Increasing Inflation Impact on Liability Insurance as of Year-End 2025



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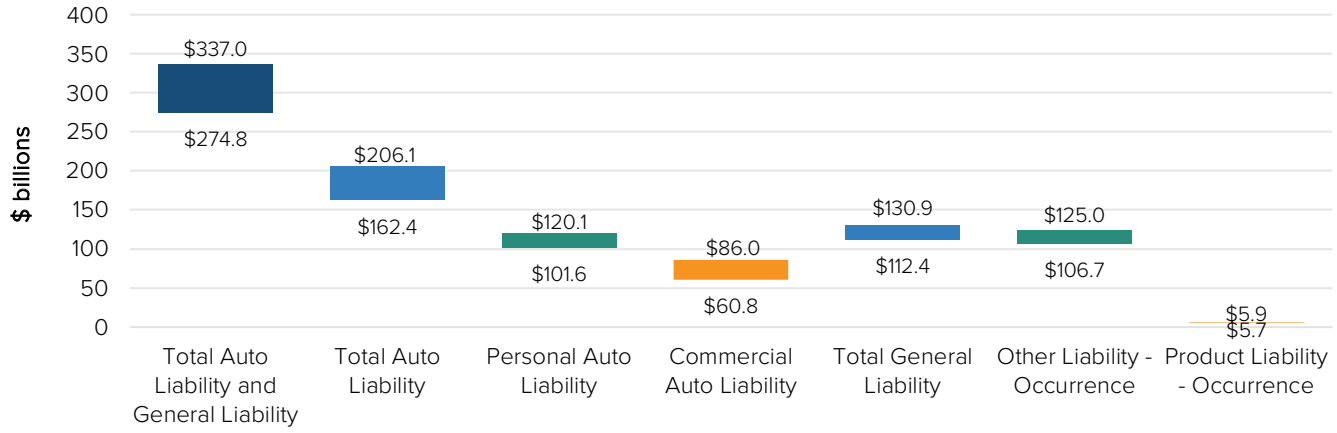
Increasing Inflation Impact on Liability Insurance as of Year-End 2025

In 2025, U.S. liability insurance losses continued to climb faster than economic inflation alone can explain, extending a trend the Insurance Information Institute (Triple-I) has tracked since year-end 2019[1]. This update refreshes the 10-year estimates in increasing inflation on liability insurance with a rolled-forward 2016 to 2025 study period. Every line of business studied shows the same pattern of more dollars of impact and a larger share of booked losses from a year ago. This analysis was conducted by Triple-I based on the lines of insurance and methodology of the prior report published in October 2025 by Triple-I and the Casualty Actuarial Society[2].

Key Findings:

- **Personal Auto Liability:** Increasing inflation added $101.6 billion to $120.1 billion in losses and defense and cost containment expenses (DCC), or between 9.1% and 10.8% of booked losses from 2016 to 2025. This is an increase from the 8.7% to 9.7% range found in our prior report.
- **Commercial Auto Liability:** Increasing inflation added $60.8 billion to $86.0 billion in losses and DCC, or between 24.0% and 34.0% of booked losses. This is higher than the 22.6% to 30.8% range found in our prior report.
- **Other Liability - Occurrence:** Increasing inflation added $106.7 billion to $125.0 billion in losses and DCC from 2016 to 2025, or between 31.4% and 36.8% of booked losses. This is up from the 27.4% to 34.0% range found in our prior report, remaining the largest dollar and percentage impact among all lines studied.
- **Product Liability - Occurrence:** Increasing inflation added $5.7 billion to $5.9 billion to this line's losses and DCC over the study period, or between 32.3% and 33.6% of booked losses. This is up compared to the 27.1% to 28.0% range from our prior report.
- **Total:** The impact of increasing inflation ranged between $274.8 billion to $337.0 billion from 2016 to 2025, up from the $231.6 billion to $281.2 billion found in the prior report.

Figure 1: 10-Year Increasing Inflation Ranges, 2016-2025
($ billions)



Source: Analysis by Insurance Information Institute

1. Jim Lynch and Dave Moore, "Social Inflation and Loss Development," Insurance Information Institute and Casualty Actuarial Society, 2022.

2. Jim Lynch and William Nibbelin, "Increasing Inflation on Liability Insurance – Impacts as of Year-End 2024," Insurance Information Institute and Casualty Actuarial Society, 2024.

Figure 2: 10-Year Estimates of Impact of Increasing Inflation, 2016-2025

	Estimated Impact (Low Estimate)		Estimated Impact (High Estimate)	
Line of Business	Billions of Dollars	% of 10-Yr Booked Losses as of 12/31/2025	Billions of Dollars	% of 10-Yr Booked Losses as of 12/31/2025
Personal Auto Liability	101.6	-9.1%	120.1	-10.8%
Commercial Auto Liability	60.8	-24.0%	86.0	-34.0%
Total: Auto Liability	**162.4**	**-11.6%**	**206.1**	**-15.1%**
Other Liability: Occurrence	106.7	-31.4%	125.0	-36.8%
Products Liability: Occurrence	5.7	-32.3%	5.9	-33.6%
Total: General Liability	**112.4**	**-31.4%**	**130.9**	**-36.6%**
Total Auto and General Liability	**274.8**	**-16.0%**	**337.0**	**-19.6%**

Other Liability: Claims-Made*
Products Liability: Claims-Made*

* No conclusions reached on the impact of increasing inflation

Source: Analysis by Insurance Information Institute

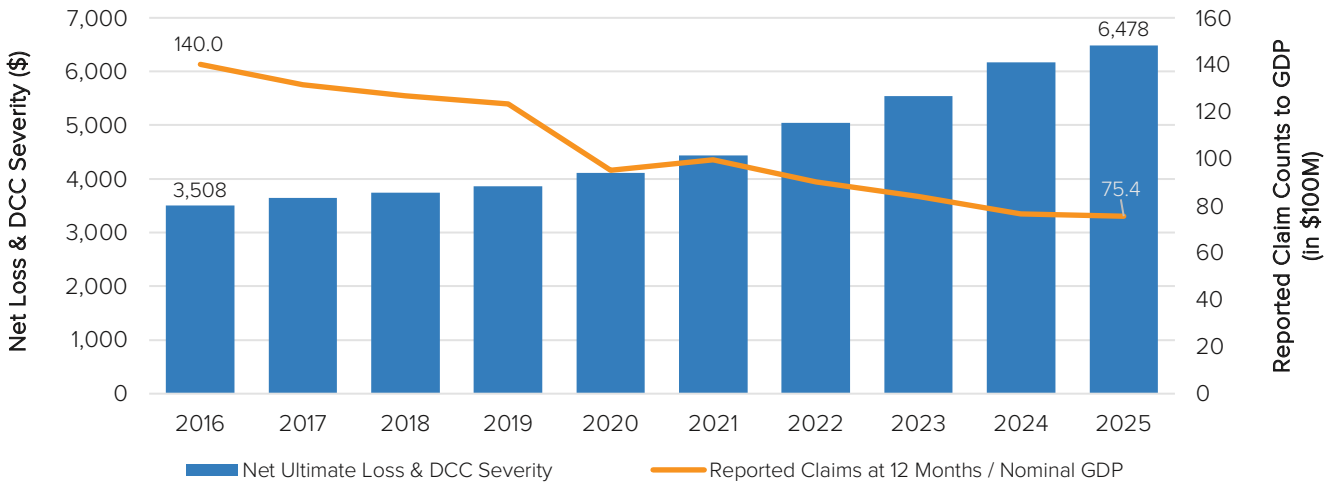
Methodology

This update applies the same methodology documented in the previous Insurance Information Institute reports on increasing inflation, including normalization of premiums and losses to GDP, tracking frequency and severity trends from NAIC Schedule P Statement data, compounding loss development link ratios, and comparing actual losses to expected losses under pre-2008 development patterns and other selected development patterns. Readers seeking full details of the methodology, including data sources and the rationale for the 2008 comparison baseline, should refer to our 2025 report noted earlier.

Personal Auto Liability

Personal auto liability dollar impact is far greater than its commercial counterpart, though its percentage impact remains more moderate. Net earned premium per $1 million of GDP rose 2.0% in 2025, narrowing but not closing the gap to 2019 levels. Claim frequency per $100 million of GDP remains 46.1% below its 2016 level, while net ultimate loss and DCC severity on a reported claims basis has continued to accelerate at a compound annual growth rate (CAGR) of 7.1% since 2016.

Figure 3: Personal Auto Liability Claim Frequency and Net Ultimate Loss and DCC Severity by Accident Year, 2016-2025



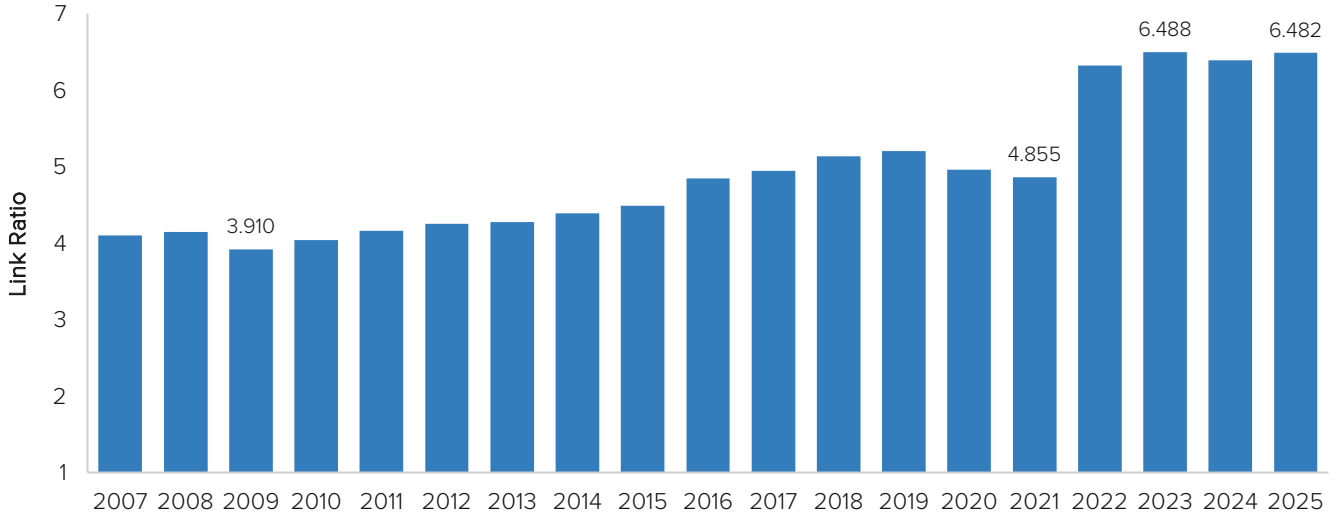
Source: NAIC Schedule P data from S&P Global Market Intelligence accessed September 2026. Nominal Gross Domestic Product, Annual, Not Seasonally Adjusted from FRED (Federal Reserve Economic Data) accessed September 2026

Bodily injury remains the line's persistent pressure point, as severity is now 62.4% above pre-pandemic levels. Claim frequency has risen at a CAGR of 4.0% from 2020 Q3 to the most recent period, but remains below pre-pandemic levels. Increasing inflation added $101.6 billion to $120.1 billion to personal auto losses and DCC from 2016 to 2025, or between 9.1% and 10.8% of booked losses, compared to 8.7% to 9.7% in the 2015 to 2024 study.

Commercial Auto Liability

Commercial auto liability shows the strongest actuarial evidence of rising inflation among all lines. The calendar year cumulative loss development factor (CYR) 12-60 months spiked from roughly 4.855 in 2021 to 6.488 in 2023 and remained elevated through 2025, at 6.482. The 65.8% increase above the 2009 low point of 3.910 shows no sign of the moderation Triple-I flagged as tentative in last year's report.

Figure 4: Commercial Auto Liability Net Paid Loss and DCC CYR 12-60 Loss Development Factors, 2007-2025



Source: NAIC Schedule P data accessed through S&P Global Market Intelligence September 2026

Net earned premium per $1 million of GDP rose for the 13th consecutive year in 2025, at a CAGR of 4.3%, up 58.3% from the 2012 low. Net ultimate losses and DCC have exceeded the line's premium growth since 2016, with claim severity on a reported claims basis growing at a CAGR of 8.2%. This trend has continued even as claim frequency remains below pre-pandemic levels.

Taken together, increasing inflation added $60.8 billion to $86.0 billion to commercial auto liability losses and DCC from 2016 to 2025, or between 24.0% and 34.0% of booked losses versus 22.6% to 30.8% in the 2015 to 2024 study.

Economic inflation has not exceeded commercial auto liability claim severity since 2008.

In each of our six consecutive studies on commercial auto liability, the 10-year estimate in increasing inflation has increased largely due to claim severity continuing to outpace economic expectations year after year, at an increasingly greater rate.

Other Liability – Occurrence

Other Liability – Occurrence shows the largest dollar and percentage impact of any line studied. Net earned premium per $1 million of GDP rose for the eighth consecutive year. Losses have grown even faster, now 70.5% above 2017 levels. The line's case-incurred CYR 12-60 loss development factor has nearly doubled since 2007, reaching a peak in 2024 and decreasing only slightly in 2025.

Figure 5: Other Liability – Occurrence Net Case-Incurred CYR 12-60 Loss Development Factor

Acc Year	12-24	24-36	36-48	48-60	60-72	72-84	84-96	96-108	108-120	CYR 12-60
2003				1.068	1.075	1.030	1.023	1.012	1.016	
2004			1.171	1.109	1.061	1.020	1.025	1.024	1.008	
2005		1.254	1.175	1.094	1.032	1.038	1.036	1.023	1.020	
2006	1.616	1.311	1.167	1.081	1.055	1.049	1.018	1.013	1.024	
2007	1.680	1.307	1.157	1.107	1.080	1.035	1.023	1.022	1.014	2.536
2008	1.762	1.331	1.181	1.130	1.056	1.043	1.022	1.025	1.023	2.872
2009	1.715	1.297	1.202	1.106	1.060	1.034	1.033	1.029	1.014	2.939
2010	1.769	1.385	1.188	1.108	1.055	1.054	1.036	1.020	1.002	2.855
2011	1.814	1.371	1.215	1.113	1.073	1.053	1.032	1.009	1.012	2.999
2012	1.829	1.396	1.235	1.092	1.107	1.040	1.018	1.011	1.013	3.415
2013	1.880	1.431	1.213	1.158	1.073	1.042	1.013	1.009	1.019	3.292
2014	1.851	1.383	1.259	1.125	1.067	1.028	1.020	1.022	1.013	3.534
2015	1.890	1.465	1.251	1.130	1.051	1.034	1.030	1.019	1.015	3.641
2016	1.907	1.410	1.255	1.110	1.066	1.062	1.035	1.026	1.022	3.463
2017	2.078	1.433	1.186	1.131	1.103	1.076	1.040	1.035		4.070
2018	1.934	1.382	1.223	1.167	1.109	1.070	1.044			4.128
2019	1.848	1.378	1.271	1.168	1.104	1.064				3.930
2020	1.846	1.429	1.277	1.167	1.111					3.362
2021	2.084	1.470	1.295	1.173						3.519
2022	2.059	1.474	1.276							4.421
2023	2.129	1.466								4.514
2024	2.063									4.746
2025										4.528

Source: NAIC Other Liability – Occurrence Schedule P data accessed September 2026, sourced from S&P Global Market Intelligence
Note, highlighted cells represent an increase from the year prior

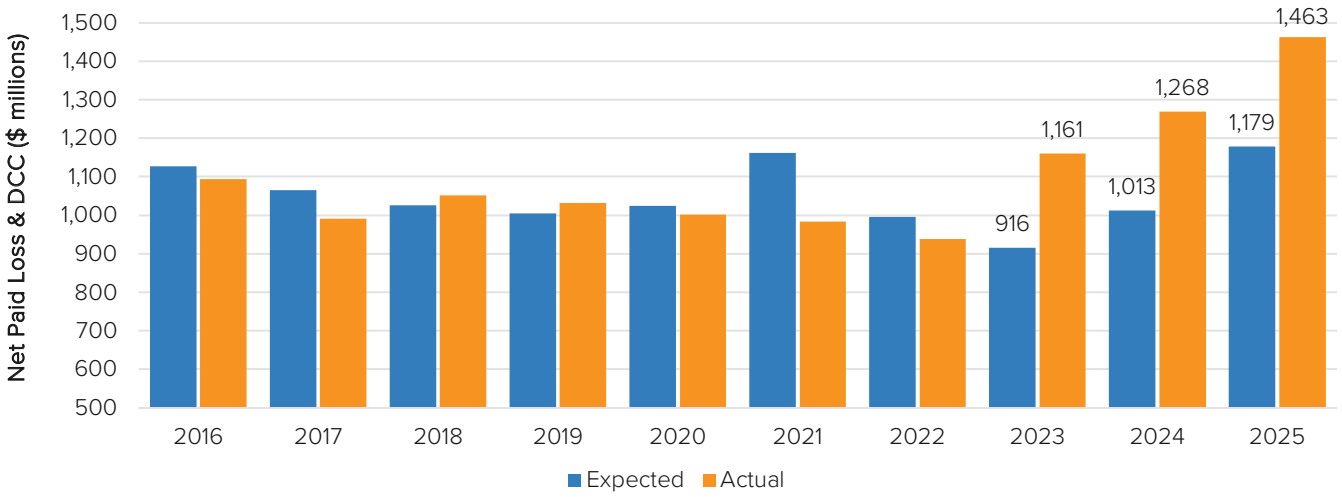
Increasing inflation added $106.7 billion to $125.0 billion to Other Liability – Occurrence losses and DCC from 2016 to 2025, or between 31.4% and 36.8% of booked losses, up from 27.4% to 34.0% in the 2015 to 2024 study.

Product Liability – Occurrence

Though the smallest line by volume of written premium in our study, Product Liability – Occurrence continued to follow the most extreme trajectory. Claim severity has risen more than fivefold since 2016, at a CAGR of 22.8%, or nearly seven times the rate of change for CPI-All Urban[3] during the study period. Due to this line's low claim counts, we compare actual paid loss emergence from 12 to 120 months for calendar year 2016 through 2025 to understand increasing inflation's impact on the line, rather than expected paid loss emergence. The difference in expected versus actual paid loss emergence in the line has exceeded 20% for the past three years, the largest margins across all lines studied.

3. Federal Reserve Economic Data | FRED | St. Louis Fed

Figure 6: Product Liability Expected vs Actual Net Paid Loss and DCC CYR 12-120 Emergence by Calendar Year, 2016-2025



Source: NAIC Personal Auto Liability Schedule P data accessed September 2026, sourced from S&P Global Market Intelligence

Increasing inflation added $5.7 billion to $5.9 billion to this line's losses and DCC over the study period, or between 32.3% and 33.6% of booked losses. Increasing inflation alone accounted for roughly 51.5% of 2025's booked losses, reinforcing last year's finding that inflationary pressure is accelerating, not leveling off, in this line.

Other Liability and Product Liability - Claims-Made

As in our 2025 report, this study found no evidence of increasing inflation for the claims-made lines using the established methods. Therefore, no estimate is provided, though this does not indicate these lines have evaded the impacts of increasing inflation.

Conclusion

A year of additional data moved every quantified line in the same direction of more dollars and a larger share of booked losses attributable to increasing inflation. Claim severity, not frequency, remains the dominant driver across all four lines, consistent with prior findings and with broader legal system abuse trends. Until claim severity growth decelerates broadly across these lines, insurers should expect continued upward pressure on liability premiums, leaving consumers with the prospect of ever-rising premiums.

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