



2023 General Liability Insurance Midyear

Market Outlook

The general liability insurance market has consistently underperformed in recent years, producing limited underwriting profitability due to rising claim frequency and severity. As a result, carriers have reduced coverage capacity, deployed stricter underwriting standards and implemented ongoing rate increases. Fortunately, carriers were met with slightly improved segment results in 2022, paving the way for modest premium deceleration. In 2023, this stagnation has continued, with rates increasing at a slower pace than in prior years. According to industry research, the first quarter of the year saw rates rise by 4%-5%, down from 6%-7% in the final quarter of 2022. Most policyholders can anticipate slight rate increases for the remainder of 2023.

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. According to industry experts, these lawsuits and penalties show no signs of slowing down in 2023, thus driving up associated social inflation issues. 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 related social inflation issues have largely contributed to elevated liability insurance claim costs. In some cases—particularly as it pertains to lawsuits involving nuclear verdicts (jury awards exceeding \$10 million)—such litigation has posed serious 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 skyrocketed throughout the last few years. According to the latest FBI data, 50 active shooter incidents took place in 2022, representing a 66.7% increase from 2018 and contributing to a total of 313 casualties (100 deaths and 213 injuries). These events often result in profound loss and trauma among those involved. They can also leave lasting impacts on the locations where they occur—namely, commercial properties. Businesses that encounter mass shootings 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 stemming from third-party injuries is a key element of general liability insurance. As such, rising medical expenses have exacerbated claim costs across the market over the past few decades with no end in sight. According to the U.S. Bureau of Labor Statistics (BLS), the total value of medical care has risen by 115.1% since 2000. Medical inflation 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. However, it's worth noting that inflation among overall goods and services began exceeding medical inflation in the first quarter of 2023, evidenced by monthly consumer and producer price index data from the BLS. This is a rare occurrence, as medical care and health spending generally outpace growth across the rest of the economy. Regardless, increasing medical expenses will likely continue to play a major role in elevated general liability insurance claim costs for the foreseeable future.

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Tips for Insurance Buyers

- Consult trusted insurance professionals to learn about market changes affecting your premium pricing and how to respond with loss control measures. Ensure policy limits meet your specific coverage needs.
- Make sure your establishment has measures in place to reduce the likelihood of third-party injuries.
- Identify and address any completed operations liability exposures and mitigate any product liability exposures.
- Create workplace policies and procedures aimed at minimizing active assailant risks and establishing effective response protocols amid potential incidents.

