

2021 General Liability Insurance Market Outlook



In recent years, the general liability market has consistently underperformed, resulting in heightened underwriting losses and subsequent rate increases. As worsening social inflation concerns, surging medical expenses and the ongoing COVID-19 pandemic continue to contribute to a rise in liability claim frequency and severity, the market has preceded to harden. Due to these market conditions, we predict that most policyholders will encounter another year of rate increases across their liability lines in 2021. Many insureds may also experience lowered capacity and further underwriting scrutiny during the renewal process. Policyholders who operate in sectors with elevated general liability exposures may be more prone to double-digit rate increases and experience difficulties securing higher coverage limits.

2021 Price Prediction

Overall:
+5% to +15%

Trends to Watch

- **Social inflation concerns**—Put simply, social inflation refers to the heightened frequency and severity of insurance claims. These rising costs are the result of societal trends and views toward increased litigation, broader contract interpretations, plaintiff-friendly legal decisions and large jury awards. Together, these factors can raise the cost of insurance. Currently, the key factor influencing social inflation within the liability market is the issue of nuclear verdicts (jury awards of \$10 million or more)—especially in the case of commercial auto accidents and class action lawsuits.
- **Surging medical expenses**—Although health care advancements and increasingly effective treatment options have helped injured individuals live longer and fuller lives following an accident, these advancements have also contributed to a surge in medical expenses and—consequently—more costly liability claims related to such accidents. According to data from the American Medical Association, health care spending is expected to rise by over 5% annually through 2028.
- **COVID-19 exposures**—The pandemic initially forced many businesses to temporarily close. But as business owners start reopening to the public, doing so carries an increased risk of COVID-19 exposures. Specifically, customers who get infected with COVID-19 after visiting a business may allege that the establishment's lacking precautionary measures contributed to their illness. What's more, many insurance carriers exclude claims related to communicable diseases from coverage, making businesses more financially vulnerable in the event of pandemic-related liability lawsuits.

Tips for Insurance Buyers

- Work with your insurance broker to educate yourself on key market changes affecting your rates and how to respond using loss control measures.
- Consult federal, state and local guidance to establish a safe reopening plan for your establishment with adequate COVID-19 prevention protocols. Reach out to your insurance professionals to review pandemic-related coverage restrictions.
- Examine your liability coverage with your insurance broker to ensure limits match up with your insurance needs.