

2024 General Liability Insurance

Market Outlook

Rising claim frequency and severity have generated hardening conditions across the general liability insurance segment in recent years, prompting ongoing rate increases, stringent underwriting standards and limited capacity. Fortunately, insurance carriers experienced slightly better underwriting results in 2022-23, paving the way for rate moderation. Nonetheless, several concerning trends across the segment—including rising litigation concerns, increasing medical expenses, and heightened risks related to per- and polyfluoroalkyl substances (PFAS)—still have the potential to threaten claim costs and negatively impact overall market performance. As such, policyholders can anticipate another year of modest premium increases in 2024. Additionally, insureds who operate in sectors with elevated liability risks may be vulnerable to larger rate hikes and face difficulties obtaining higher coverage limits.

Developments and Trends to Watch

- **Litigation concerns**—As social inflation drives up the frequency and severity of insurance claims, businesses face a growing number of lawsuits following liability incidents (actual or alleged) and, in turn, greater penalties from such legal action. One of the main factors influencing social inflation issues in the liability market is the rise in nuclear verdicts (jury awards exceeding \$10 million). According to independent public relations firm Marathon Strategies, the five years leading up to the COVID-19 pandemic saw the total sum of nuclear verdicts increase by 178%. Although these awards decreased in 2020 due to pandemic-related court closures, they skyrocketed in the following years; the average nuclear verdict nearly doubled from \$21.5 million in 2020 to \$41.1 million in 2022. Altogether, litigation shifts and social inflation issues have largely contributed to elevated general liability insurance claim costs, increasing the risk of coverage gaps and out-of-pocket expenses.
- **Increased medical expenses**—Coverage for medical costs stemming from third-party injuries is a critical component of general liability insurance. Consequently, surging medical expenses have compounded claim costs in the segment throughout 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 jumped by 115.1% since 2000. However, it's worth noting that inflation among overall goods and services began exceeding medical inflation in 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, surging medical expenses will likely continue playing a role in elevated general liability insurance claim costs going forward.
- **PFAS exposures**—PFAS consist of a large grouping of chemicals that have been widely manufactured and utilized within different products and packaging across the United States since the 1940s. Over the past few years, PFAS have been the subject of increased regulatory scrutiny stemming from emerging developments regarding the health and safety of these substances. Although some types of PFAS have faced regulatory action in the past, the federal government recently implemented multiple efforts to limit overall PFAS usage and exposure in the coming years and beyond. Apart from federal legislation, 15 states currently have PFAS-related restrictions in place, while New York and New Jersey have already listed these chemicals as hazardous substances in their regulatory regimes. This legislation has contributed to a rise in litigation against businesses that are found responsible for causing PFAS exposure and related ailments via their products and packaging. As regulatory pressures and litigation concerns related to these chemicals press on, businesses that leverage PFAS may experience elevated liability exposures. Further, businesses facing PFAS-related incidents could be more susceptible to coverage exclusions and substantial out-of-pocket losses.

Tips for Insurance Buyers

- Educate yourself on key market changes affecting your rates and how to respond using loss control measures.
- Ensure your establishment has measures in place to reduce the likelihood of customer or visitor injuries.
- Create workplace policies and procedures aimed at minimizing PFAS exposures. Consult legal counsel to ensure compliance with applicable PFAS legislation.
- Examine your general liability coverage with trusted insurance professionals to ensure your policy limits match your insurance needs.



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