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Article

Safeguard: Unseen threats: Confronting sexual misconduct risk across not-for-profits

September 30, 2025

Risk rises where trust is assumed. Since the not-for-profit (NFP) sector is viewed as morally grounded, it's often seen as low-risk for sexual misconduct liability (SML). And yet sectors like education and healthcare, similarly built on public trust, have faced numerous high-profile legal disputes and settlements related to SML. Like these sectors, NFPs have long carried the weight of safeguarding those most vulnerable – the children, the elderly, people in crises. And like these sectors, this makes NFPs a magnet for bad actors ready to exploit the sector's innate perception of integrity.

When done right, risk management for NFPs becomes a proactive shield, woven into the fabric of the organization through clear policies, rigorous procedures and specialist insurance that protects against even the most insidious threats.

Safeguarding as a strategic asset

What's at stake is profound. The ripple effects of harm can be devastating not just for the survivor, but for families and communities too. And for the NFPs themselves – missions falter and entire organizations can find themselves on unstable ground. Safeguarding is about doing the right thing, but also the smart thing.

Settlements are surging

SML settlements are escalating fast. The Boy Scouts of America's payout hit $7 billion – double the figure estimated in its 2022 bankruptcy plan, and potentially the largest US sexual abuse settlement value to date. In January, a Long Island school district had to borrow $16.5 million just to cover its own sexual abuse settlement.

Trust capital is financial capital

Sexual abuse claims can severely damage donor confidence and trigger funding losses. Negative publicity may reduce individual and corporate donations, while government and private funders often withdraw support or impose stricter safeguarding requirements on organizations with a history of allegations.

These aren't outliers, they're warnings. The financial and reputational damage from abuse claims can cripple organizations, especially those with limited reserves and donor-dependent funding. If safeguarding isn't watertight, the consequences spill over.

The risk you didn't hire

Preventing this kind of fallout in the first place means tracing vulnerabilities across the organization. Particularly where formal oversight fades and informal roles, like volunteers, carry risks that are easy to miss. Abuse can happen in a single interaction. We know NFPs are concerned, and they're right to be – recent cases show how quickly liability can escalate when volunteers are involved and safeguarding fails:

Case 1 – Police Activities League: $230M
A city employee and volunteer at the city-owned Santa Monica NFP called Police Activities League, was accused of sexually abusing 229 individuals. The resulting settlements totaled nearly $230 million.

Case 2 – Volunteer Soccer Coach: $12.75M
A volunteer coach at a parent-run soccer club in Washington State was accused of sexually abusing young female players. Settlements reached $12.75 million, including an individual $7.5 million payout – one of the largest in state history.

Essentially, liability simply does not care whether someone is paid or present full-time. Training matters, especially when roles are informal and oversight is light. Staff and volunteers alike need regular, practical guidance on what to look out for and how to raise concerns. When allegations surface, organizations are expected to show that their checks were thorough and their systems sound. Were background checks done properly? Were warning signs missed? Or worse, ignored? Claims of negligent hiring or supervision often follow. The cases above underline the need for clear, well-documented, well-implemented policies and procedures for recruitment, for training, and for day-to-day oversight.

Our expertise in protecting NFPs

Growing challenges in safeguarding across the NFP sector mean organizations are finding it harder to secure the cover they need – especially in high-risk areas like foster care and adoption. The stakes are rising, and securing cover is becoming increasingly complex.

That's where we step in. More and more NFPs are turning to us not just for insurance, but for foresight. With risk, regulation and public scrutiny

shifting fast, our expertise can help organizations stay ahead. We support them in strengthening safeguarding policies, tightening background checks, sharpening risk assessments and improving incident reporting – all to create safer spaces for those who need them most.

But when prevention isn't enough, Safeguard is built to respond. If an incident occurs, our crisis support activates immediately – deploying legal experts, counsellors, investigators and reputational specialists to help organizations. And beyond the crisis, our consultative approach means insureds have a steady partner to guide them through every stage.

In a sector where trust is everything, Beazley's support is built for the long haul – steady, responsive, and ready when the stakes are high.

Beazley Safeguard, Beazley's market-leading standalone SML policy, offers risk management tools, pre-claim coverage for circumstances, and liability insurance.

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