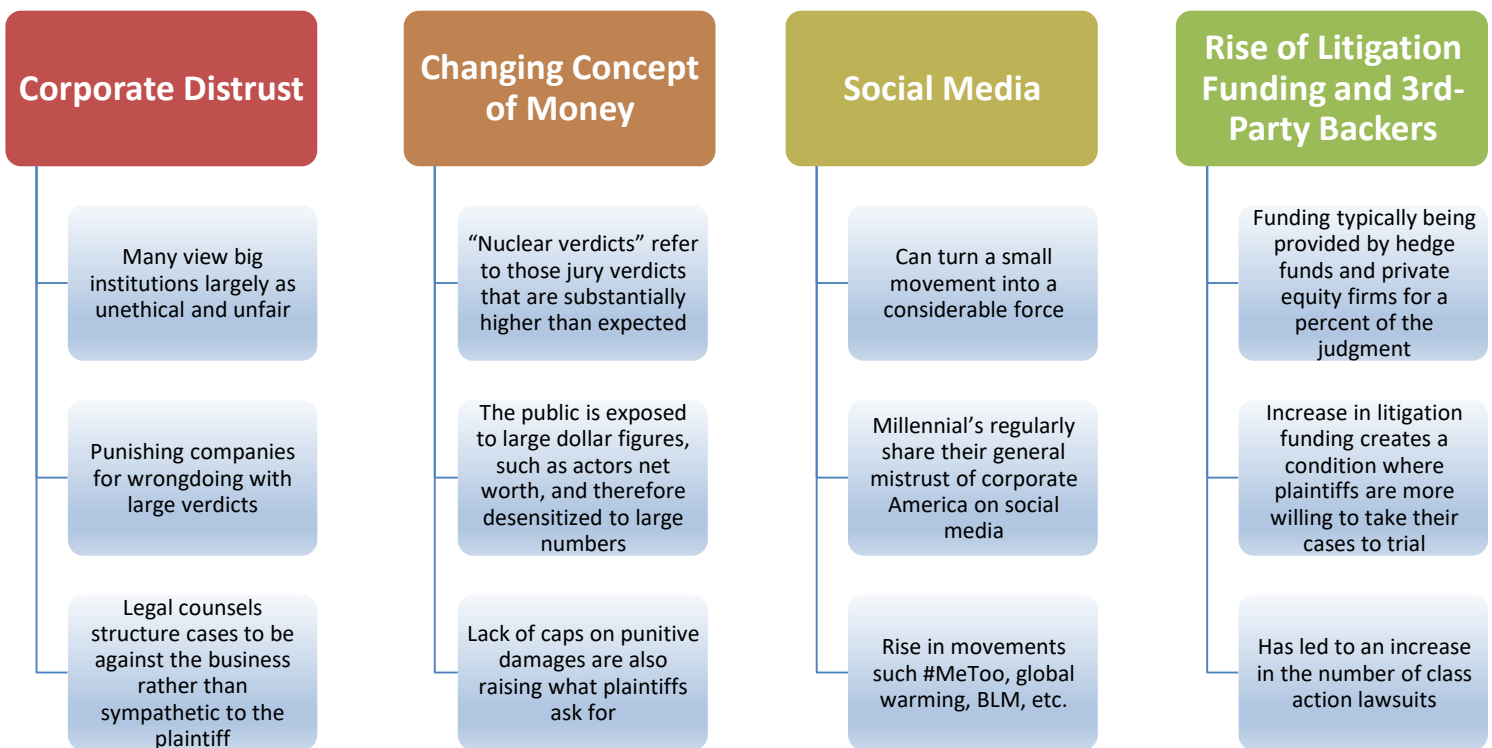


# Why are General Liability and Excess Liability Rates Skyrocketing?

The concept of “**social inflation**” isn’t new, but it’s a term that has made a dramatic comeback recently when discussing the current hardening of the insurance market, specifically General Liability, Excess Liability, and Commercial Auto. In general, social inflation relates to rising costs of insurance claims resulting from things like increasing litigation, broader definitions of liability, more plaintiff-friendly legal decisions, and larger compensatory jury awards. There has been a significant transformation in the way people view corporations, what role they play in society, and who should be responsible for reimbursement when accidents occur. Here are the four main factors leading to social inflation in today’s insurance market:



So what impact does social inflation have on today’s market? As businesses continue to face nuclear verdicts and rising litigation costs, the insurance companies are paying the price. A typical general liability policy will cover up to \$1 million, and then the excess liability or umbrella policy will be called upon to payout the rest, depending on limits. With so many large claims, the excess liability market is being strained, resulting in insurance companies being very strategic about the amount of capacity being offered in order to limit exposure.

This, in turn, has decreased the overall capacity in the market. As the capacity shrinks, insurers have increased their premiums while offering lower limits of liability and implementing more restrictive policy language. Excess and Umbrella carriers are no longer offering \$25 million as a lead limit and might only offer \$5 or \$10 million, forcing insureds to stack layers utilizing multiple carriers. Many businesses have been unable to achieve their past levels of protection, or they are paying significantly more premium in order to do so.

Social inflation is not the only reason for the hardened market, but it’s one of the primary factors. TBM will continue to monitor the impact of social inflation and the ramifications it has on the current market and your insurance needs.