

MARKET OUTLOOK: 2024 GENERAL LIABILITY INSURANCE



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



Increased Medical Expenses



PFA Exposures

- **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.