



Verisk's Core Lines Services Report

2024 Executive Insights: General Liability

1st Edition

Second-Quarter 2019 to First-Quarter 2024

v2024.09.23



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Report Summary: General Liability

This **1st edition of the 2024 Executive Insights: General Liability** summarizes key trends in general liability insurance from Q2 2019 to Q1 2024*.

Performance:

- Overall five-year loss ratio was 67% and severity was \$78,224.
- Quarterly loss ratio peaked at 76% in Q3 2022 due to above average Bodily Injury and Property Damage losses.
- Severity increased every year and has been above average since Q4 2021.
- Annual premium changes saw historically high increases for the past three years, but 2023 premium change was nearly 2 PPT lower than in 2021.

What's Driving Losses:

- Bodily Injury accounted for two-thirds of losses driven by high severity.
- Property Damage annual severity increased 58% during the five-year period.

Segmentation Analysis:

- Owners, landlords, & tenants had the highest loss ratio every quarter.
- Premises/Operations accounted for ~75% of premium and losses overall, but the distribution varied between classes.

On the Horizon:

- Hot topics in the industry include human trafficking, drones, and kratom.

Key points about the data in this report:

- 1 The data and analysis is from **admitted business only** and is considered preliminary.
- 2 The losses are on an **accident year** basis and evaluated as of **March 31, 2024***.
- 3 Losses include all loss adjustment expenses (LAE).
- 4 Development factors were applied to losses and occurrence counts.
- 5 The report does not reflect trend adjustments often considered in actuarial reports.

See [Disclosures, Notes, and Considerations](#) for more details.

Executive Insights is powered by Verisk's Core Lines Services and the statistical data collected from contributing carriers.

This report provides a preliminary snapshot of the state of general liability insurance to help companies make data-driven decisions.



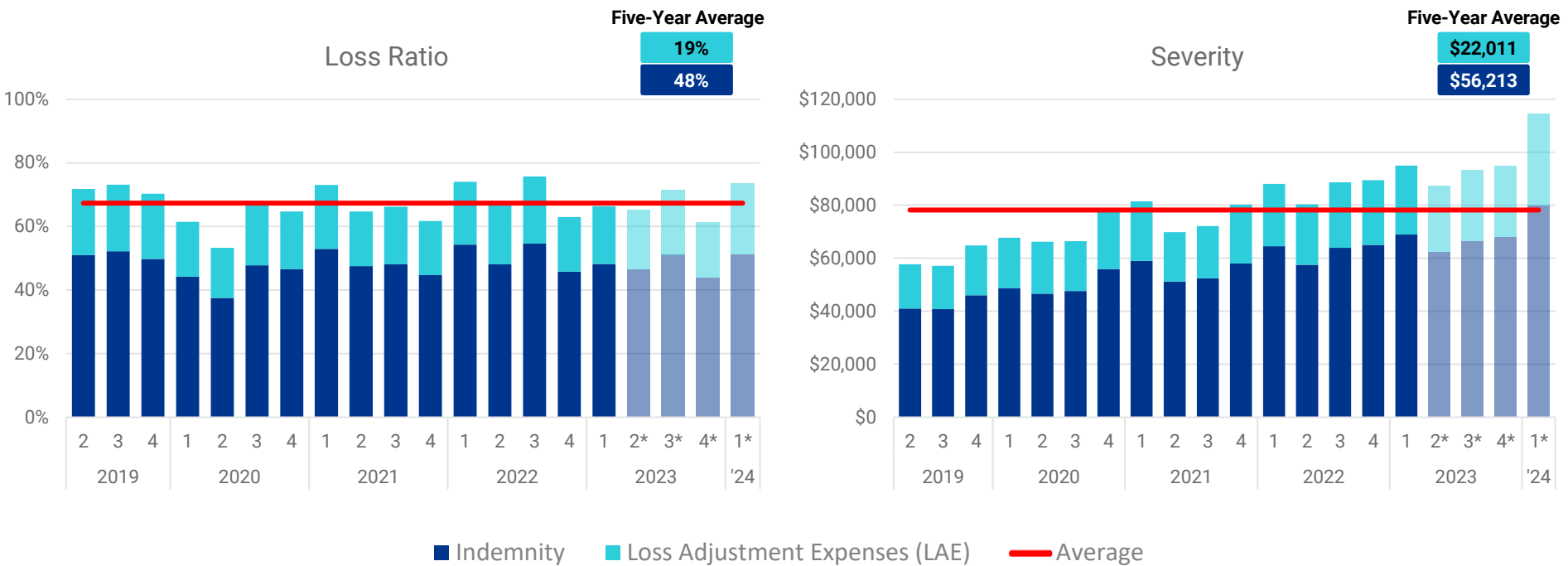
Overview of General Liability

Premises/Operations and Products & Completed Operations Loss Ratio and Severity

Overall five-year average loss ratio including all loss adjustment expenses (LAE) was 67% and severity was \$78,224.

Annual severity increased 59% from \$61K in Q2 2019-Q1 2020 (first four quarters) to \$97K in Q2 2023-Q1 2024 (last four quarters).

LAE accounted for 28% of overall loss ratio and severity.



While development factors were applied to losses and occurrences, measures for recent quarters are preliminary and subject to change.

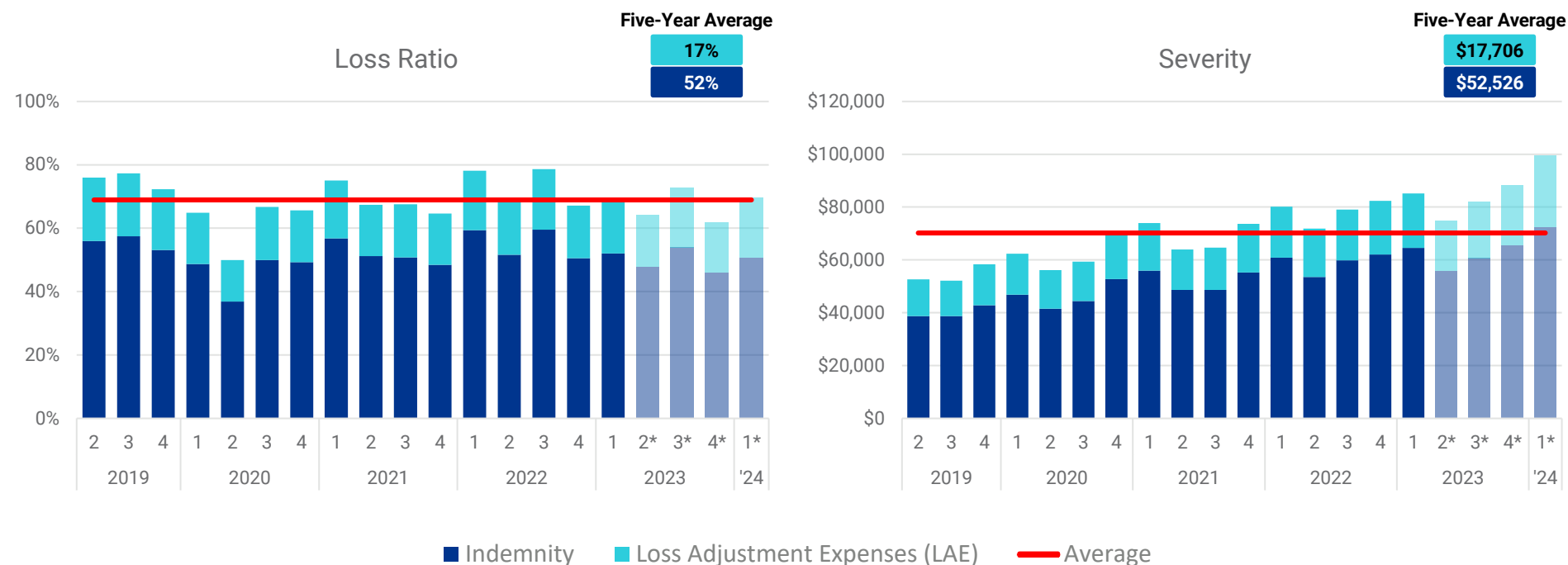
Premises/Operations (Prem/Ops)

Prem/Ops Loss Ratio and Severity

Five-year average Prem/Ops loss ratio was 69% and severity was \$70,232.

LAE accounted for 25% of Prem/Ops loss ratio and severity compared to 28% overall.

Premises/Operations accounted for 74% of premium and 75% of losses, see [p. 12](#) for additional details.



While development factors were applied to losses and occurrences, measures for recent quarters are preliminary and subject to change.



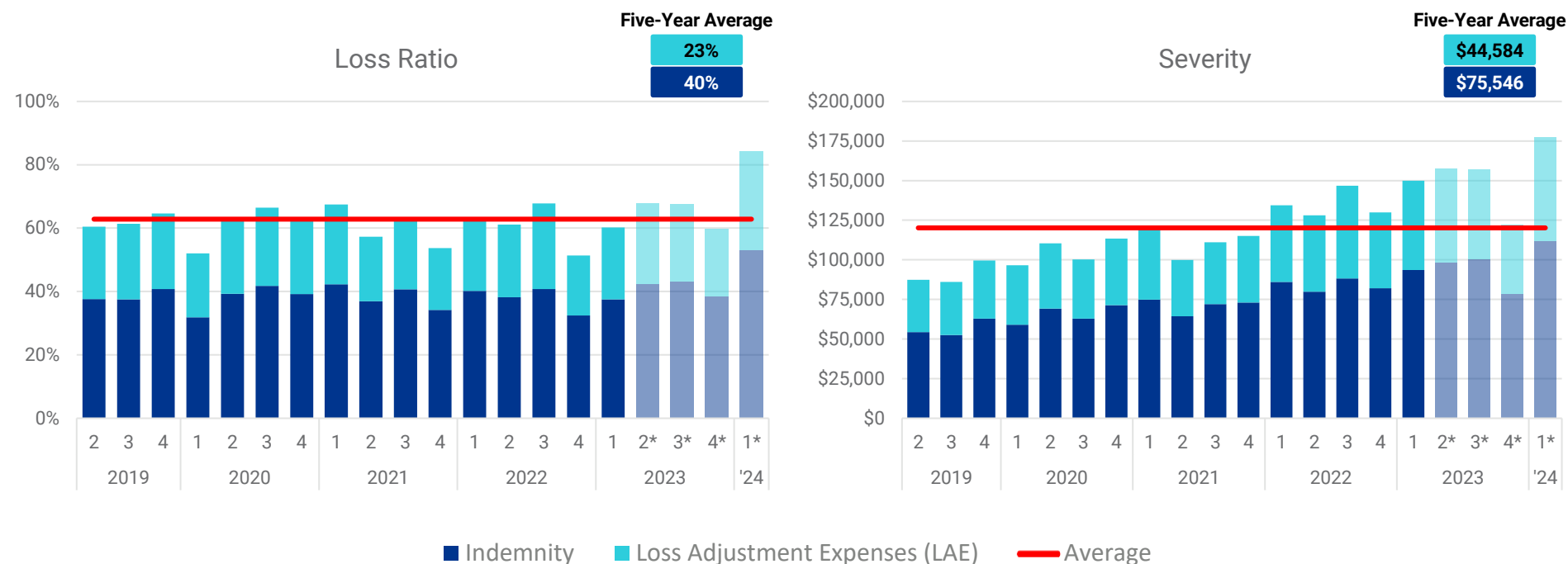
Products/Completed Operations (Products)

Products Loss Ratio and Severity

Five-year average Products loss ratio was 63% and severity was \$120,130.

LAE accounted for 37% of Products loss ratio and severity compared to 28% overall.

Products accounted for 26% of premium and 25% of losses, see [p. 12](#) for additional details.



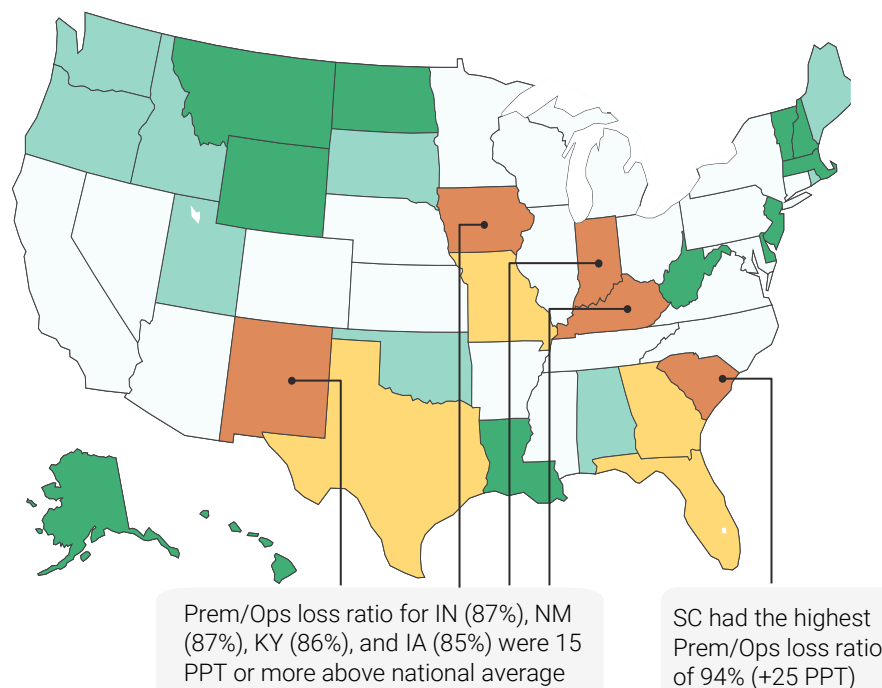
While development factors were applied to losses and occurrences, measures for recent quarters are preliminary and subject to change.



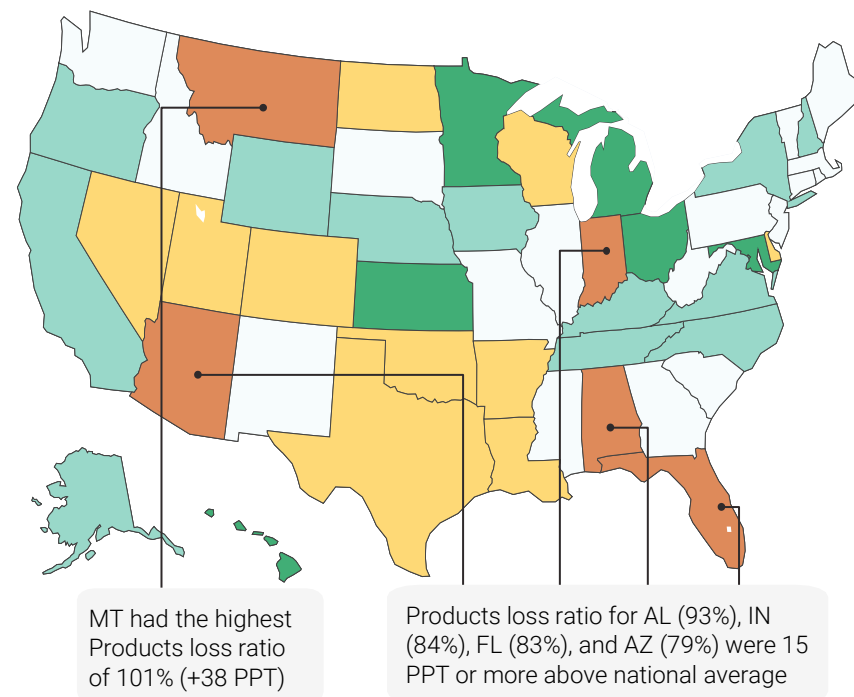
View from the States

How individual states compared to national five-year average loss ratio for Q2 2019 - Q1 2024*

Prem/Ops Loss Ratio
State vs. National Average (69%)



Products Loss Ratio
State vs. National Average (63%)



Loss ratio percentage point (PPT) difference

- | | |
|---|--|
| ■ Much better than average: -15 points or more below | ■ Worse than average: 5 to 15 points above |
| ■ Better than average: -15 to -5 points | ■ Much worse than average: 15 points or more |
| ■ Average: -5 to 5 points | |

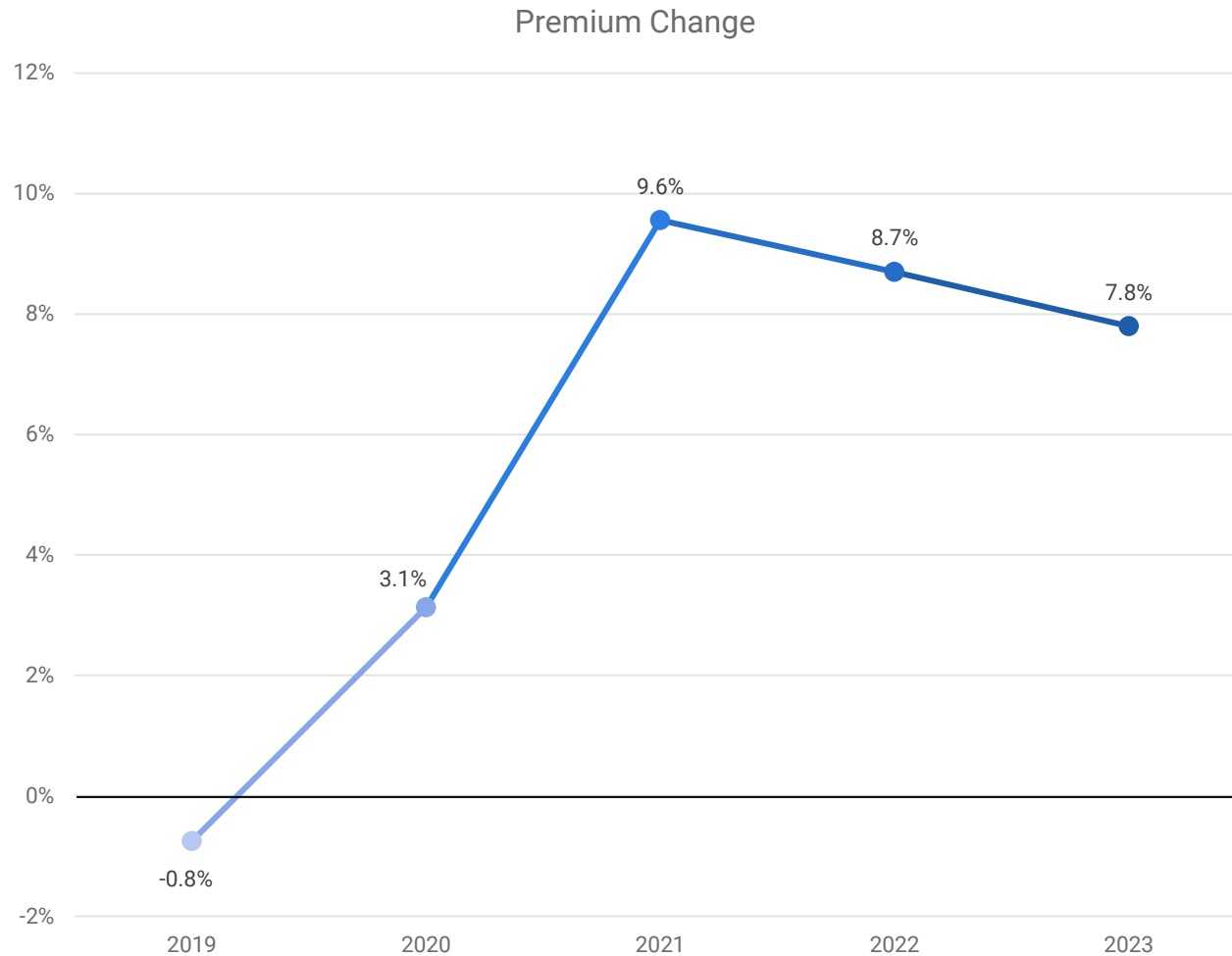
Key points about the data*:

- Only admitted data is included.
- Losses reflect loss development factors and loss adjustment expenses (LAE).

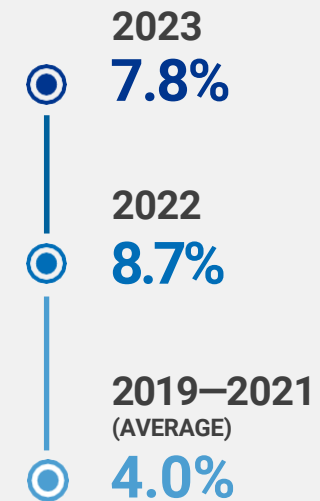


Premium Change

2023 premium change was nearly 2 PPT lower than 2021



Key changes



Loss Ratio by Type of Loss

Bodily Injury made up two-thirds of losses over the five-year period



Five-year average
loss ratio was **67%**

Q3 2022 had the highest
quarterly loss ratio at **76%**



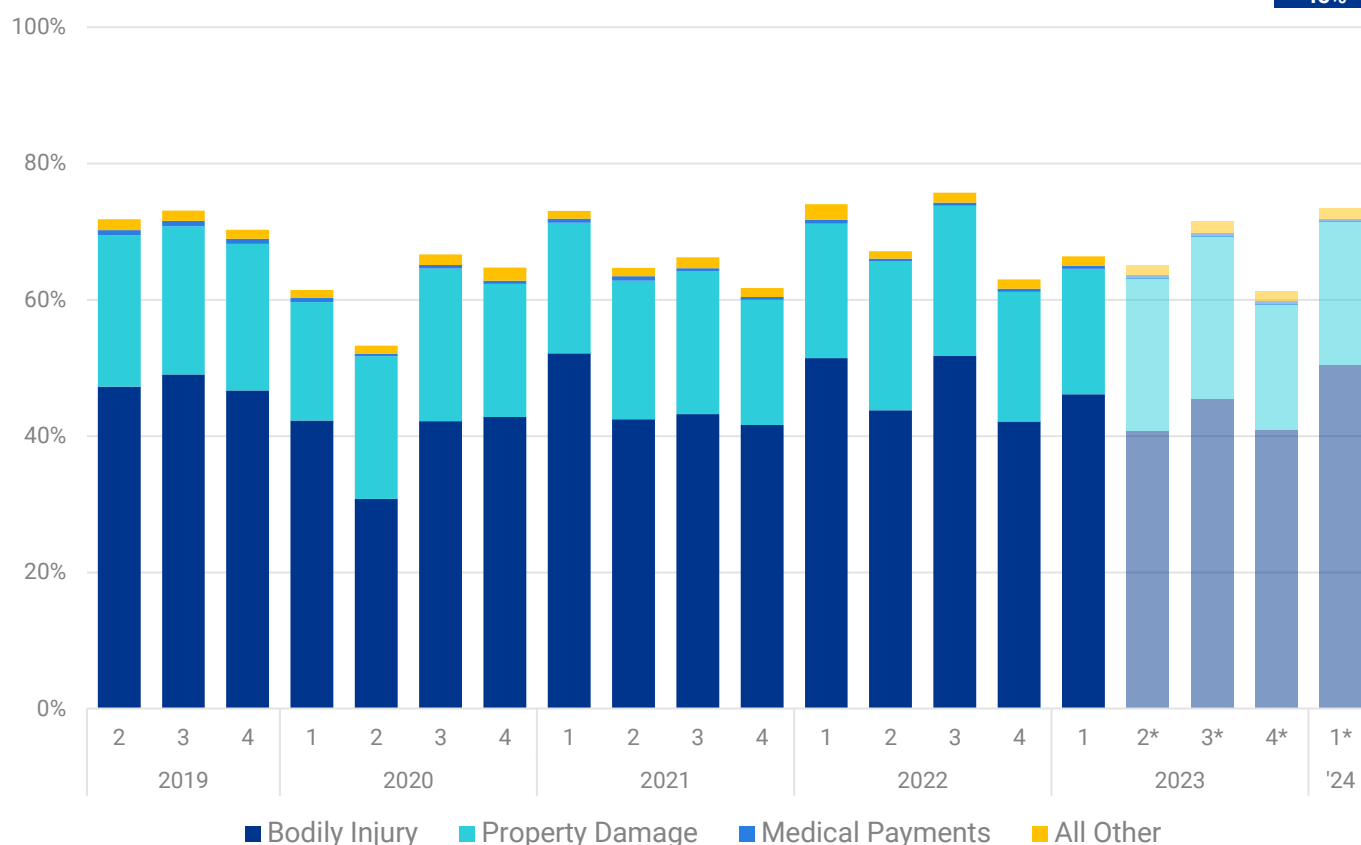
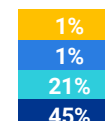
Property Damage
quarterly loss
ratios ranged
from **17%** to **24%**

Medical Payments and **All
Other** combined quarterly
loss ratio never exceeded **3%**



Loss Ratio

Five-Year Average



Bodily Injury & Property Damage

Bodily Injury severity averaged more than 3x Property Damage severity

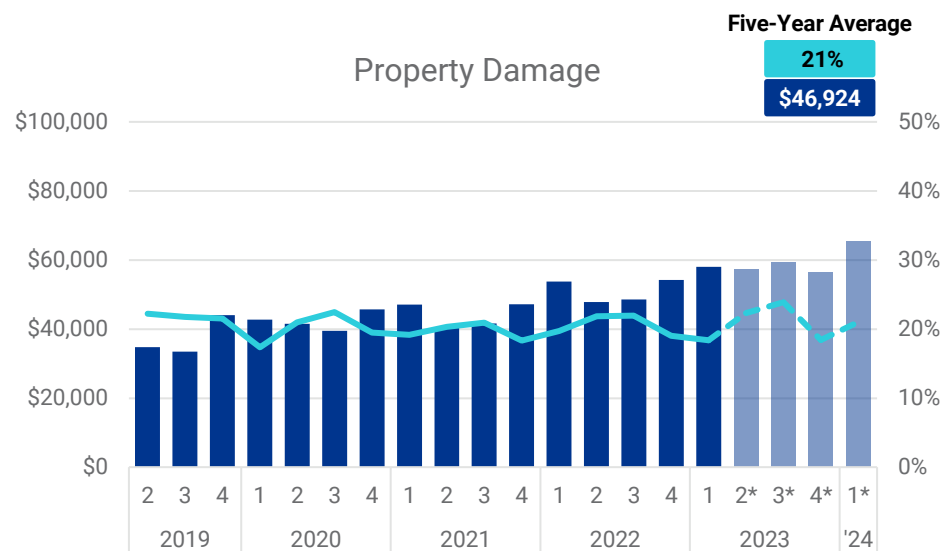
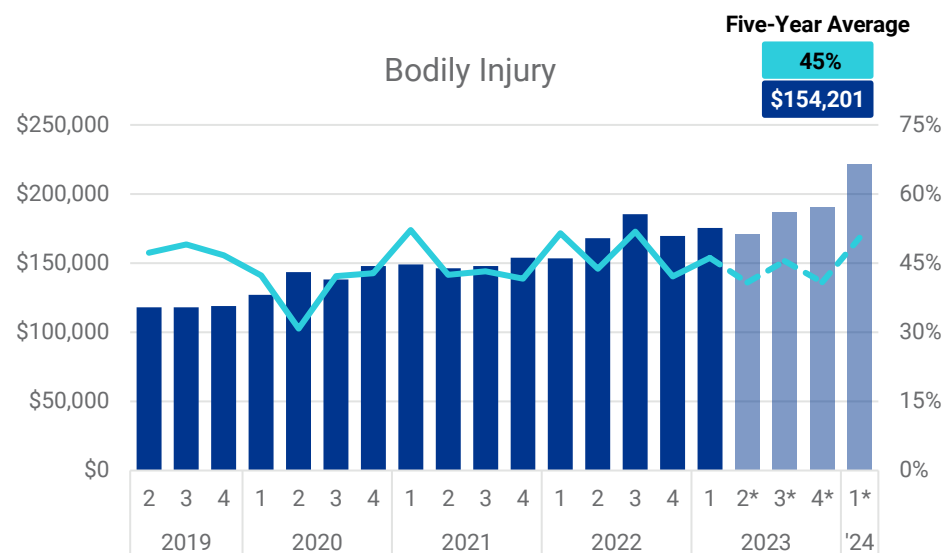
Bodily Injury quarterly loss ratio spiked above 50% in Q1 2021 (52%), Q1 2022 (51%), and Q3 2022 (52%).

Bodily Injury annual severity increased 61% from \$120K in Q2 2019-Q1 2020 to \$193K in Q2 2023-Q1 2024*.



Property Damage loss ratios were highest in Q2/Q3 of each year, even with lower severity.

Property Damage annual severity increased 58% from \$38K in Q2 2019-Q1 2020 to \$60K in Q2 2023-Q1 2024*.

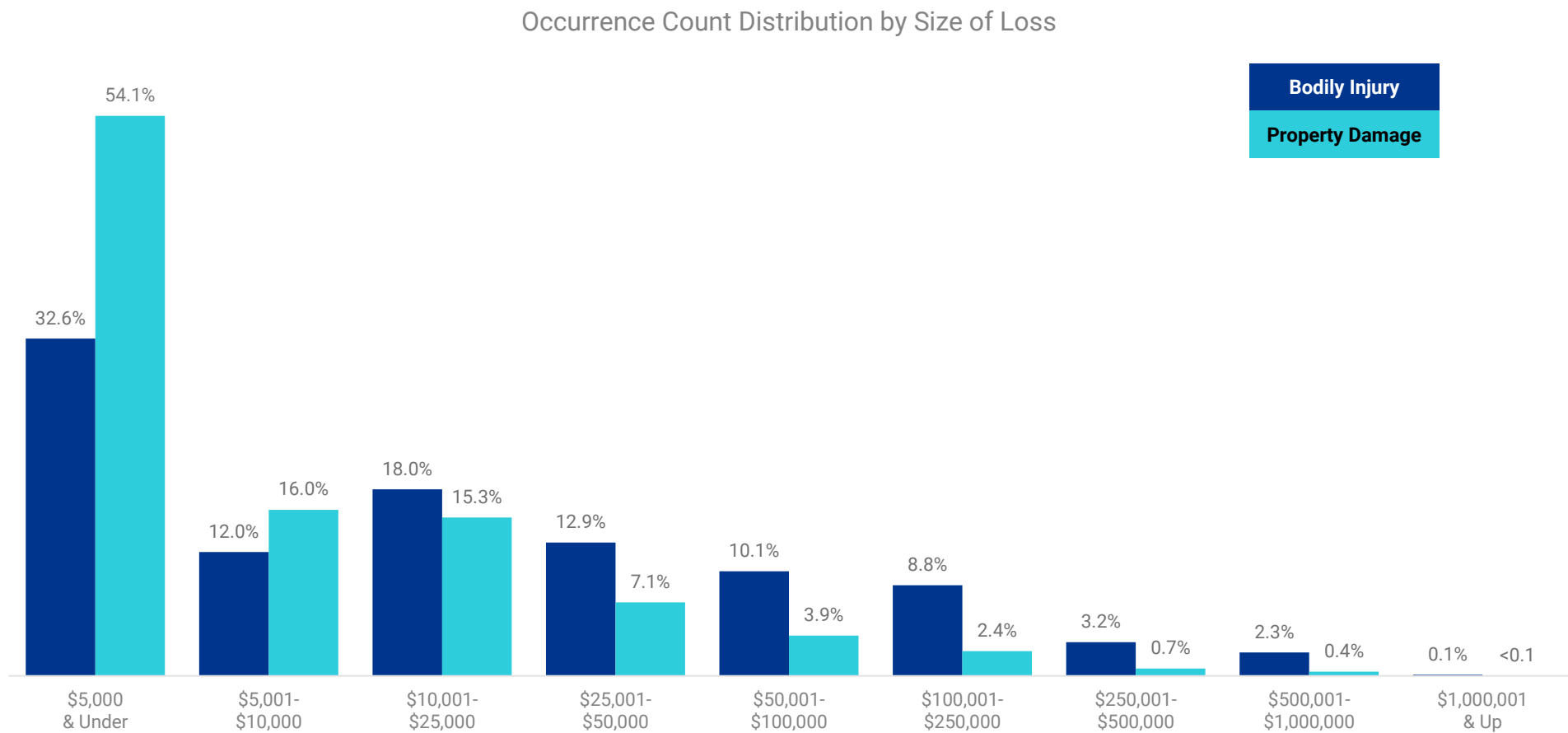


■ Severity — Loss Ratio



Size of Loss

More than half of all Property Damage occurrences were under \$5K during the five-year period



Occurrences are assigned to size of loss range based on undeveloped incurred indemnity without LAE.

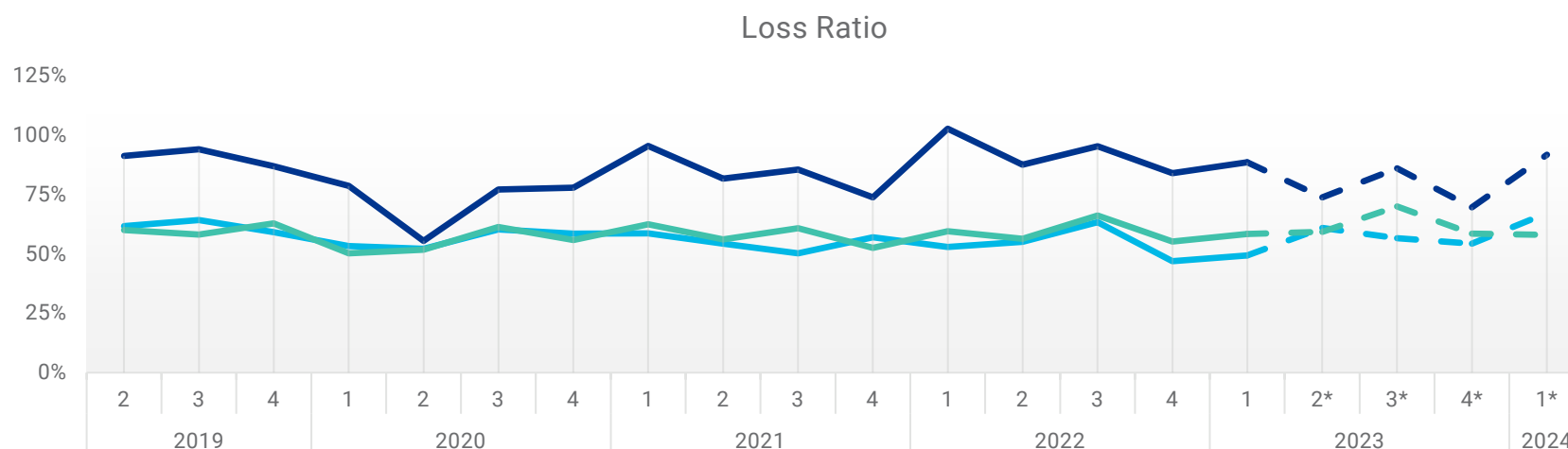
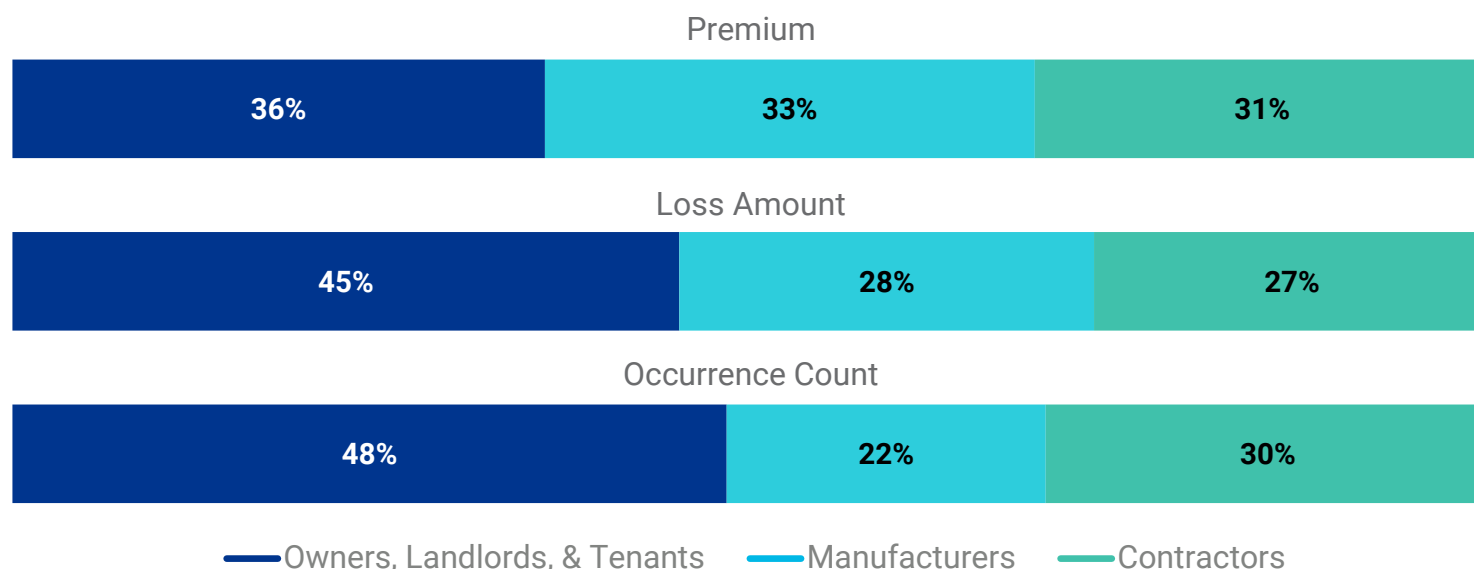
Prem/Ops vs. Products by Class Group

Prem/Ops made up 74% of overall premium and 75% of overall losses during the five-year period



Class Group Distribution & Loss Ratio

Owners, Landlords, & Tenants had the highest loss ratio each quarter during the five-year period



Class Group Severity Analysis

Severity in the last four quarters was higher than the five-year average in every category

| Class Group | Subline | Q2 2019 – Q1 2024* | Q2 2022 – Q1 2023 | Q2 2023 – Q1 2024* |
|---|---------------------|--------------------|-------------------|--------------------|
| Owners, Landlords, & Tenants | Prem/Ops & Products | \$73,343 | \$84,763 | \$86,650 |
| | ➤ Prem/Ops | \$73,005 | \$84,304 | \$85,647 |
| | ➤ Products | \$80,285 | \$95,195 | \$104,800 |
| Manufacturers | Prem/Ops & Products | \$101,286 | \$110,796 | \$130,370 |
| | ➤ Prem/Ops | \$82,639 | \$90,056 | \$99,253 |
| | ➤ Products | \$141,998 | \$160,071 | \$196,337 |
| Contractors | Prem/Ops & Products | \$69,278 | \$77,627 | \$89,587 |
| | ➤ Prem/Ops | \$56,617 | \$62,567 | \$75,677 |
| | ➤ Products | \$111,594 | \$131,864 | \$129,950 |
| Total | Prem/Ops & Products | \$78,224 | \$88,080 | \$96,928 |
| | ➤ Prem/Ops | \$70,232 | \$79,299 | \$85,351 |
| | ➤ Products | \$120,130 | \$138,556 | \$152,920 |



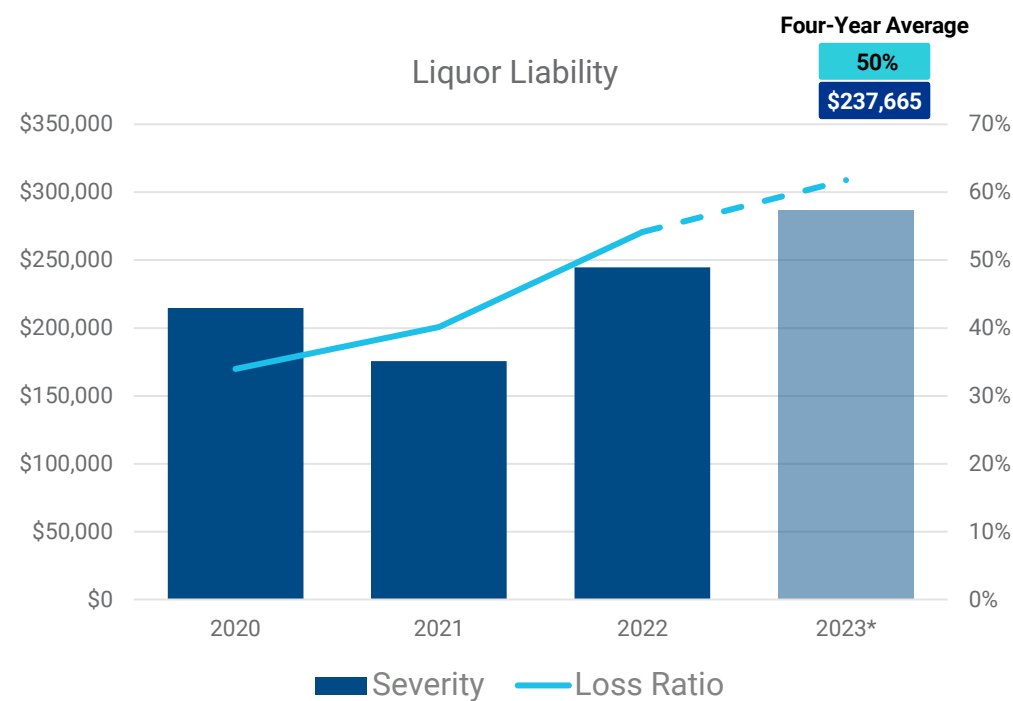
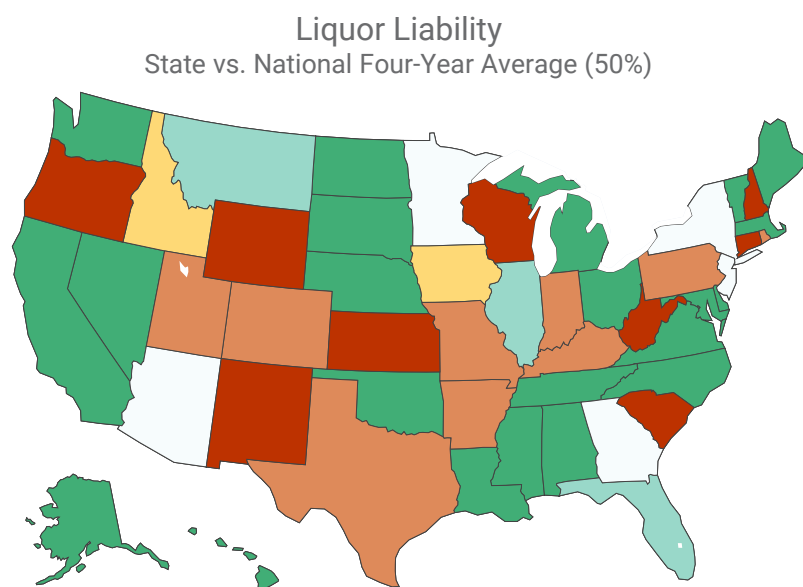
Liquor Liability

Liquor Liability annual loss ratio increased each year during the four-year period

Four-year average liquor liability loss ratio was 50%.

Total four-year severity was \$237,665.

Nine states had loss ratios >50 PPT above the national average.



Loss ratio percentage point (PPT) difference

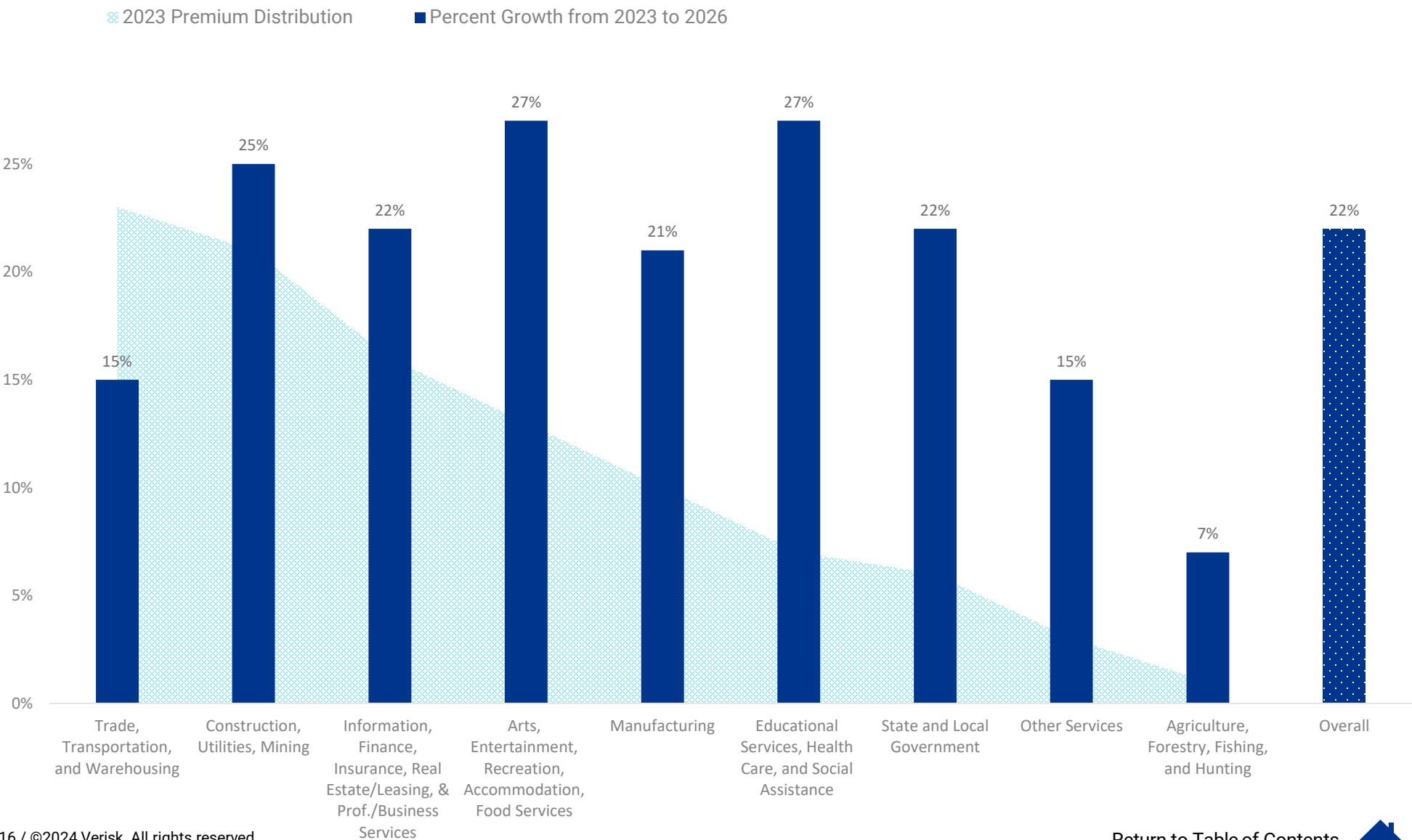
- Much better than average: -15 points or more below
- Worse than average: 5 to 15 points above
- Better than average: -15 to -5 points
- Much worse than average: 15 to 50 points above
- Average: -5 to 5 Points
- Outlier: >50 points above average

This page includes 2020-2023 results only.



Business Sector

General Liability business sector expects premium growth of 22% from 2023 to 2026



On the Horizon

Human Trafficking¹



Nearly 50 million people around the world are impacted by human trafficking with more than 17 million people exploited by the private sector.



Domestic work, agriculture, and construction industries tend to be most common routes to exploited labor in the U.S.



Forced labor identified as an international crisis to which a wide variety of industries may be potentially exposed.

Kratom^{3 4}



Kratom is an herbal supplement that delivers both stimulant and opioid-like effects.



Wrongful death suits targeting those involved in the import, storage, and distribution of kratom appear to be on the rise with an estimated \$14 million in jury awards/verdicts (and counting).



The Drug Enforcement Administration classified kratom as a “drug of concern”.

Drones²



Photography/real estate, agriculture, and construction industries account for the most commercial drone registrations.



Drones may collect personal data using cameras and can be trained to recognize faces or follow individuals.



When incorrectly used, drones can cause Property Damage, injury, and violate privacy laws.

Verisk Activity

Verisk monitors general liability risks. We plan to introduce a major general liability multistate update including:

- ✓ Updated general/liquor liability classifications
- ✓ Updated exposure bases for select classes
- ✓ New and revised forms/rules for improved readability and navigation

For more details, go to Verisk's [General Liability Hub](#).



Disclosures, Notes, and Considerations

This report represents a preliminary analysis of certain statistical data based on companies that report to Verisk via the ISO Statistical Plan. This report is for illustrative purposes only. It may not be, nor should it be relied upon for completeness, accuracy or currency of the information contained herein. In addition, this report may be changed, suspended or discontinued at any time for any reason at the sole discretion of Verisk.

This data compilation is based on statistics reported to Verisk with sufficient detail using the instructions set forth in the ISO Commercial Lines Statistical Plan. Data may vary from an individual insurer's data and does not represent the entirety of the general liability market, but rather those carriers that leverage Verisk for its statistical agent services.

The losses are presented on an accident year basis evaluated as of March 31, 2024, and are considered preliminary. The report does not reflect certain adjustments often considered in actuarial reports. Specifically, we note that the experience provided for general liability has not been adjusted to include any premium, exposure, or loss trend. Loss development and loss adjustment expenses (LAE) are reflected. Allocated loss adjustment expenses are reported to Verisk, but a factor is applied for unallocated loss adjustment expense.

As part of the data review process, the following data exclusions are most notable:

- Data not reported in sufficient detail
- Other than Premises/Operations & Products subline group except for Liquor Law Liability (Subline 332)
- Claims-made and claims-made tail data.
- Invalid data (including negative case reserves, negative written premiums, etc.)
- Loss records for which no corresponding premium record exists
- Experience for Puerto Rico
- Experience for terrorism coverage provided at a separate/additional premium charge.

General liability data is typically collected on an indivisible premium basis and premium measures will not be divisible by type of loss code. Therefore, specific peril loss ratios are partial loss ratios comparing a subset of losses against total premium.

Types of loss include Bodily Injury, Cumulative Bodily Injury, Property Damage, Cumulative Property Damage, Medical Payments, and All Other.

Cumulative losses include losses resulting from repeated or continued exposures. For this report, Cumulative Bodily Injury losses were combined with Bodily Injury, and Cumulative Property Damage losses were combined with Property Damage.

Losses that arise from a single incident involving different types of loss are considered separate occurrences for the purpose of this report and may not reflect how coverage is provided under a CGL policy.

MarketStance

The data reported by MarketStance starts with a foundation of publicly available and proprietary data sources reporting key size, industry, location and other business firmographic attributes, market rates, exposure bases, and forecast exposure base growth. MarketStance methodology uses this data to model premiums from the ground up. Resulting aggregated written premiums are then benchmarked to state-by-line annual statements, after removing personal lines premiums and incorporating premiums written but not reported on a state-by-line basis. MarketStance models losses and loss ratios drawing on up to 10 years of industry loss experience data reported to Verisk, transformed to achieve credible results applicable to the distribution of risks in the entire commercial insurance market, beyond the growing number of companies that report loss experience to Verisk.



Disclaimers and References

- 1) "An Overview of Potential Human Trafficking Concerns for P/C Insurers."
<https://core.verisk.com/Insights/Emerging-Issues/Articles/2024/March/Week-1/Human-Trafficking-Forced-Labor-Overview>, February 29, 2024
- 2) "What Industries Are Utilizing Drones?"
<https://core.verisk.com/Insights/Emerging-Issues/Articles/2024/May/Week-4/Drone-Industries>, May 22, 2024
- 3) "Line of Thought: Kratom Wrongful Death Suits Highlight Growing Liability Concerns."
<https://core.verisk.com/Insights/Emerging-Issues/Articles/2024/March/Week-4/Kratom-Wrongful-Death-Suits-Highlight-Growing-Liability-Concerns>, March 21, 2024
- 4) "Kratom in Focus, Part 1: An Introduction to Kratom."
<https://core.verisk.com/Insights/Emerging-Issues/Articles/2024/March/Week-3/An-Introduction-to-Kratom-for-Insurers>, March 14, 2024



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