STATE OF THE LINE | 2025 MID-YEAR

General liability

Carrier claims management

An in-depth review of 2025 mid-year claim outcomes and trends — and what we're watching for the rest of 2025 and beyond.

Introduction

A message from Max

The extensive and diverse data Sedgwick holds as the leading solutions provider in this space allows for sophisticated industry benchmarking and data analysis that can pinpoint trends, identify cost drivers and track performance metrics. How we use our robust bank of data to benefit our clients and partners is one of our many differentiators.

This report provides an overview of the current metrics used for our claims programs and contextualizes the trends we see in our book of business within the broader story of the industry environment. It also includes insights from Sedgwick's expert practice leads to offer perspectives on the previous quarter and an outlook on trends to watch for in the months ahead.

While the report can offer useful information for your organization, it is not meant to be used as a side-by- side comparison with the data from your particular claims program.

K. Max Koonce

Chief Claims Officer, Sedgwick

Report objectives

This report provides an analysis of our carrier programs, utilizing general liability claim data derived specifically from Sedgwick managed, carrier underwritten, multi-insured, multi-policy programs. The report serves to contextualize the trends we see in our book of business within the broader industry environment.

Data parameters

Data was harvested from Sedgwick's proprietary claim system, JURIS, undergoing an objective year-over- year comparative analysis. Where warranted and presumed useful, Sedgwick's subject matter experts have endeavored to assert some conclusions, or more precisely, a reasonable interpretive theory providing logical and equitable context. The data in this report is based on insured claims for all states across five, 12-month periods, referred to as fiscal years (FY), from July 1, 2021, through June 30, 2025.

Contents

Key observations

+2%

Increase in average incurred on all new claims

22%

Increase in average paid for all new general liability claims

21%

Increase in average paid for all new general liability bodily injury claims

61%

New litigated claims that obtain representation within 14 days of receipt

Public sector and carrier new claims increased **over 20%** while the food and beverage industry claims decreased by **29%**

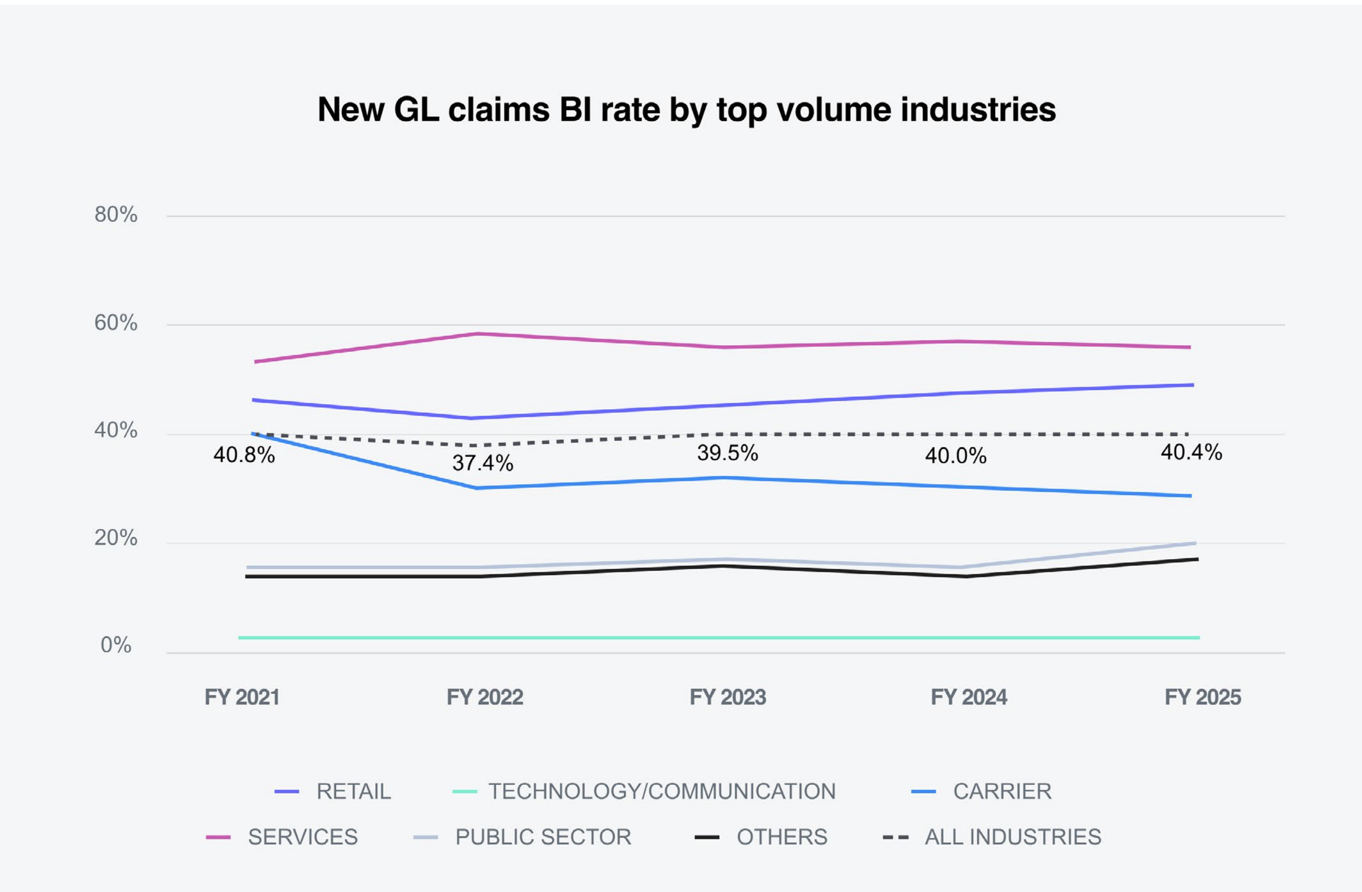
Market

According to Swiss Re Institute's July 2025 Insurance Monitoring publication on property and casualty, the US P&C industry recorded a 99% combined ratio in the first quarter of 2025. Research showed growth is slowing, moving off a forecast for a 5.5% premium gain in 2025 and 4% in 2026, and return on equity is projected to hold steady at 10% for 2025 and 2026, representing a slight decline from 11% in 2024.

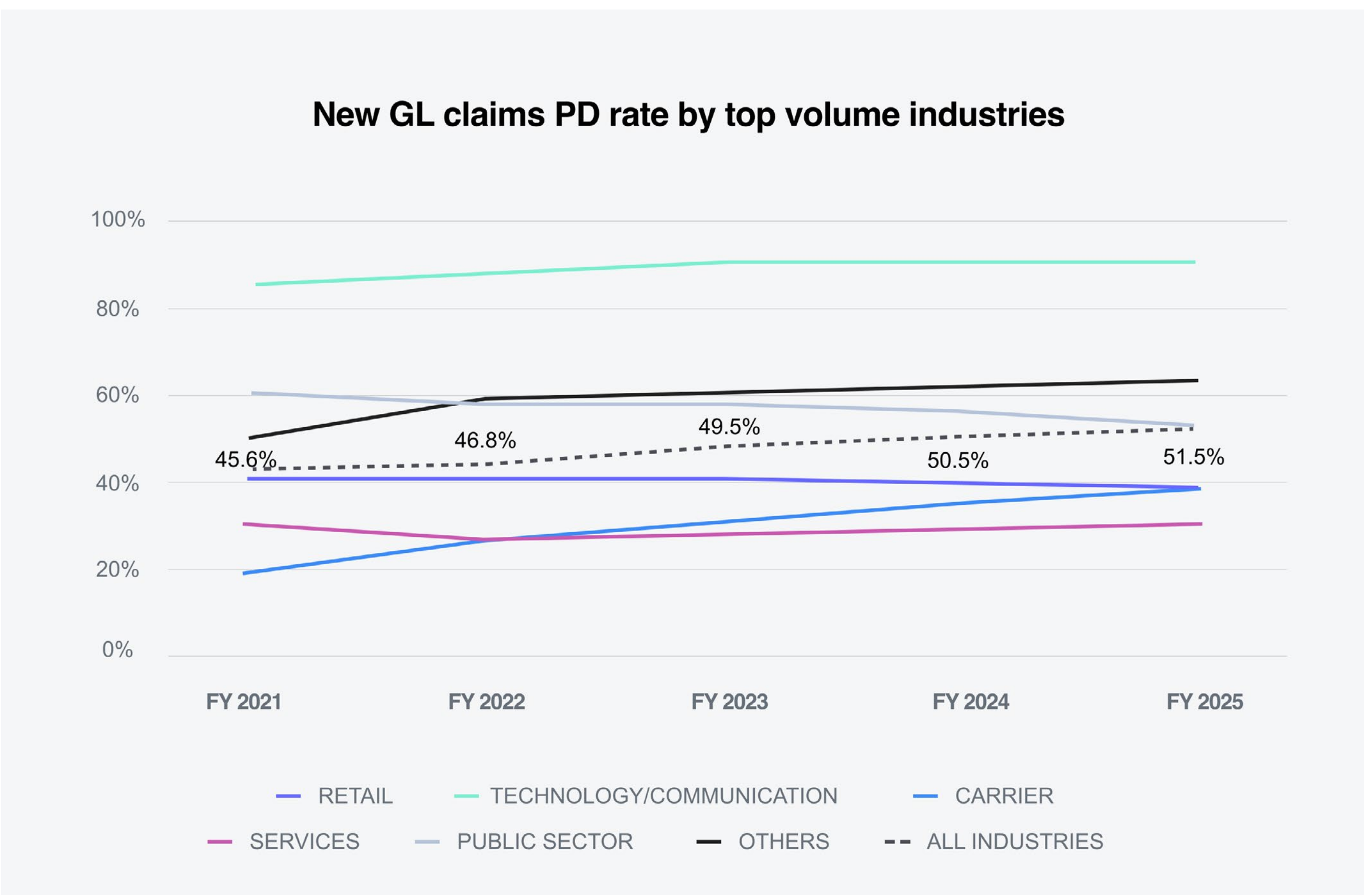
As noted in Sedgwick's blog article, How states are fighting back against social inflation, "With litigation expenses climbing and nuclear verdicts becoming increasingly common, several states are enacting assertive legislative reforms aimed at rebalancing the legal landscape. These initiatives are part of a larger movement to counteract social inflation."

Industry view — General liability, bodily injury and property damage

The services sector had the highest exposure as it consistently showed the highest bodily injury rate, peaking in the mid-60% range across all fiscal years. The retail industry was stable with only a slight change compared to FY 2024. The technology and communications sector maintained the lowest bodily injury rate and consistently stayed below 10%. The overall industry average remained steady.

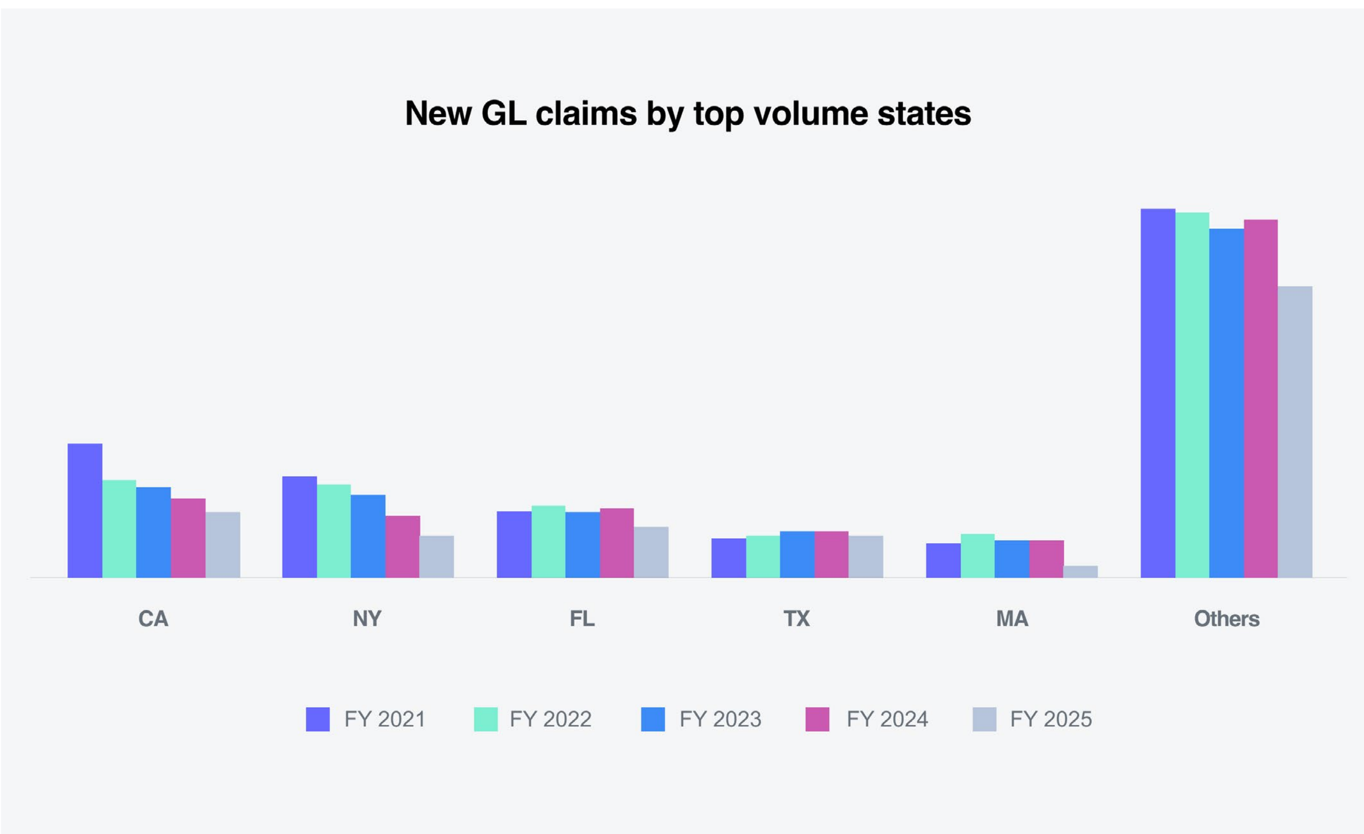


Interestingly, and in contrast to the bodily injury graph above, the technology and communications sector had a high percentage of new general liability property damage exposure when compared to the other sectors. Continued investment in human capital and workforce engagement is expected to sustain service delivery across diverse areas of expertise. As the workforce evolves, and infrastructure demands accelerate, claims activity within this sector is likely to remain elevated.

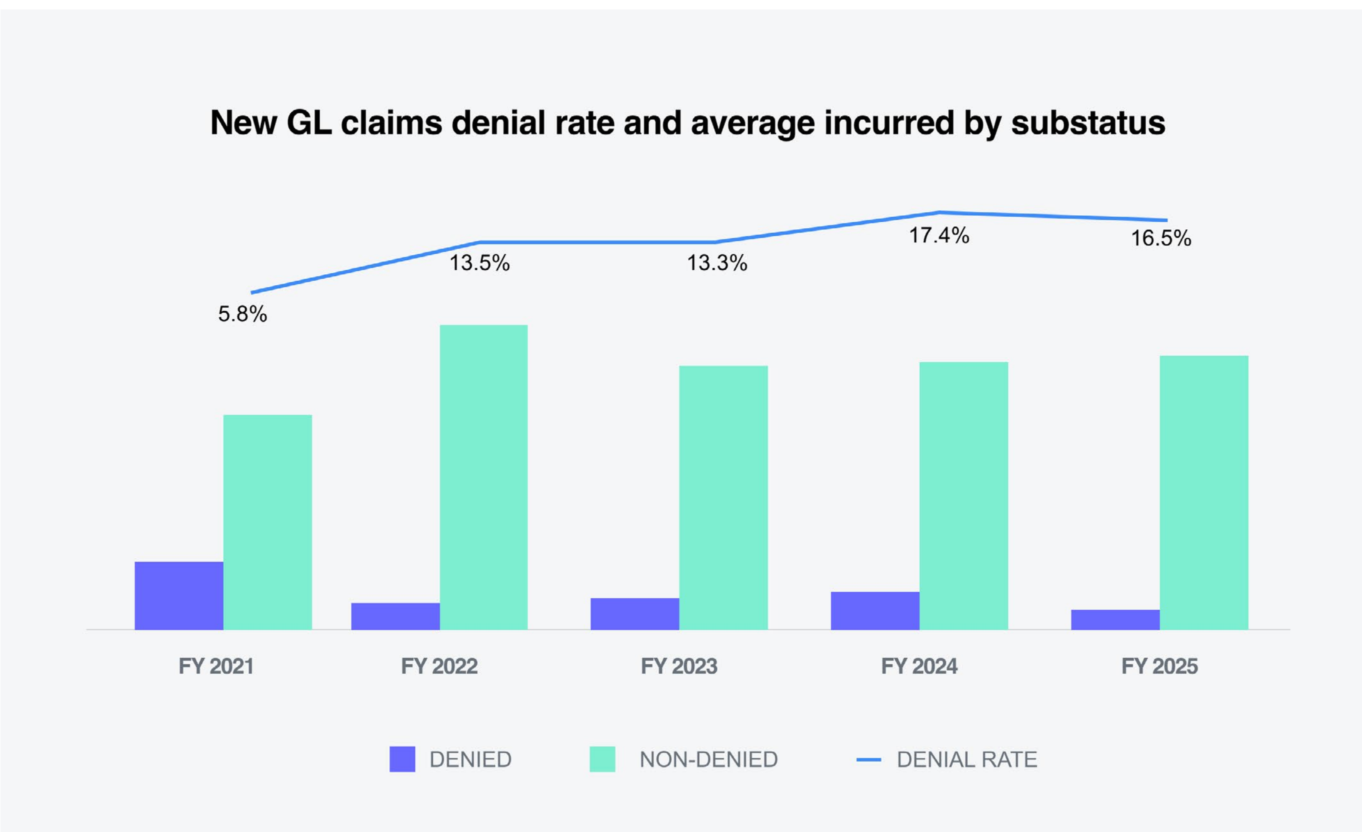


Volume by state

California continued to have the highest per state volume of new claims, followed by Florida, New York, Texas and Massachusetts. These five states continued to represent slightly more than 40% of the total claims volume.



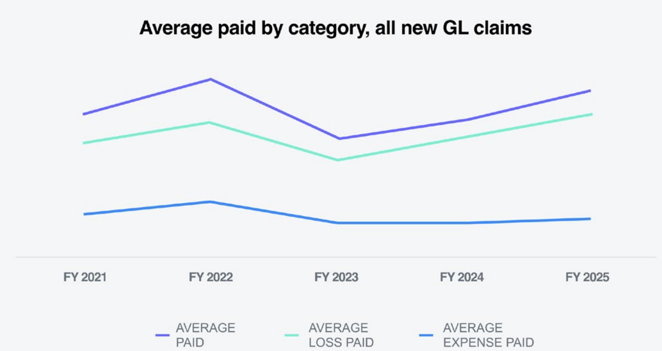
The denial rate in FY 2025 was 16.5%, down from its peak of 17.4% in FY 2024 yet remained higher than earlier years. Denial rates more than doubled from 5.8% in FY 2021. The average incurred cost for new denied claims in FY 2025 decreased by 40% from FY 2024 and was the lowest across all five years. The average incurred for new non-denied claims increased 2% in comparison to FY 2024.

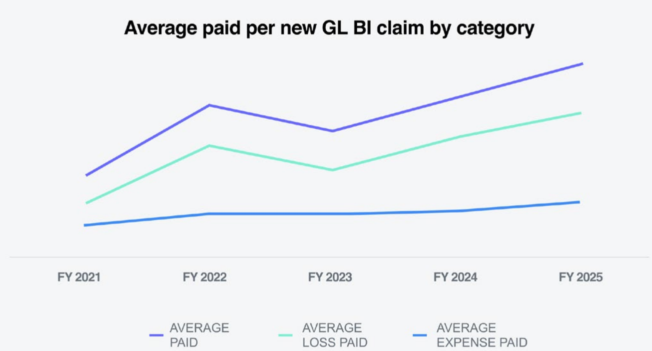


Costs

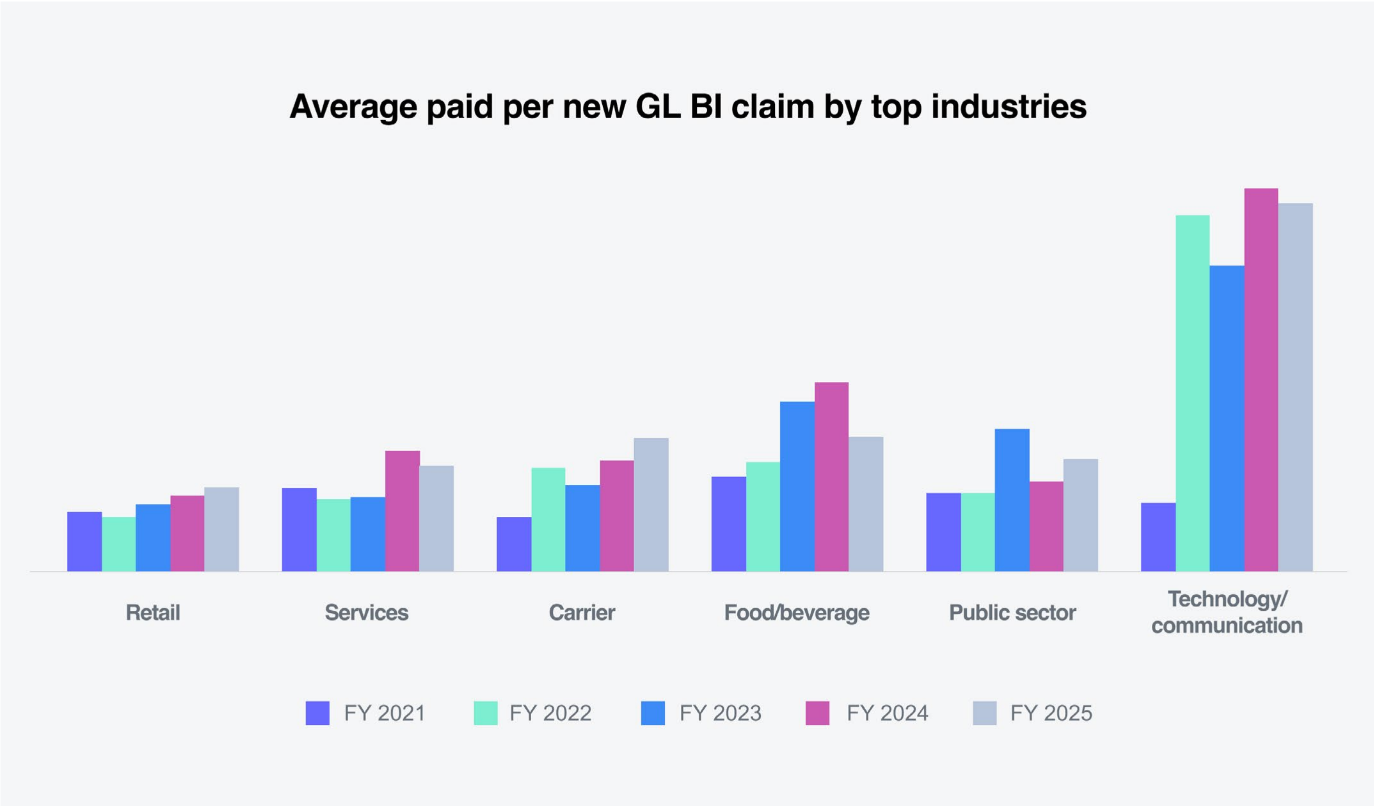
There was some volatility in the overall Sedgwick general liability managed book. The total average paid per new claim in FY 2025 increased 22% in comparison to FY 2024 and has continued to increase since the dip seen in FY 2023. As such, severity and claim cost rose. Further, new claim average loss paid rose 23% in comparison to FY 2024 — the highest across all five years. Expense payments on new claims increased 19% in comparison to FY 2024 but remained low in dollars and are still well below the peak in FY 2022.

Specific to bodily injury, the overall average paid per new claim increased 147% from FY 2021 to FY 2025, indicating a consistent upward claim cost trend. For FY 2025, this was driven by an increase in both average loss paid (+22%) and average expense paid (+19%) when compared to FY 2024. These reflect increased litigation costs, severity and/or inflationary costs.

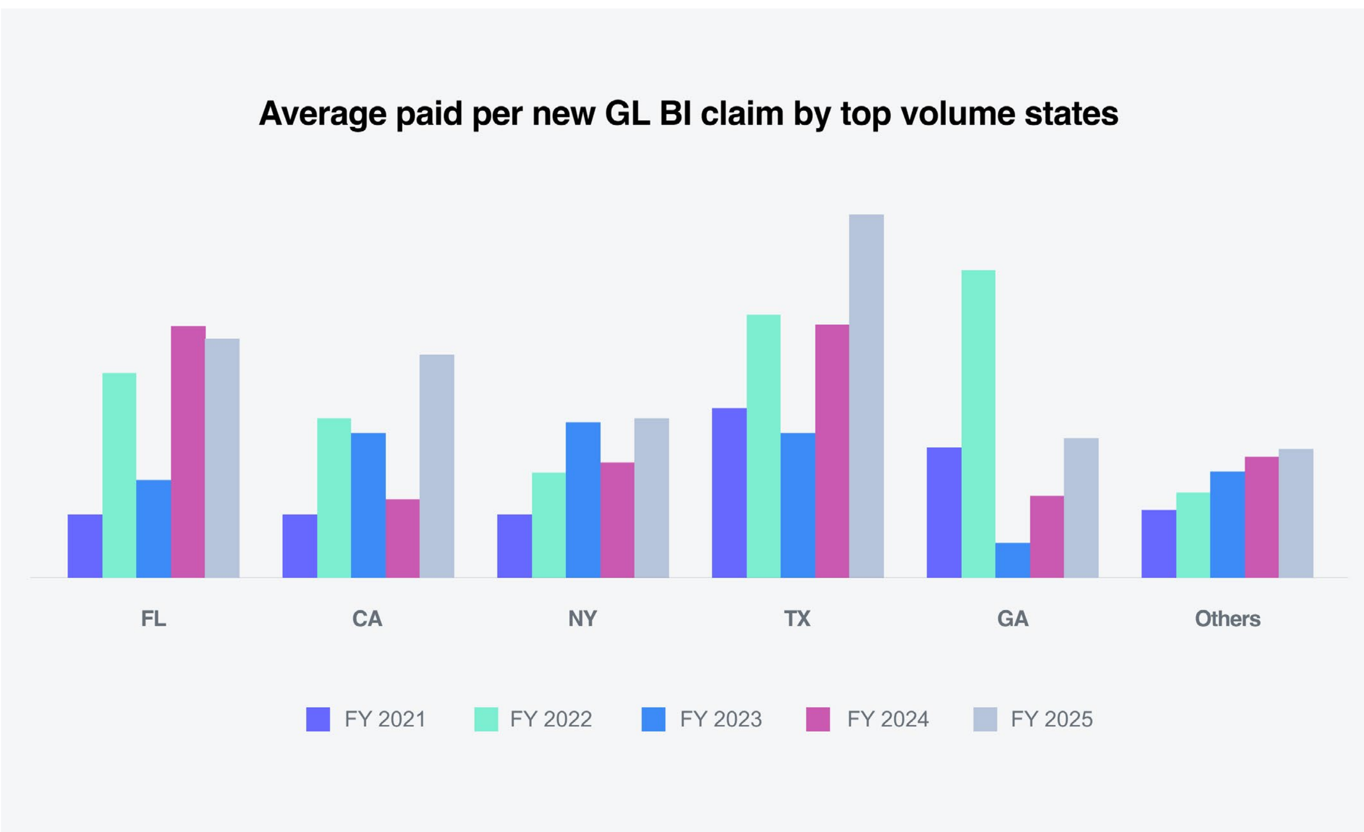




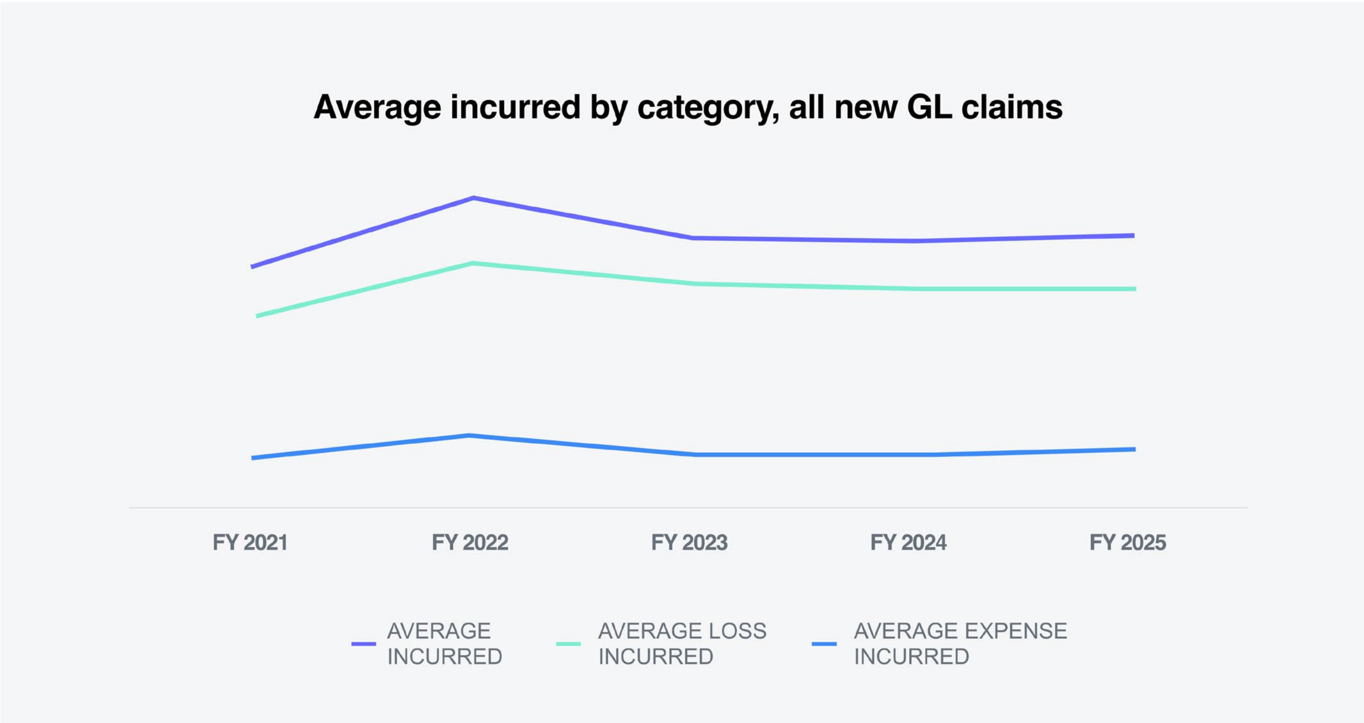
Paid exposure on new claims decreased in the services, food and beverage, technology and communications, and public sectors, but rose within the retail and carrier books. Additionally, although the new technology/communications bodily injury rate was low, the average paid per new bodily injury claim within this industry was 176% higher in comparison to the average paid for all industry groups.



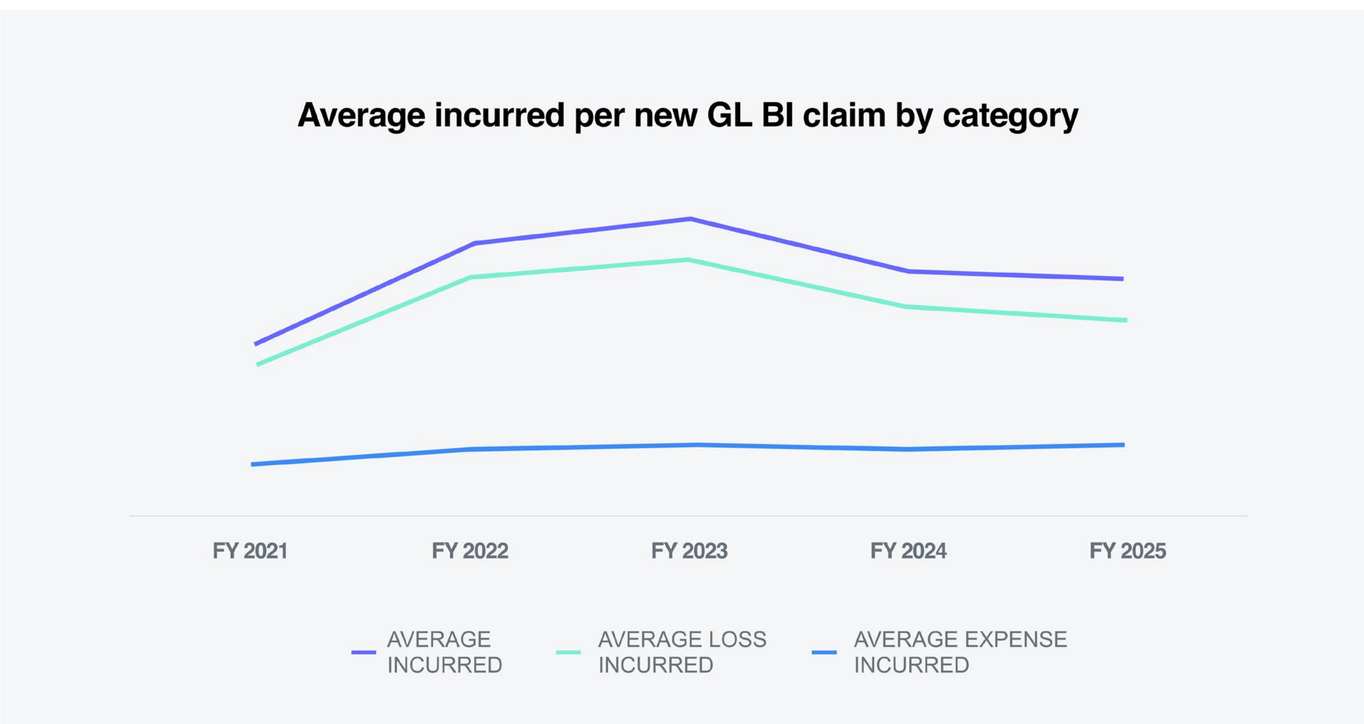
Comparing FY 2024 to FY 2025, Florida (down 5%), Texas (up 43%) and California (up 182%) are the most expensive states with Texas leading the way in average paid for new general liability bodily injury claims. Gradual increases were seen in all other states (up 7% in FY 2025 compared to FY 2024).



Losses accounted for 81% of the total incurred costs, while expenses made up the remaining 19%. As such, the loss/indemnity category drove the most costs. Although up by 2% in FY 2025, the trend remained below the peak experienced in FY 2022.

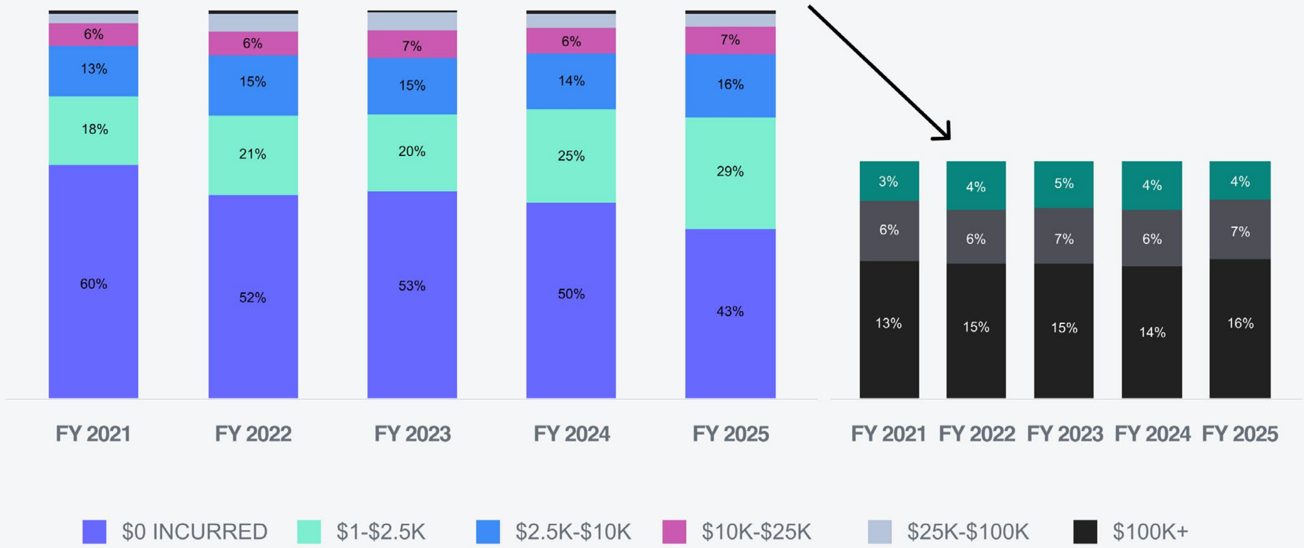


The total average incurred per new general liability bodily injury claim decreased 4% in comparison to FY 2024 with the loss/indemnity value seeing a notable decrease of 7% in comparison to FY 2024. Average expense rose 14%.



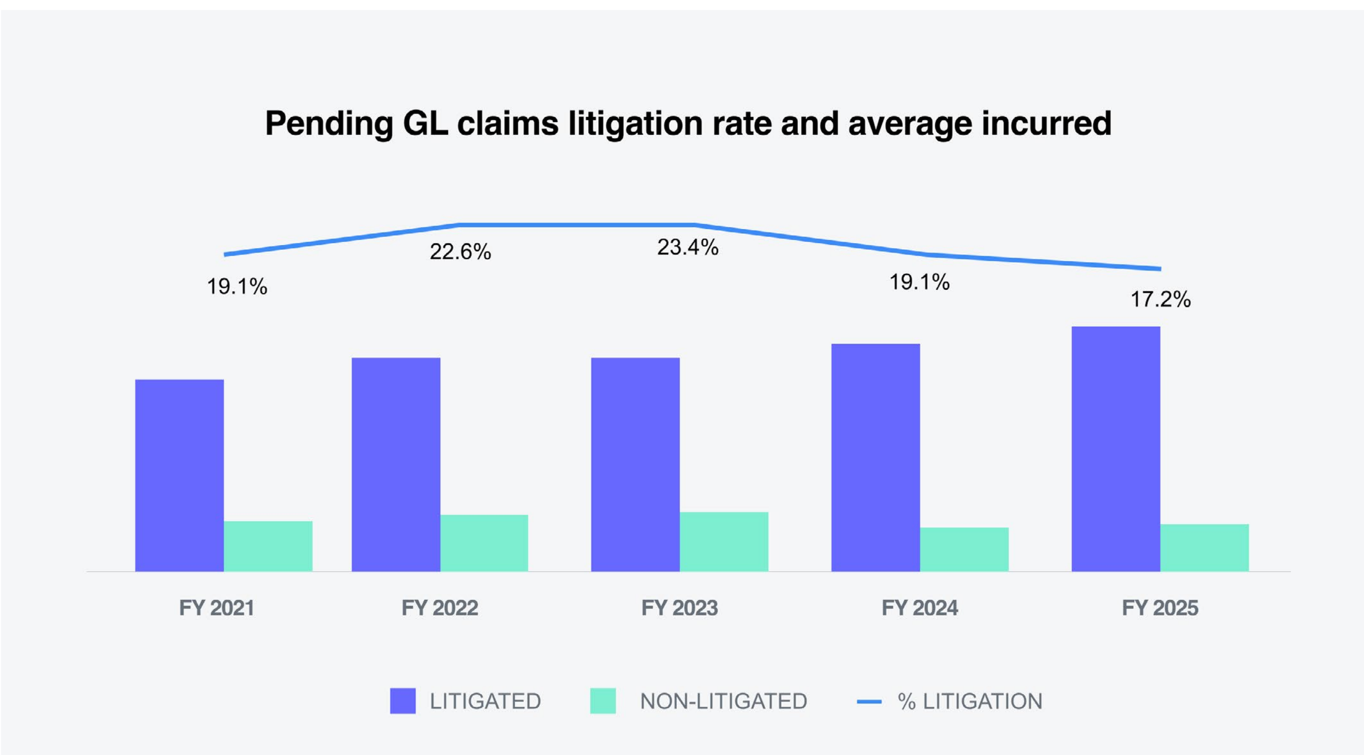
There have been no major shifts over the last five years. Only 3-5% of general liability claims fell into the $10k,000+ incurred range. As expected, high severity claims, while rare, drove a disproportionate share of total incurred costs.

Distribution of new GL claim volume by incurred stratification

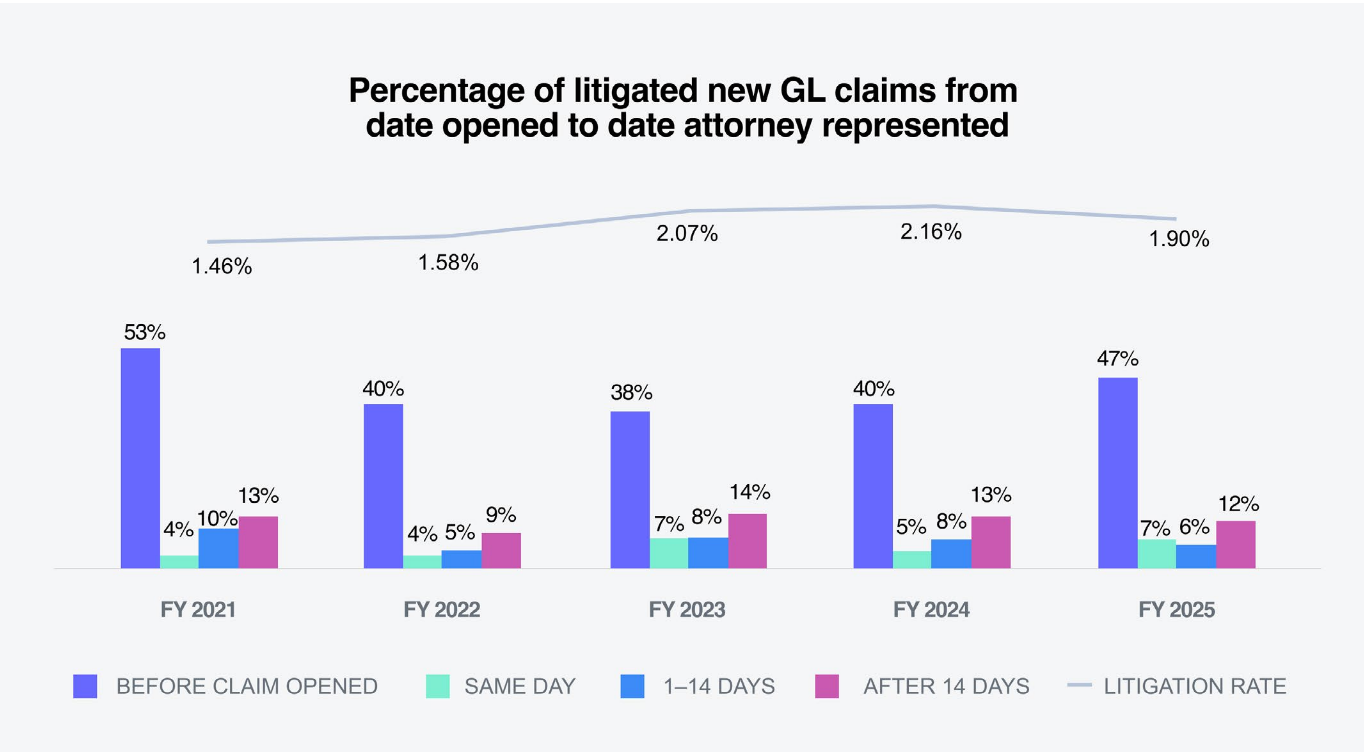


Litigation

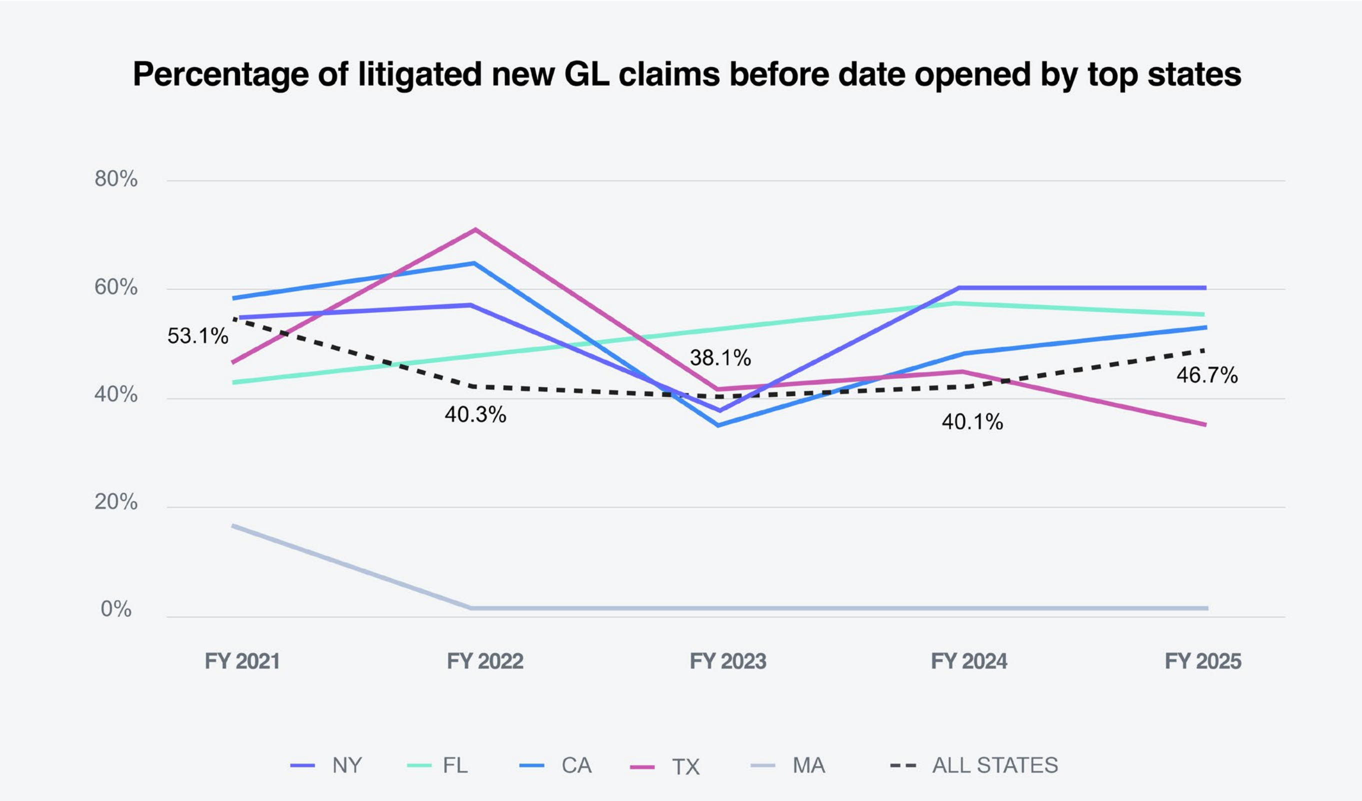
The litigation rate for overall pending for general liability claims fell while costs increased. The average incurred cost for litigated claims (up 7% in FY 2025 compared to FY 2024) was over 5.5 times higher than for non-litigated claims. At 17.2%, nearly one in six pending general liability claims were litigated and drove a disproportionate share of the total incurred costs.



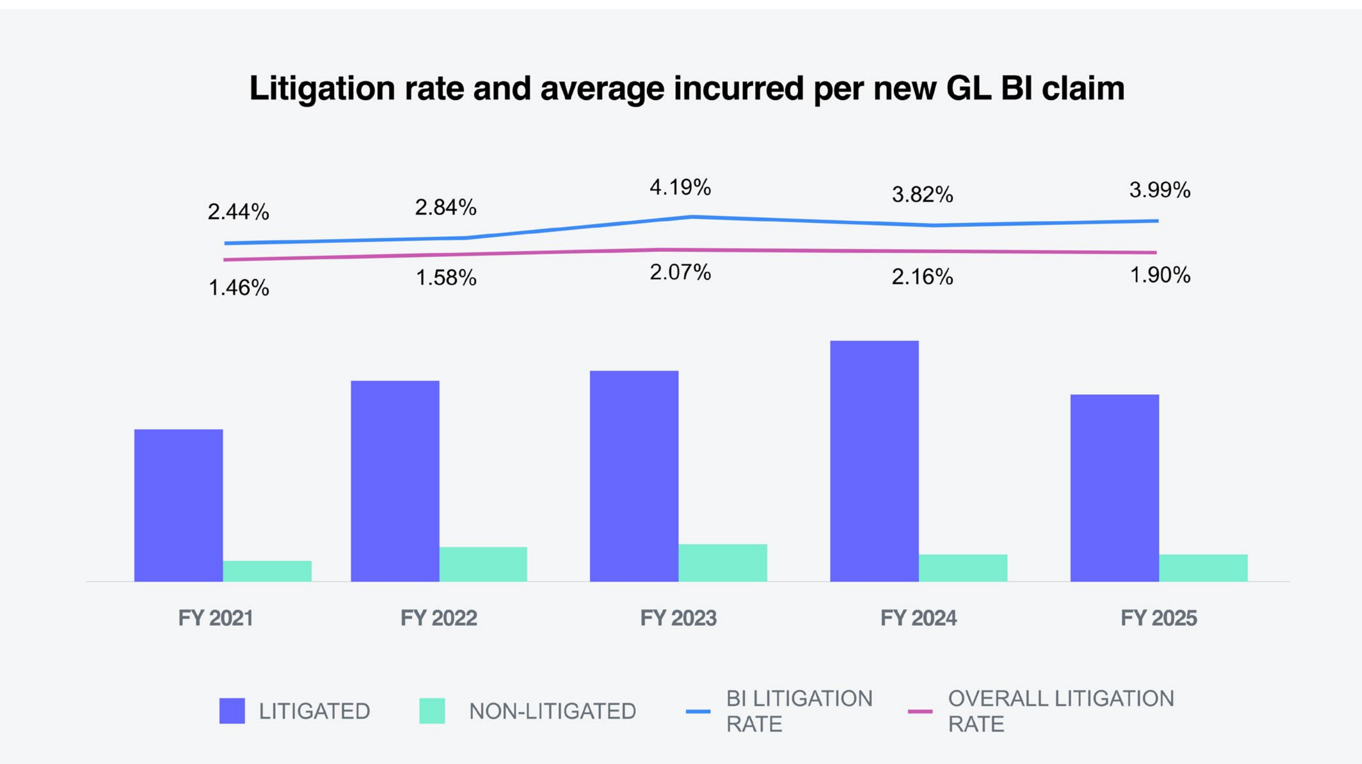
The overall litigation rate on new general liability claims decreased to 1.9% in FY 2025. However, the trend of attorney representation early in the process continued. Of all new claims that will at some point involve litigation, 60% have attorney representation in place within the first 14 days while 47% have representation the same day the claim is filed.



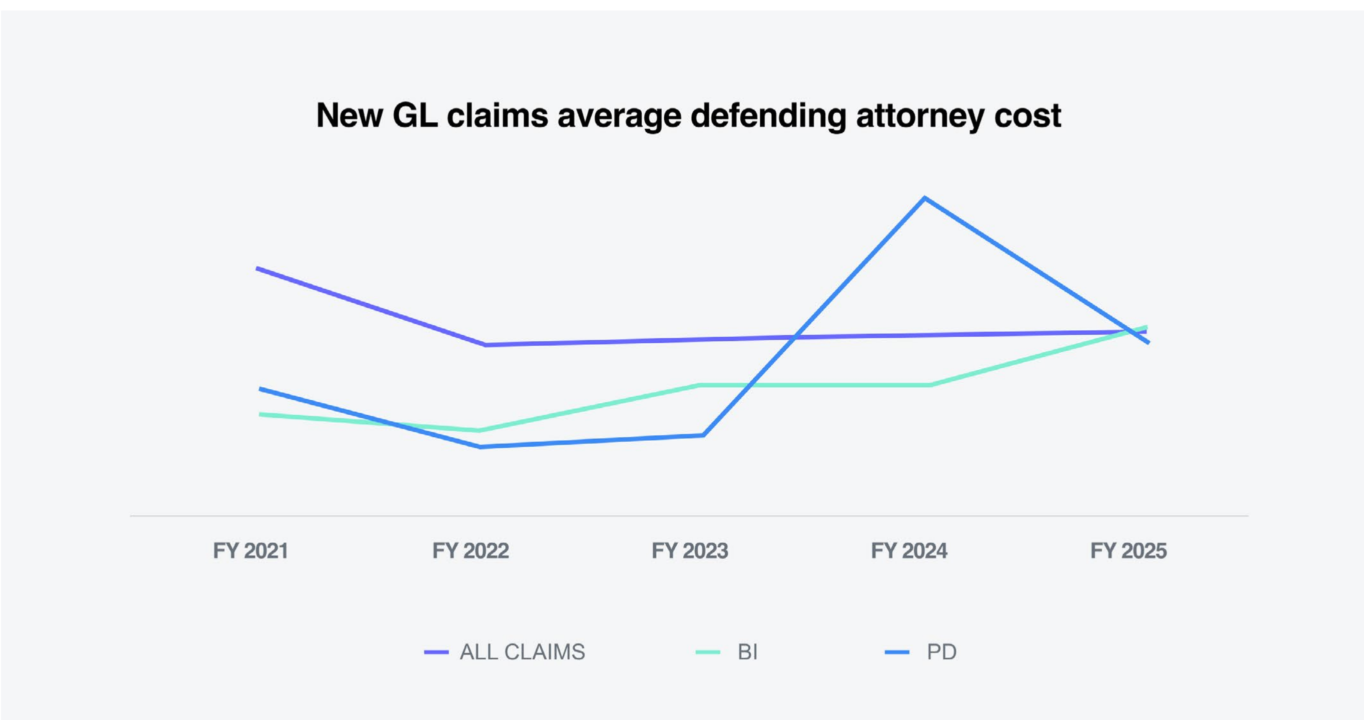
New York, Florida and California rates exceeded the average. Texas showed a marked decline.



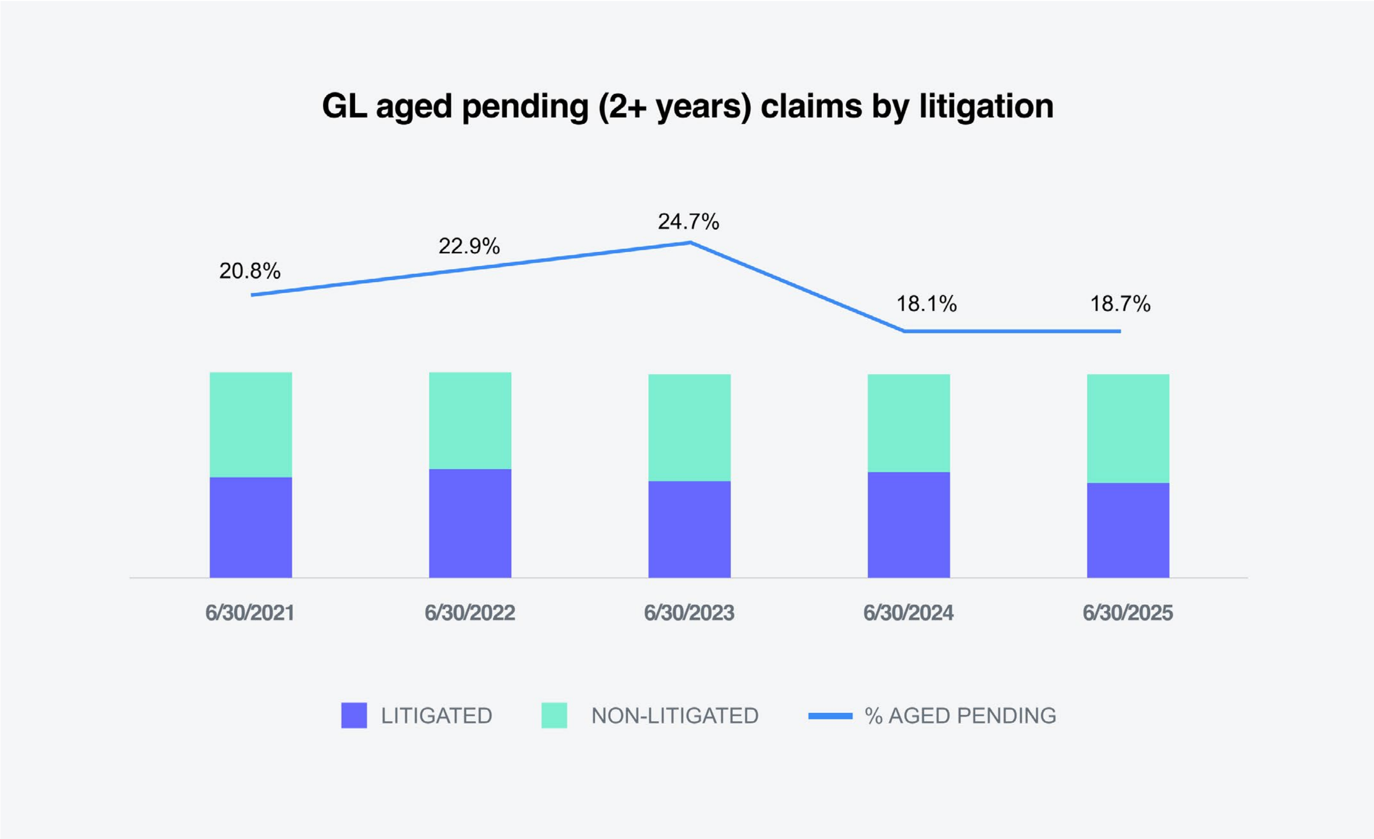
Litigated claim costs dropped significantly and coincided with a corresponding drop in the overall litigation rate. Average incurred for a litigated new general liability bodily injury claim decreased 24% in FY 2025 in comparison to FY 2024, while non-litigated claims rose 2% for the same period.



The cost of defense for new general liability claims (litigation expenses) continued to rise and was driven by increased costs associated with bodily injury exposure (up 2% in FY 2025 compared to FY 2024). Property damage defense costs decreased 22%. The overall cost to defend increased 2%.

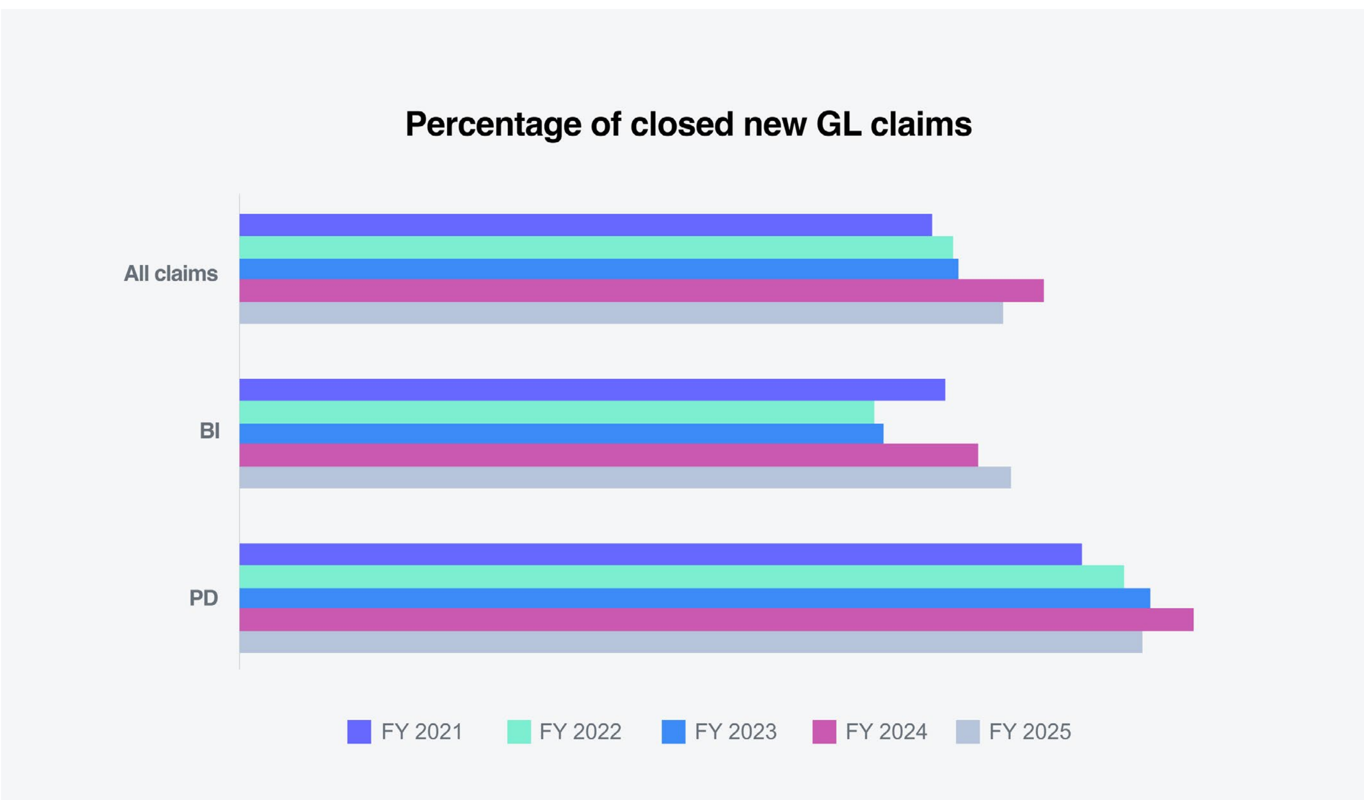


Aged (2+ years) pending claims marginally increased .6% from FY 2024, driven by an increase of 19% in non-litigated claims. Litigated claims decreased slightly.

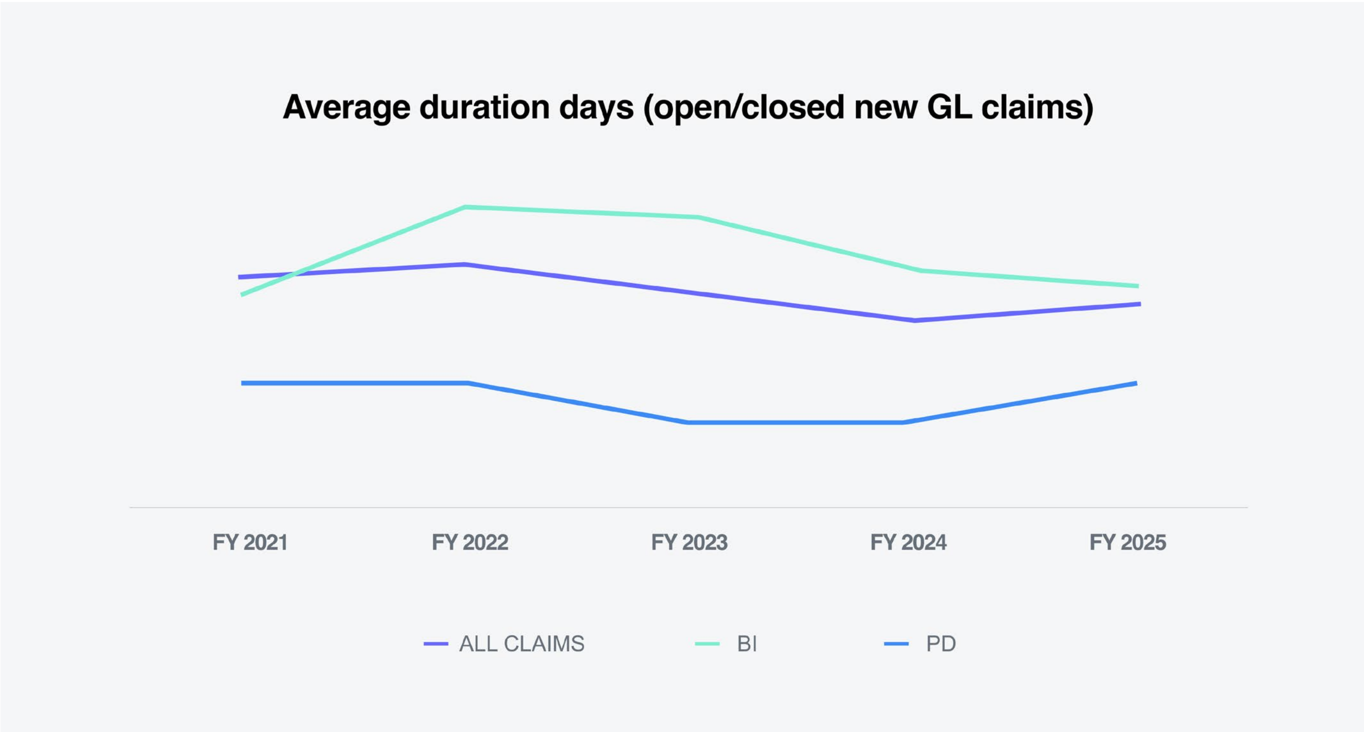


Closures

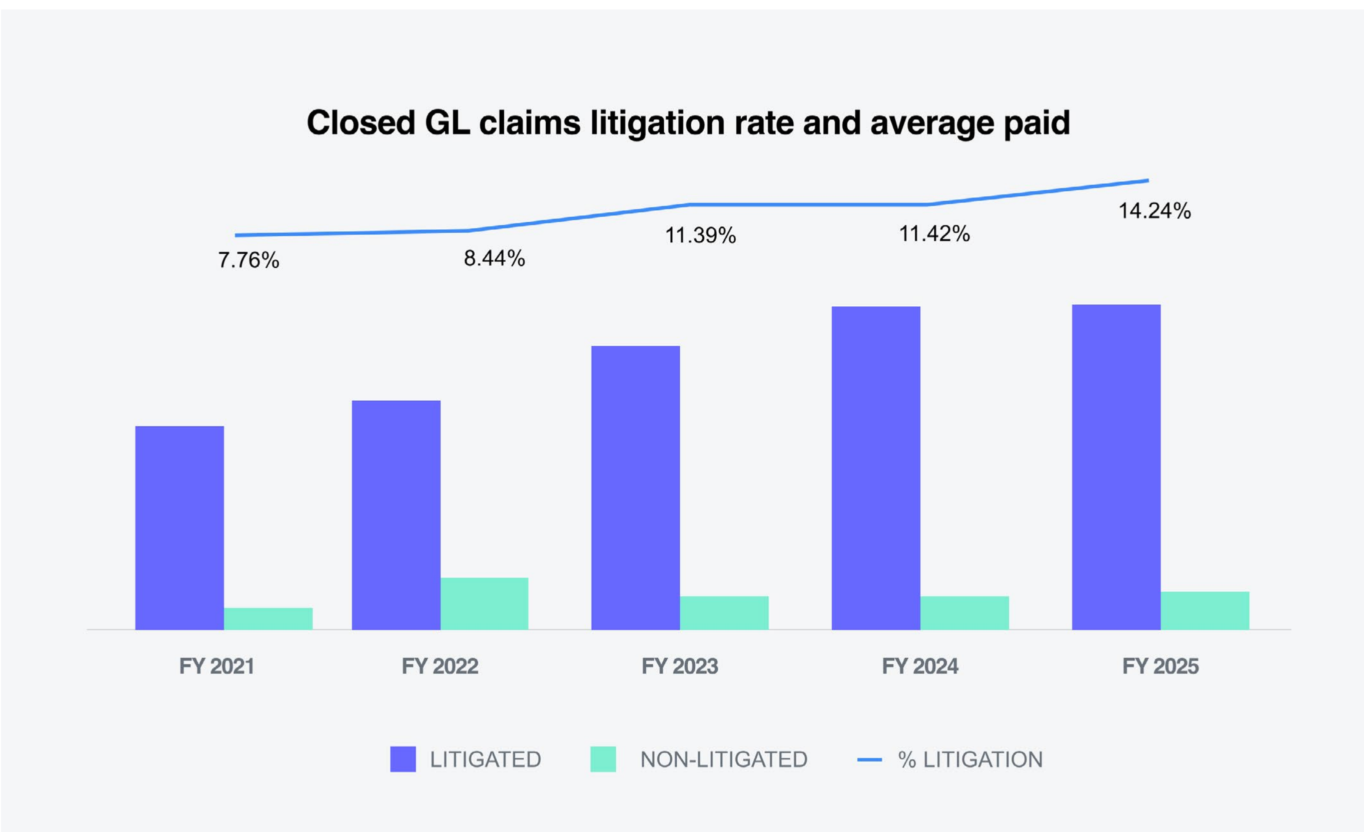
New claim closures decreased in FY 2025 in comparison to FY 2024 yet remained higher than the three years prior to FY 2024. The FY 2025 results were driven by a decrease in property damage claims. New general liability bodily injury closures increased 4% in FY 2025.



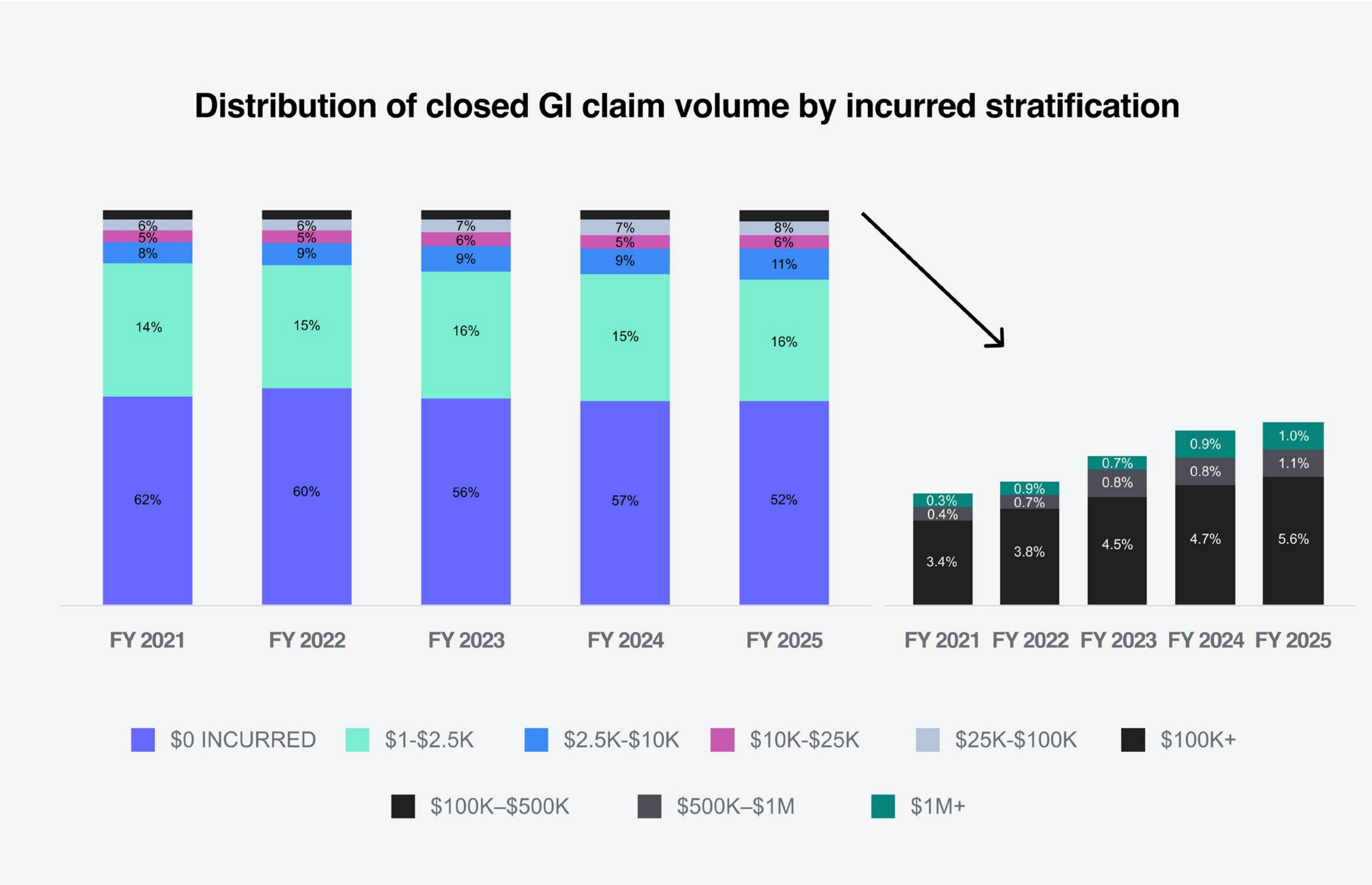
The average bodily injury duration decreased from 90 days to 88 days; however duration for all claims increased by three days as property damage claims increased by five days.

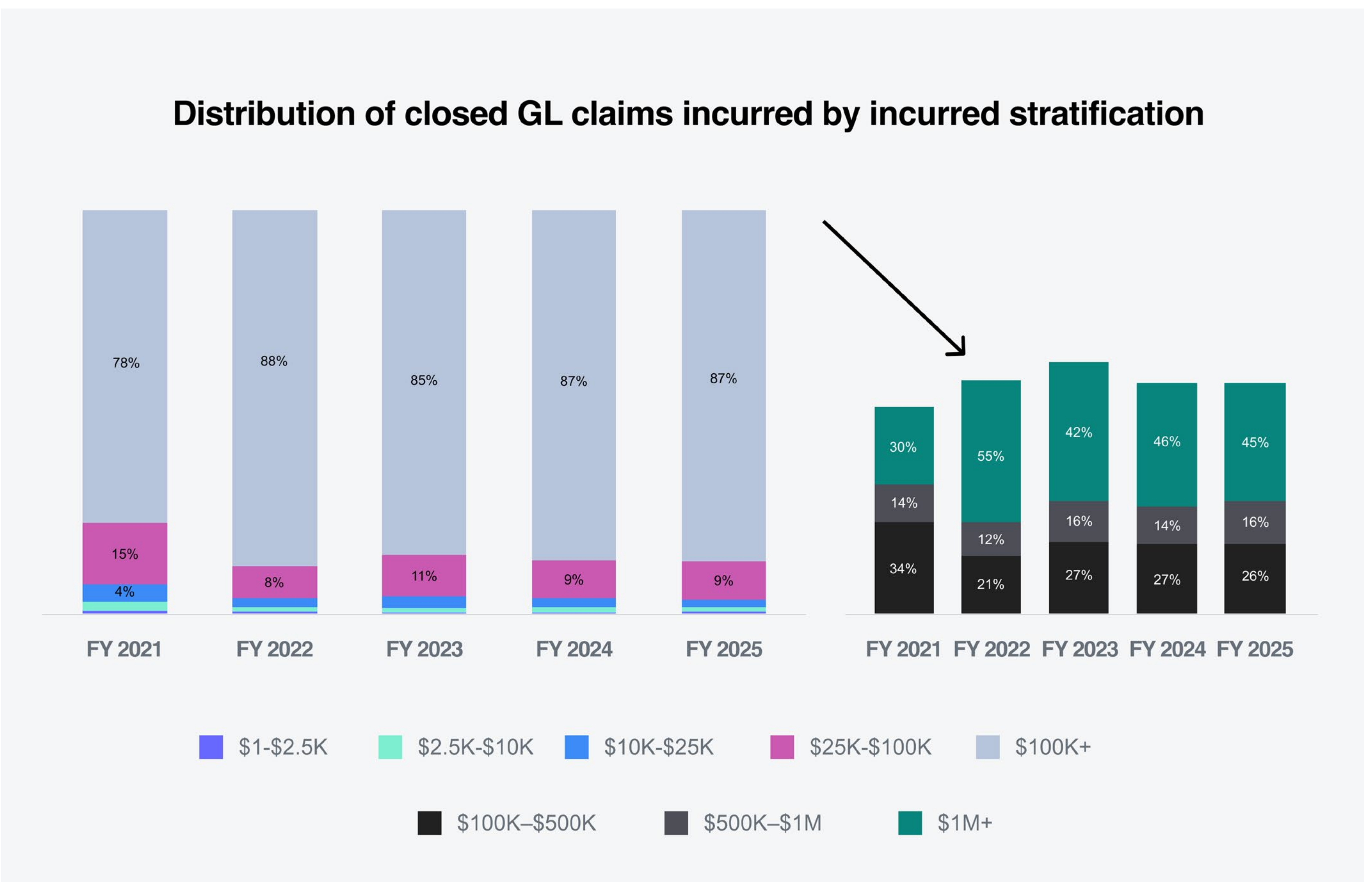


Litigation is becoming more common. There was a 1.6% increase in average litigated paid between FY 2024 and FY 2025 and the litigation claim rate of closed claims increased from 11.4% in FY 2024 to 14.2 % in FY 2025. Although, claim costs are rising across the board, non-litigated claims saw sharper increases in average payouts, up 14% in FY 2025 compared to FY 2024.



Overall closure rates related to high tier incurred groups ($25,000 >) increased slightly. In FY 2025, the highest tier ($100,000) accounted for 8% of all closed general liability claims. However, when comparing the overall general liability closed claim incurred stratifications, that same tier accounted for 87% of the total incurred for all general liability closed claims




Distribution of closed GL claims incurred by incurred stratification
78%
15%
4%
88%
8%
85%
11%
87%
9%
87%
9%
FY 2021
FY 2022
FY 2023
FY 2024
FY 2025
30%
14%
34%
55%
12%
21%
42%
16%
27%
46%
14%
27%
45%
16%
26%
FY 2021
FY 2022
FY 2023
FY 2024
FY 2025
$1-$2.5K
$2.5K-$10K
$10K-$25K
$25K-$100K
$100K+
$100K–$500K
$500K–$1M
$1M+

Final observations

Claim volume decreased; however, costs continued to rise.

Litigation costs, social inflation and overall inflation negatively impacted exposure, but the numbers also suggested that cases with significant damages or a related objective injury create a multiplier that can quickly augment and escalate severity and relative value. Early intervention that identifies targeted strategies for high-risk claims can offset this growing trend. Reducing litigation — whether through early resolution, strategic action plans or alternative dispute resolution — could yield substantial cost savings.

Litigation, social inflation and early intervention

Litigation continued to exert a dual impact on claims outcomes. First, defense costs are rising, due to inflationary pressures affecting every industry. Second, the growing number of large verdicts — especially in certain jurisdictions — has elevated claim values across the board. This trend is concerning, particularly as a substantial portion of claimants secure legal representation immediately following a loss or within days of filing. In contrast, we have observed moderation in average paid amounts for non-litigated claims. This underscores importance of litigation avoidance — emphasizing the need for early, proactive and assertive engagement to resolve claims efficiently.

Like auto, the general liability line, remained particularly vulnerable to nuclear verdicts, driven by factors such as social inflation and growing anti-corporate sentiment. These dynamics have led plaintiff attorneys to pursue more cases through trial, often resulting in prolonged litigation and increased associated costs. Many of these attorneys are experienced, deeply embedded in specific jurisdictions, and possess the ability to influence juror emotions in ways that frame the litigation process as a form of reprisal rather than resolution.

Claim triage via advanced analytics is rapidly becoming a baseline expectation and a proven way to mitigate costs. We now have high confidence that such modeling technology and systemic applications, when appropriately leveraged, are successful in identifying a significant number of the costliest claims before they rise to such levels. Recognizing high exposure claims significantly improves the ability to influence outcomes. Such technology is now an essential tool for claims management professionals. Once a claim is identified, aligning the right resources as quickly as possible is essential to ensuring a successful defense or settlement strategy. Sedgwick's technology and claims systems leverage years of closed claim data; a process that fuels a very robust predictive analytics system. Finally, early engagement may require the use of additional tools such as mock trials and/or focus groups to further assess and identify claim value. Sedgwick's teams are trained and able to operate using such tools and technology.

Conclusion

Rising costs and the influence of litigation will make managing general liability exposures and claims challenging. Rising costs, particularly related to litigation, are likely to continue an upward trend. It is essential for industry professionals to either cultivate in-house expertise or collaborate with partners who possess specialized knowledge and access to advanced technology and automation. This capability is critical for developing actionable strategies that help counteract the adverse factors driving increased costs. Advancements in technology aimed at creating cost buffers, meeting customer expectations or ensuring regulatory compliance are becoming increasingly complex, capital intensive and economically impractical to develop and sustain organically.

Sedgwick welcomes the opportunity to explore how we can support your needs and deliver cost-effective solutions.

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TOGETHER WE **THRIVE**

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