

Connecticut Nonprofit Liability, Property & Casualty Insurance Working Group Report

Recommendations for the 2026 Legislative Session

Prepared by the Non-Profit Liability Working Group
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Background and Purpose

The Insurance and Real Estate Committee of the Connecticut General Assembly established the Nonprofit Liability, Property & Casualty Insurance Working Group in response to rising insurance premiums, reduced market availability, and coverage challenges affecting nonprofit human services providers. The Committee convened the Working Group to gather testimony from brokers, insurers, regulators, and nonprofit leaders and to develop policy options that could improve stability, affordability, and access to coverage across the sector.

Executive Summary

Connecticut's nonprofit human services sector is experiencing rising costs and reduced availability of liability and property and casualty insurance coverage. Organizations serving higher-risk populations—particularly social services, behavioral health, foster care, residential programs, and justice-involved populations—face increasing difficulty obtaining affordable and adequate coverage.

Testimony presented to the Working Group indicated that the challenge is driven by rising claim severity, reduced insurer capacity, growth of excess and surplus markets, reinsurance pressures, third-party litigation funding, and long-tail liability exposure. Several providers described emergency placement into secondary markets or significant premium spikes following a single large claim.

The Working Group finds that while improved risk practices are helpful, the issue is largely structural within the broader insurance marketplace. A balanced approach is needed that supports practical risk mitigation while also exploring structural solutions to stabilize coverage availability and affordability.

Committee Members

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Fenhua Liu, Assistant Deputy Commissioner, Captive Insurance Division
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Gian Carl Casa – Executive Director, Non-Profit Alliance
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Kristen Dudanowicz – Office of Early Childhood,
Brooke Foley – Insurance Association of Connecticut
Eric George – President, Insurance Association of Connecticut
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Anne Kleza – Office of the Governor
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Key Findings

1. Coverage availability and affordability risks are increasing.
2. Claim severity—especially abuse and professional liability exposures—is the primary cost driver.
3. Most nonprofits lack capital reserves necessary for meaningful self-insurance.
4. Risk mitigation improvements alone are unlikely to fully counter broader market forces.
5. Structural participation mechanisms may be necessary to stabilize the sector long-term.

RECOMMENDATION 1

Support Risk Mitigation and Improved Outcomes

The Working Group recommends an exploratory, supportive approach that helps nonprofits strengthen risk management practices without imposing prescriptive mandates.

Underwriting outcomes often improve when organizations can clearly document safeguards and operational controls.

Potential enabling steps include optional templates and guidance, technical assistance, streamlined background screening processes, clearer contracting language, and voluntary peer learning opportunities for higher-risk service segments. These actions are intended to reduce administrative burden and help nonprofits demonstrate effective risk practices.

RECOMMENDATION 2

Explore a Connecticut Domiciled Captive or Pooling Mechanism

Evaluate enabling legislation and a feasibility study to create a state-supported captive insurer or pooled risk program that participates alongside the commercial market to stabilize coverage availability and cost.

RECOMMENDATION 3

Nonprofit Undersecretary and Advisory Cabinet at OPM

Strengthen executive branch coordination through a designated liaison or advisory cabinet to monitor market conditions and advance solutions collaboratively with the nonprofit sector.

RECOMMENDATION 4

Evaluate Limited Motor Vehicle Self-Insurance Flexibility

Explore whether certain well-capitalized nonprofits could have self-insurance options for motor vehicle risks while maintaining adequate protections.

RECOMMENDATION 5

Study Third-Party Litigation Funding and Tort Drivers

Further analysis is recommended to better understand how third-party litigation financing, settlement dynamics, and broader tort cost drivers may influence claim severity and insurance pricing. Because these issues intersect with civil procedure, liability standards, and court policy, any potential legislative or regulatory changes should be developed in coordination with other committees of cognizance of the Connecticut General Assembly, including working in concert with the Judiciary Committee and other relevant committees.

Conclusion

By establishing this Working Group, the Insurance and Real Estate Committee of the Connecticut General Assembly initiated a collaborative process to protect essential nonprofit services and ensure a stable insurance marketplace. A balanced strategy—supporting risk mitigation while pursuing structural market solutions—offers the most promising path forward.