

2024 Professional Liability Insurance

Market Outlook

Professional liability insurance can provide financial protection for losses stemming from allegations that errors, negligence or mistakes in a professional's services resulted in damage or injury. This coverage is particularly vital for lawyers, accountants, health care providers, contractors, consultants, government officials, insurance brokers and financial advisors. Although the professional liability insurance segment has experienced considerable fluctuation over the past decade, recent years have produced more favorable conditions. This is largely due to new entrants promoting greater market competition, resulting in growing capacity and stabilized premiums for most insureds.

Nevertheless, there are several segment trends that could impact claims and related costs across the professional liability insurance space in the coming year, including social inflation issues, labor challenges, artificial intelligence (AI) developments and cybersecurity concerns. Heading into 2024, industry experts anticipate that most insureds will encounter flat premiums, while those operating in certain sectors (e.g., public administration, real estate and franchise operations) or lacking proper risk management measures may face rising rates and coverage limitations.

Developments and Trends to Watch

- **Social inflation issues**—In general, social inflation refers to trends that drive the costs of insurance claims and lawsuits above the general inflation rate. Current contributors to social inflation include a rise in anti-corporate culture and nuclear verdicts (jury awards exceeding \$10 million). In other words, stakeholders are adopting higher standards for businesses and holding these companies accountable for their perceived shortcomings in the courtroom with an increased willingness to demand large-scale payouts. This means clients are more likely to take legal action against businesses for errors, negligence or mistakes in their services (whether actual or alleged), thus resulting in professional liability claims and, in the event of nuclear verdicts, major losses.
- **Labor challenges**—The last few years have seen widespread worker shortages. Specifically, a growing number of workers have been leaving their jobs for positions in different career paths or those in the same industry with greater compensation and benefits, while some employees have been exiting the workforce altogether. These shortages have made it increasingly difficult for businesses to retain top talent. As such, many companies have attempted to fill these labor gaps by increasing their existing employees' workloads or hiring a larger share of entry-level staff. Yet, overworked and inexperienced employees may be more prone to making errors or mistakes in their services, paving the way for additional professional liability claims.
- **AI developments**—AI technology encompasses machines, computer systems and other devices that can simulate human intelligence processes. Although these tools can help businesses automate tasks and establish more efficient workflows, they could also pose professional liability risks. After all, this technology still operates based on human inputs, leaving the door open for possible errors. Because service professionals are responsible for conducting diligent work for their clients, using AI tools in their operations could even be considered negligent. In these instances, AI technology may expose businesses to professional liability claims.
- **Cybersecurity concerns**—Cyberattacks have skyrocketed in cost and frequency, impacting businesses of all sizes and sectors. Because service professionals typically have access to a range of sensitive client information, they are often considered attractive targets for cyberattacks. Further, the rise of remote work has compounded digital vulnerabilities for many businesses, increasing their risk of cyberattacks. These incidents can lead to major operational disruptions, compromised data and stolen funds, affecting companies and their clients. Consequently, businesses that experience cyberattacks could face professional liability claims from clients who encounter losses amid such incidents and allege that companies' professional negligence caused the damage.

Tips for Insurance Buyers

- Consult trusted insurance professionals to determine your professional liability exposures and coverage needs.
- Invest in employee retention initiatives. Provide all workers with proper training and educational resources.
- Review the pros and cons of AI tools before implementation. Establish effective cybersecurity measures, adjusting them as needed (e.g., when new threats arise or upon the adoption of new technology).



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