General Liability Risks
- Property Damage & Business Interruption
- Workers' Compensation
- Social Service Strain
- Reputation Management Costs
- Coverage Challenges
- Risk Management Challenges



## 2) PFAS

“This final action is based on significant scientific evidence that these substances, when released into the environment, may present a substantial danger to public health or welfare or the environment. PFOA and PFOS can accumulate and persist in the human body for long periods of time, and evidence from scientific studies demonstrate that exposure to PFOA and PFOS is linked to adverse health effects.”

Ken Cook, President and co-founder of Environmental Working Group.



## 3) AI in the Workplace

There are many issues associated with AI in the workplace:

- Job displacement
- Skills gap
- Bias and discrimination
- Lack of transparency and accountability
- Ethical considerations
- Employee well-being
- Trust and acceptance
- Legal and regulatory challenges

Overall, while AI can bring numerous benefits to the workplace, it is essential to address these associated issues to ensure a fair, inclusive, and ethical work environment.



## 4) Mental Health & Homelessness?

- According to the University of California (SF) 25+% of homeless Californians have been hospitalized for mental illness and 67%+ suffer from mental trauma and 33% use methamphetamine.
- In County of LA the number of homeless deaths has skyrocketed in recent years.
- CA response: 10,000 treatment beds & housing units
- The expansion of involuntary treatment: CARE



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## 4) Mental Health & Homelessness

California is a lesson for the US

\$6.4 B and Community Assistance Recovery and Empowerment (CARE)



10,000 more beds  
and housing units



Supreme Court  
Grants Pass v.  
Johnson



Tents to Beds



California passed  
the CARE ACT in  
2022



## 5) First Amendment Audit

- The First Amendment protects the public's right to record government employees in public areas where there's no expectation of privacy. Federal courts, including the Seventh Circuit Court of Appeals, have upheld this right as long as recordings occur in public spaces.
- Audits initially focused on law enforcement but now commonly include other government employees working in public (Librarians, clerks, etc).
- Auditors often try to provoke reactions to create viral content. A calm, respectful response minimizes the risk of negative exposure.



## 6) Cyber

- The Cyber Insurance Industry is in its infancy which is why it's hard to know if it will be soft or hard in a given year.
- Large Global Losses like SoBig and MyDoom are more rare and less costly but the number of incidents rises every year.
- The FIO has identified just two areas they intend to engage resources:
  - This new IUCRC will bring together the insurance sector, academic teams, the federal government, and other stakeholders to strengthen the resilience of the U.S. financial system through efforts that:
    - (1) help insurers to estimate risk with greater certainty, thereby improving insurance pricing, coverage, and policyholder uptake;
    - (2) contribute to the potential expansion of reinsurance and capital markets to help support these risks; and
    - (3) inform the treatment of terrorism and catastrophic cyber risks in government programs.



## 7) Sex Abuse & Molestation Reviver Legislation

### HOW STATUTE OF LIMITATIONS REFORM HELPS EVERYONE



#### **Identifies Hidden Child Predators and the Institutions that Endanger Children**

to the public, shielding other children from future abuse.



Source: Child USA  
<https://childusa.org/2020/01/>

#### **Shifts the Cost of Abuse**

from the victims and taxpayers to those who caused it.



#### **Prevents Further Abuse**

by educating the public about the prevalence, signs, and impact of child sex abuse so that it can be prevented in the future.



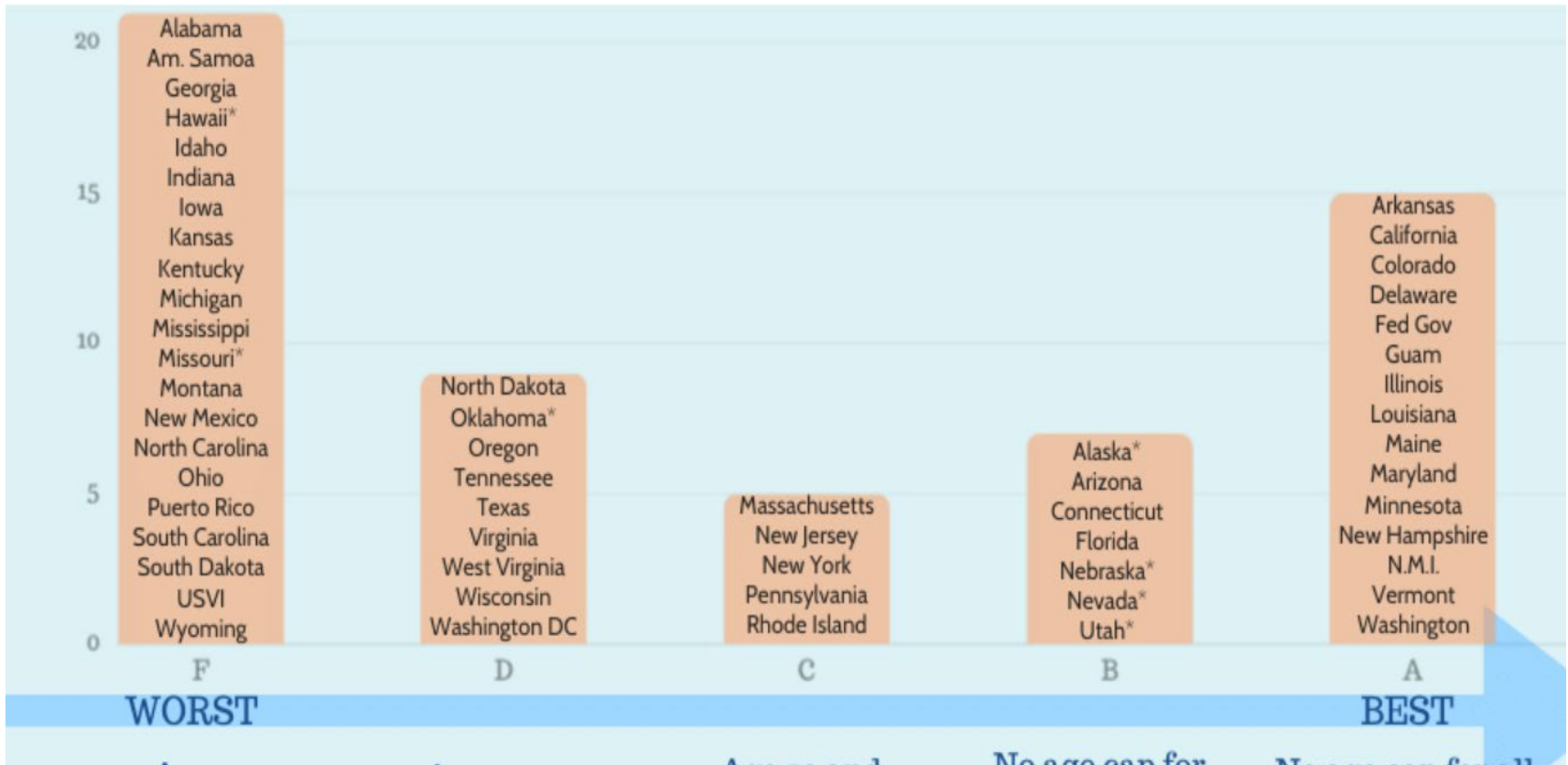


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## 7) Sex Abuse & Molestation

Statute of Limitations



## 7) Sexual Abuse and Molestation

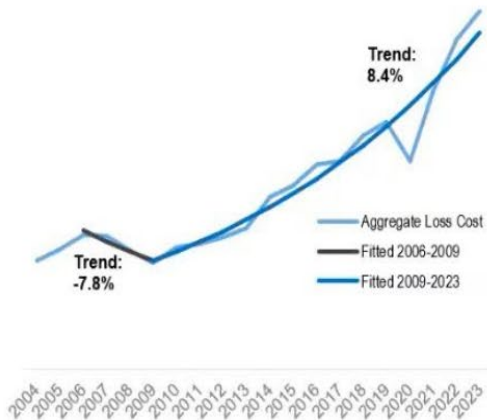
### Insurance Industry Response

- Retreat entirely
- Claims Made Coverage
- Lower Limits, Higher Deductibles & Raise Prices
- “Sunset Clauses”
- Knowledge equals an exclusion
- Aggregate Limits
- Per Victim Attachment
- Mandatory Loss Control



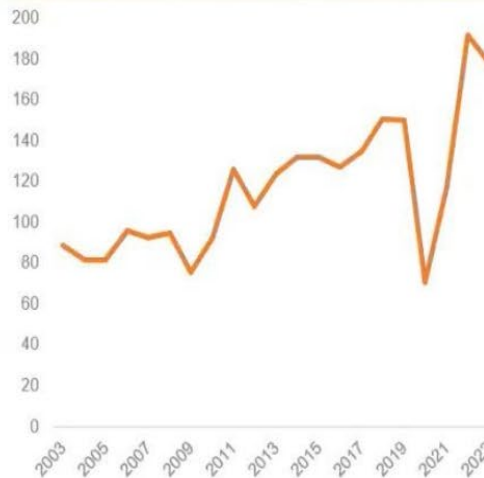
## 8) Social Inflation & Thermonuclear Verdicts

### Increasing Loss Cost Trend



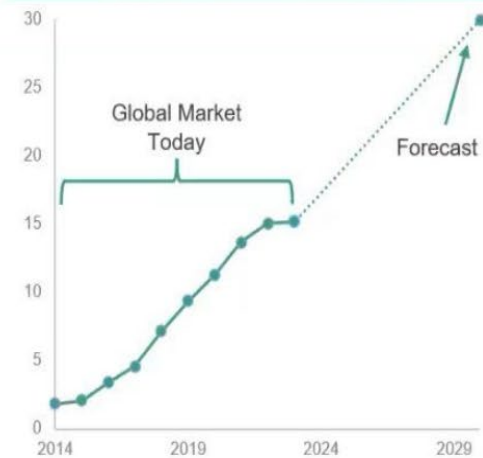
Excess and Umbrella loss costs continue to rise  
Rate growth and trend broadly consistent for last 14 years

### Count of Nuclear Verdicts Increasing



Frequency of US court awards for cases \$10m+ is increasing  
As many cases settle out of court, count is likely understated but indicative of trends

### Litigation Funding Growing



3<sup>rd</sup> party investment paying for litigation fees dramatically increased over the last 10 years

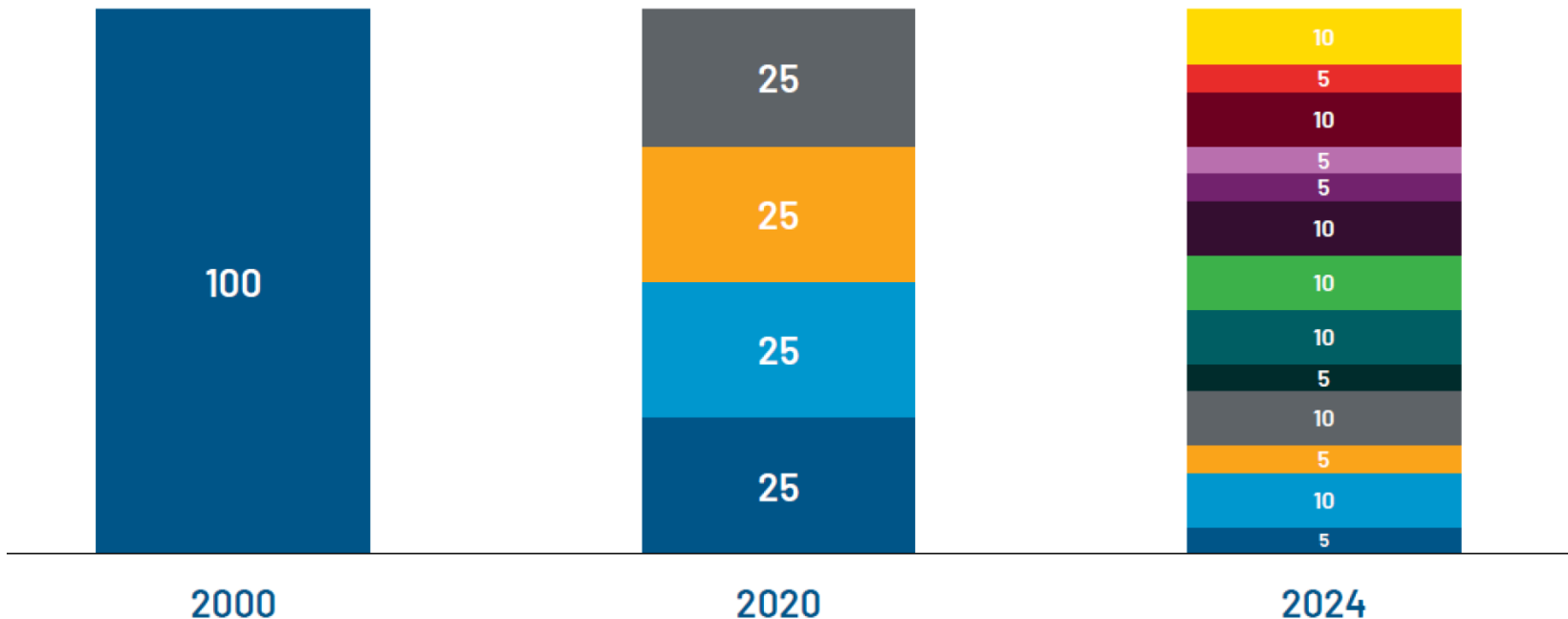
Demand for return on investment is influencing settlement awards



## 8) Social Inflation & Thermonuclear Verdicts

Limits Compression

\$100M Umbrella/Excess Layer



## 9) Law Enforcement

**The U.S. is experiencing a police force hiring crisis**  
America is in a police officer shortage that many in law enforcement blame on both the coronavirus pandemic (retirements were up 48%) and criticism of police.

How many State's passed legislation in respect of Policing since 2020??



### **Things have improved starting in 2023**

The survey shows that while small and medium departments had more sworn officers than they did in January 2020, large departments are still more than 5% below their staffing levels from that time, even with a year-over-year increase from 2022 to 2023. Many large city officers transferred to smaller suburban departments



## 10) Hiring and Training?

- Government jobs have increased by an average of 58,000 a month in 2023. That's brought the number of new public jobs this year to 636,000 with a month to go.
- Government jobs also account for about one-quarter of all new jobs created in the U.S. in 2023.
- It's not entirely a surprise that government employment is rising. Public-sector jobs sank by more than one million in 2020 due to the coronavirus pandemic. Many governments cut back as tax revenue shrank and there was less need for bus drivers and cafeteria workers with so much remote learning.
- Yet the rise in government jobs this year easily exceeds the 385,000 increase in 2022 and 275,000 in 2021.
- The vast majority of new public jobs have been created by state and local governments. Only 79,000 of the new government jobs are federal.
- As of November, governments at all levels employed a record 22.97 million people.



## 10) Hiring and Training Staff

- To start the process, the hiring professionals within these agencies should ask their long-time, most productive employees why they stay. Then, analyze the employee experience through the lens of a productive, engaging, and enjoyable work experience.
- Next, understand the experience your competitors are offering, and engage in a social marketing strategy through story-telling to communicate your agency's unique value proposition. According to Indeed, public sector candidates interact with prospective employers an [average of 7.4 months prior to being hired](#).





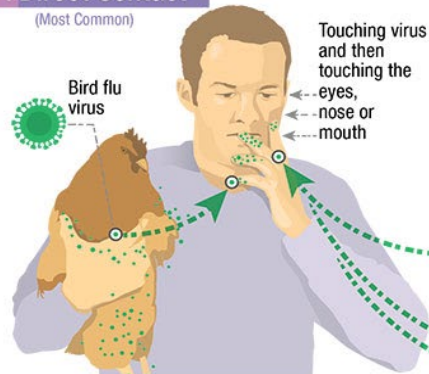
## Bonus) Pandemic?

### How Infected Backyard Poultry Could Spread Bird Flu to People

Human Infections with Bird Flu Viruses Rare But Possible

#### 1 Direct Contact

(Most Common)



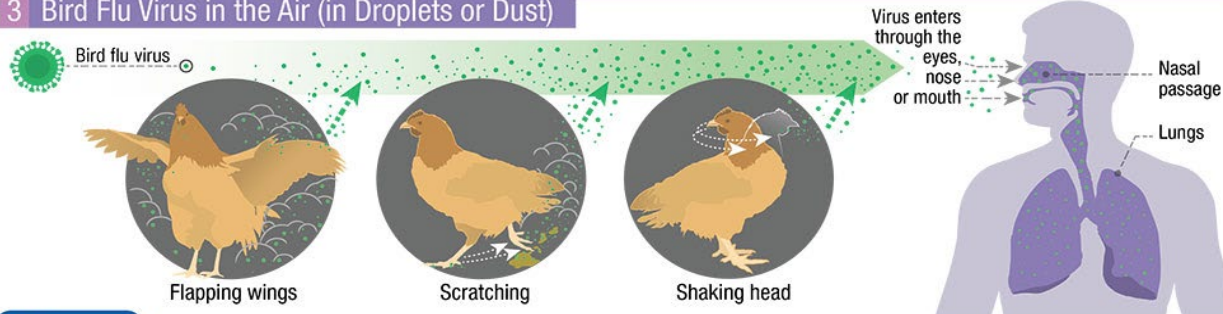
Infection can occur without touching poultry.

#### 2 Contaminated Surfaces



Healthy looking birds can still spread bird flu

#### 3 Bird Flu Virus in the Air (in Droplets or Dust)



U.S. Department of Health and Human Services  
Centers for Disease Control and Prevention

[www.cdc.gov/flu/avianflu/avian-in-humans.htm](http://www.cdc.gov/flu/avianflu/avian-in-humans.htm)

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## We are finished!

- Learn what the risks which might create budget issues due to coverage gaps or increased losses and insurance costs
- Learn the warning signs for risks which will be problematic in 1, 2 or 3 years
- Learn how your entity should be assessing risk treatments for these issues now

