

Market Outlook

The general liability insurance segment has steadily underperformed over the past few years, generating minimal underwriting profitability due to rising claim frequency and severity. In response, insurance carriers have reduced coverage capacity, deployed stricter underwriting standards and implemented ongoing rate increases. However, carriers experienced slightly improved market results in 2022, paving the way for rate deceleration. According to industry data, rates continued to increase during 2022, albeit at a slower pace than in prior years. As such, policyholders can expect yet another year of modest rate increases in 2023. Renewal results will likely depend on insureds' exposures, class and loss history.

Developments and Trends to Watch

- **Social inflation issues**—The United States has become an increasingly litigious society over the last decade, resulting in businesses facing a growing number of lawsuits following liability incidents (actual or alleged) and, in turn, greater penalties from such legal action. This trend has also driven up social inflation issues. Currently, multiple factors are contributing to social inflation within the liability market, including additional attorney advertising, third-party litigation funding, tort reform challenges and deteriorating public sentiment toward corporations. Altogether, increased litigation and social inflation issues have largely contributed to elevated liability insurance claim costs. In some cases, such litigation has posed underinsurance concerns for businesses, leaving them with coverage gaps and substantial out-of-pocket expenses amid related claims.
- **Active assailant exposures**—Active assailant incidents (also known as active shooter incidents or mass shootings) have grown in both frequency and severity in recent years, according to the FBI. These events often result in fatalities, serious injuries and prolonged emotional trauma among those involved. They can also leave lasting impacts on the locations where they occur—namely, commercial properties. Businesses that encounter active shooter incidents could face substantial recovery expenses, regulatory penalties and liability concerns. With these events on the rise, some businesses have started to evaluate their active assailant exposures, implement related risk management measures and create incident response plans.
- **Medical expense increases**—Coverage for medical costs arising from third-party injuries is a key element of general liability insurance. As a result, rising medical expenses have exacerbated claim costs across the market over the past few years, with no signs of slowing for the foreseeable future. The surge in medical expenses is tied to various factors, including increased prescription drug costs, elevated treatment expenses due to advancements in medical technology and evolving care methods, and rising wages among health care workers. With this in mind, rising medical expenses will likely continue to play a major role in elevated general liability insurance claim costs in the months and years to come.

Tips for Insurance Buyers

- Work with trusted insurance professionals to educate yourself on key market changes affecting your rates and how to respond using loss control measures. Ensure coverage limits match up with your insurance needs.
- Make sure your establishment has measures in place to reduce the likelihood of customer or visitor injuries.
- Identify and address any completed operations liability exposures and mitigate any product liability exposures (if your organization makes or sells products).
- Create workplace policies and procedures aimed at minimizing active assailant exposures and establishing effective response protocols amid potential incidents.

