ISSN 1392-1258. EKONOMIKA 2011 Vol. 90(3)

DEVELOPMENT TRENDS OF GENERAL LIABILITY INSURANCE IN LITHUANIA

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Abstract. *The article deals with the situation of general liability insurance in Lithuania and its alteration, with an emphasis on the novelty of the topic. The essence of a particular insurance as well as the main insurable ranges in comparison with other types of insurance are reflected. The key problems related to general liability insurance in Lithuania are presented and discussed. A short overview of other countries' experience is provided together with the nature of general liability insurance. The environment of general liability insurance and the key factors influencing it are discussed and highlighted. A qualitative and quantitative analysis of the development of general liability insurance market is made.*

Key words: *general liability insurance, insurance cycle, insurance density, insurance penetration, market concentration*

Introduction

The constantly improving quality of life in Lithuania encourages the development of new society's needs and thus stimulates consumption and increases the variety of services and products provided in the local market. The growing supply creates more demanding and suspicious consumers who raise requirements for products and services. Meanwhile, the increasing interest in international business and the growing collaboration of Lithuanian companies with foreign corporations stiffen the requirements for all market participants. Foreign enterprises offer tightening conditions for Lithuanian partners. Therefore, more and more Lithuanian companies face the growing need to cover their third-party liability. The softening liability market and the growing litigation rise new and unexpected challenges for entrepreneurs. As a result, the demand of general liability insurance services increases, its importance as of a provider of essential financial protection and coverage for companies facing a risk based on third-party liability in daily business is growing. For internationally operating companies, having a general liability insurance is rather a must now.

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Since Lithuania's insurance market is really small (insurance density in 2009 was 464 Lt[1] while in the European insurance market it was 4 477 Lt and on the global scale equalled 1 431Lt) (Insurance in Lithuania, 2010), and the share of general liability in it was extremely small – 16.08 Lt) Table 4 of this article), various Lithuanian authors focus their studies on the insurance market in general, or on life and non-life insurance as separate branches. There is even a lack of investigations on the insurance market in general and on its development in Lithuanian scientific literature. Lithuanian researchers concentrate their studies on the development of insurance business and its perspectives (Narkūnienė, 2007; Lezgovko, Lastauskas, 2008); life insurance and its development as well as life insurance behaviour are more often discussed (Belinskaja, 2009; Kindurys, 2008; 2009). Kindurys (2008 2009) is the main researcher of the Lithuanian insurance; however, he mainly focuses on insurance marketing and customer loyalty in insurance business. In recent years, some studies were made on insurance companies' activities: Pranevičius and Sutienė (2008) have analysed the investment portfolio of insurance companies, Girdzijauskas et al. (2008) focused their attention on the methods of calculating annuity insurance tariffs, analysed the particularities of calculating logistic annuity insurance tariffs and highlighted the main differences between usual and logistic methods of calculating the insurance tariffs of annuities. Actually, there are no special studies on general liability insurance or scientific publications; only a few overviews were published in daily newspapers.

There is a lack of information on the general liability insurance market even in developed countries. A comprehensive investigation of fluctuations in the U.S. general liability insurance premiums, coverage availability, and reported profits during two decades was presented by Harrington (2004). Other authors investigating the general liability insurance market are Sury (1988), Viscusi and Born (1995), Gonzales (2007) and Roberts (2007). The main problems discussed in their articles are the dramatic decline in general liability rates and excess rates.

To conclude, studies of Lithuanian insurance market are insufficient and data presented by supervisory bodies are inadequate. The topic of general liability insurance is less explored due to its small share in the overall insurance portfolio. Therefore, this study aimed to identify the possible trends in the development of the general liability insurance market on the grounds of analysis. The methods applied in the study comprise systematic analysis of scientific and statistical material, graphical presentation of data and their analysis, comparative analysis of the obtained data, summary and conclusions.

1. General liability insurance: nature and functions

In the last decades when the development of industry, science and technologies was particularly fast, facilities of companies have increased significantly and resulted in a higher

[1] 1 euro equals 3.4528 litas.

level of civil liability. The increasing civil liability pushed ahead the growing need of civil liability insurance as a tool helping to protect companies implementing activities of higher risk.

Today's insurance keeps its key mission; however, it has changed significantly as compared with its predecessor. The changes were mainly caused by technological reasons, changes in the needs of assureds and the potential of insurers.

As is shown by the world practice, civil liability and the related law are stiffening permanently and extremely rapidly; therefore, it has become obvious that even small mishaps can end in large lawsuits for business units. Lithuania is not an exclusion. As a result, rapid changes in life shall be made, considering that a similar situation may develop in Lithuania in the near future, as our society becomes more and more litigious.

In Western countries, there is a long-lasting practice of a strict need to have liability insurance. A person's life and health are evaluated much more than any other asset; therefore, Lithuanian companies exporting their production to Western countries shall be open-eyed and must secure them, protecting their own assets in advance. It is obvious that bigger losses may appear from the problems caused to others than to ourselves. This may lead to the loss of the entire equity in order to offset the losses caused to others. This is especially dangerous for still developing and expanding Lithuanian companies. General liability insurance is essential for most companies not only because of its protecting characteristics, but also as an additional guarantee of the highest quality of production or service.

Usually big and middle-size companies, especially those engaged in construction, manufacturing and trade activities, are willing to insure their business. On the other hand, service companies do not tend to use general civil liability insurance, despite the fact that their activities are related to a direct serving of customers, which increases the possibility to cause harm and to be claimed on. However, most of the companies providing certain services in the market use professional indemnity insurance (maybe because a number of them are compulsory in Lithuania).

A big increase in the usage of general civil liability insurance is seen in the recent years (Insurance in Lithuania, 2010). This growth is a result of the increasing frequency of claims against companies providing certain services or selling goods. People's activity increases, and the number of cases when their claims are met and satisfied are growing as well. This is the main reason influencing the usage of general liability insurance among companies at present. General liability insurance is more frequently regarded as a protective tool against possible huge losses.

General liability insurance is designed for companies producing, distributing, and selling products, providing services or for companies whose employees are working in the territory or premises of the customer, also for those in whose premises or territory there are permanently a lot of customers.

TABLE 1. **Pecularities of liability insurance types (according to commercial liability, 2009)**

General commercial liability insurance	Product liability insurance	Professional indemnity insurance	Directors' and officers' liability insurance	Employers' liability insurance
Covers losses which originate from bodily injury and/or property damage in the premises of a business, when someone is injured as a result of using the product manufactured or distributed by a business or when someone is injured in the general operation of a business.	Covers losses originating from defects in the conception, design, manufacture or storage of the product, or from its improper use by the consumer. Liability is triggered by the defective nature of products, not by their hazardous characteristics.	Provides a corresponding protection for companies rendering professional services. Policies are intended to cover claims for damages based on violations of the duty to exercise care and prudence, or failure to follow state-of-the-art or other generally applicable professional standards and practices.	Liability insurance covers the consequences of violating the duty to exercise care on the part of the members of the board of directors, supervisory boards or management of legal entities (such as stock corporations or companies with limited liability). For public companies, this type of policy protects them against certain types of claims from the shareholders who suffer.	Covers the consequences of occupational accidents that occur due to a lack of adequate safeguards on machines, tanks and vessels, and facilities. Occupational diseases, such as those due to inadequate ergonomic conditions at the workplace are also covered.

The key characteristic of general liability insurance is that the manifestation of a claim can occur over a longer period of time. The probability of a severe claim is low, but when it occurs the loss can be very high (Commercial Liability, 2009).

However, general liability insurance can be easily distinguished from other lines of insurance due to the characteristics shown in Fig. 1 (Commercial Liability, 2009):

- unknown and unexpected risks may be covered by liability insurance. Interaction of technological innovation and changes in social and legal environment may result in new risks which can lead to significant losses;
- the long-tail nature of liability risks results in a higher exposure to inflation, escalation of social claims and investment risks. Surprise exposures and unexpected changes in the number of claims and claim costs can be created by dynamics in the liability system. Mostly these are not considered when underwriting the policy;
- the profitability of liability insurance has been insufficient over a long run.

Also, Shapiro and Posner (2000) have examined the definition of "occurrence" in conjunction with the coverage of property damage caused by inadvertent construction defects and concluded that the word "accident" in the definition of "occurrence" includes the fortuitous and unforeseen consequences of inadvertent construction defects.

Because of having the right to protect against uncertainties, insurance cover is generally considered to be a sensible management of finances. In an actual case, general liability insurance shall be used as a protection tool. This is the type of insurance no

FIG. 1. **Characteristics distinguishing general liability insurance from other lines of insurance**

Source: Commercial Liability, 2009.

business should do without it. General liability insurance appeared as a result of actions made by persons in order to get, at least partly, a compensation of their expenses due to a must to cover the harms made. The present general liability insurance can prevent a legal entity from turning into a financial failure by providing financial protection in case the business is sued or held legally responsible for some injury or damage. General liability insurance protects business from liability arising from the negligence that may cause injury to others, such as a customer or an employee. It also protects a company if someone is injured as a result of using its product or service. The fact that the legal expenses and settlement or judgment expenses of a single lawsuit could drive a business into bankruptcy highlights the need of this kind of insurance. Insurance gives the peace of mind and security to a business to operate (Čepinskis, Raškinis, 2005).

The third-party liability insurance is usually "all-perils" insurance. It provides protection for an insured against the legal obligation to pay compensation to third parties for the losses or damages for which the insured may be liable.

2. General liability insurance market in Lithuania

The importance of commercial insurance is very high for both citizens and the economy. This type of insurance does not so far help avoiding irreversible ravage as it helps to

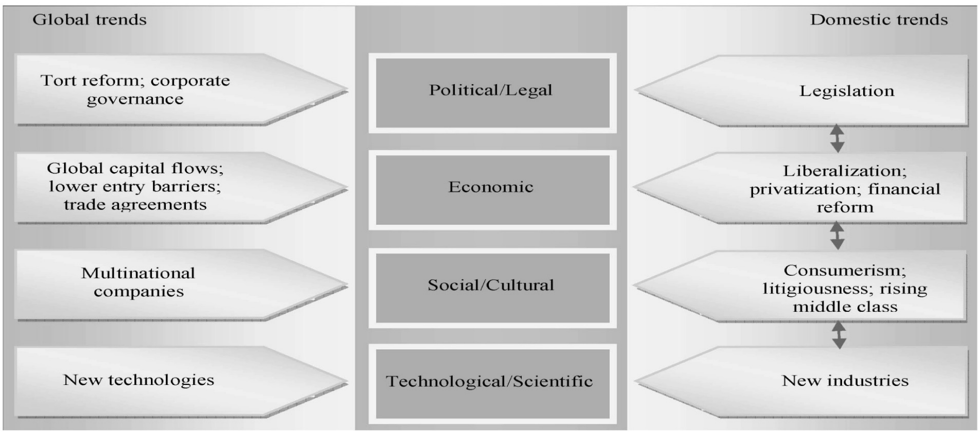

FIG. 2. **Environment of general liability insurance**

cover losses caused by a certain accident. From the economic point of view, insurance is an important factor for each country's development and prosperity. A stable system of commercial insurance helps to raise the economy, save the companies' capital and national income, increases the employment. It protects from accidents and other risks, activates the capital market and supports the state budget. A safer environment is assured not only to its citizens, but also to investors. Thus, the insurance market reveals the level of countries' development.

However, since general liability insurance is not compulsory in Lithuania, it is used only by the companies that are willing to reduce their own risk (possible losses) related to harms made to their customers – users of services provided or products produced or sold, as well as people injured due to a fault of a company or its employees. This type of insurance has a relatively low potential due to the fact that Lithuania is a small country (with 3.26 million population as in October 2010) in which mainly small companies operate in the market which does not give very exciting expectations for the future development. General liability insurance is driven by companies acting in the market, and since they are mostly small or medium-sized, there is quite a small possibility that the market of general liability insurance could increase significantly. Since entrepreneurs focus on increasing their income and trying to avoid additional expenses while reducing the risks, the potential of general liability insurance in Lithuania is low.

3. Problems related to general liability insurance in Lithuania

Since Lithuania's insurance market is still relatively young, there are many lessons to be learned, especially in such small spheres as general liability insurance. Despite the positive developments in the sector of general liability insurance, there is a number of negative aspects that should be eliminated or at least improved. The most common problems are shown in Fig. 3.

The Lithuanian insurance market is relatively small, having in mind that only 20 years have passed since Lithuania moved to market economy. As a result, the share of general liability insurance and the level of its development are even lower. Therefore, there is a lack of experience, especially in general liability insurance services, which is characterised as long-tail insurance when an injury or other harm takes time to become known and a claim may be separated from the circumstances that caused it by many years.

Furthermore, there is a lack of information and comments provided to the market on general liability insurance. As mentioned above, general liability insurance is a very small share in the non-life insurance portfolio (Insurance in Lithuania, 2010). In combination with the complicated nature and content of general liability insurance itself, this leads to confusing potential customers and not to the growing demand. Till now (December 2010), there were no scientific publications or researches made on the general liability market in Lithuania. No extra information is provided on this topic, except

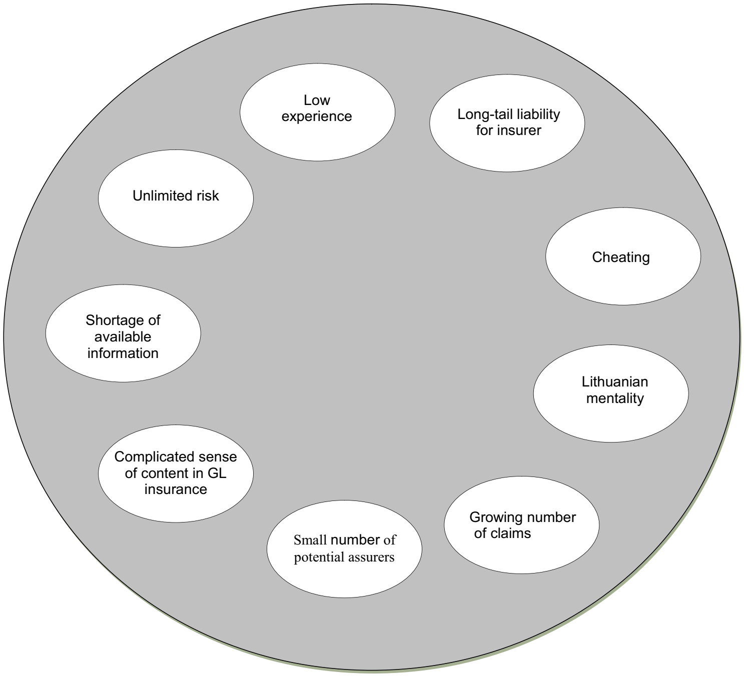

FIG. 3. **Problems related to general liability insurance**

insurance rules in certain insurance companies' websites and the definition of insurance and its insurable risks in some books.

The long-tail liability, low experience and the lack of information on general liability insurance are the characteristics that lead to an unlimited risk. There is an opinion of insurance companies that the risks of this kind of insurance are not manageable for some reasons such as the absence of a satisfactory court praxis on how to assess harms made to an individual. Therefore, neither insurers nor aggrieved individuals have argumentations in a court. In Lithuania, insurance amount is unlimited, i.e. each insurable event must be insured for a particular amount, but there is no information on how many insurable events there might happen. The risk is not limited; therefore, reinsurance companies are not willing to reinsure.

Furthermore, there is quite a small number of potential users of general liability insurance. Large corporations usually have a higher risk awareness and therefore buy more cover against harms to third parties. However, in Lithuania, the number of such big companies is limited. The rest of the market is formed by small business units that do not comprehend the importance of general liability insurance and treat it only as additional expenses. Lithuanians' mentality that if something is not compulsory then it is not necessary is very well applicable also to general liability insurance. Lithuanians still do not understand the value of liability insurance and its functions. Entrepreneurs do not recognize the actual sense of using insurance as a preventive tool or a source to cover their own civil liability in case of harms made in the future.

One more problem related to this type of insurance is the growing number of claims. Lithuanians become braver and braver in making claims. The number of false complaints is increasing as well. Liability insurance is more often interpreted as a social compensation, while its original purpose – to protect adequately an injured party from the consequences of an improper action or failure to act on behalf of a third party – is gradually disappearing, especially on the worldwide level where general liability insurance, like any other kind of liability insurance, is increasing and assuming the character of a hyper-social compensation system embedded in civil law. However, in Lithuania, traditional liability practices are still predominant, but new developments endanger the sustainability of the traditional general liability insurance. There is still much to do in order to reach the level of developed European countries; however, this trend may intensify in the future.

It is important to stress that the majority of insurance companies existing in Lithuania are governed by foreign companies; for instance, in 2009, foreign capital accounted for 69.1% of the authorized capital (Insurance in Lithuania, 2010). The situation is not changing so far, and the share of EU insurance undertakings' branches in premiums is growing every year. This implies that part of insurance products existing in the market are not always meeting Lithuanian peculiarities, especially those of law and demand.

Since general liability insurance is quite a complicated line of insurance and difficult to manage for insurers, especially due to its key characteristic – long-tail liability, as well as for assureds due to the complicated structure of general liability insurance content, both sides face the risk that the other part will cheat. Most of companies even do not exercise this insurance for the reasons related to their mistrust in insurance companies.

In conclusion, general liability insurance market is imperfect in Lithuania. There are still many lessons to be learned. However, the market is still very young and in the process of development. Currently, it shows a tendency to grow, and there is still a potential to grow together with the mentality of Lithuanian businessmen. Insurers and their clients have to respond to new permanently appearing challenges. Insurance buyers need to include liability risks into the integrated risk management process. Risk assessment and mitigation play an important role in reducing the overall cost of risk and keeping certain risk insurable. Insurers must better understand and monitor the drivers of liability claim costs and then reflect them in the actuarial models. Insurers must also pay more attention to the wording and policy language in order to manage their exposure to liability risks which are rapidly changing (Commercial Liability, 2009).

4. General trends in the development of general liability insurance in the local market

In Lithuania, there were six among the eight non-life insurance companies, who provided general liability insurance for Lithuania's market in the second quarter of 2010. However, the private limited liability company "Būsto paskolų draudimas" and the private limited liability insurance company "Lamantinas" offer specialised insurance services. Besides Lithuanian insurance companies, general liability insurance services were also offered by four foreign companies' subsidiaries established in Lithuania, such as If P&C Insurance (Estonia), ADB Baltikums (Latvia), AAS Gjensidige Baltic (Latvia), GF Försäkringsaktiebolag (Sweden).

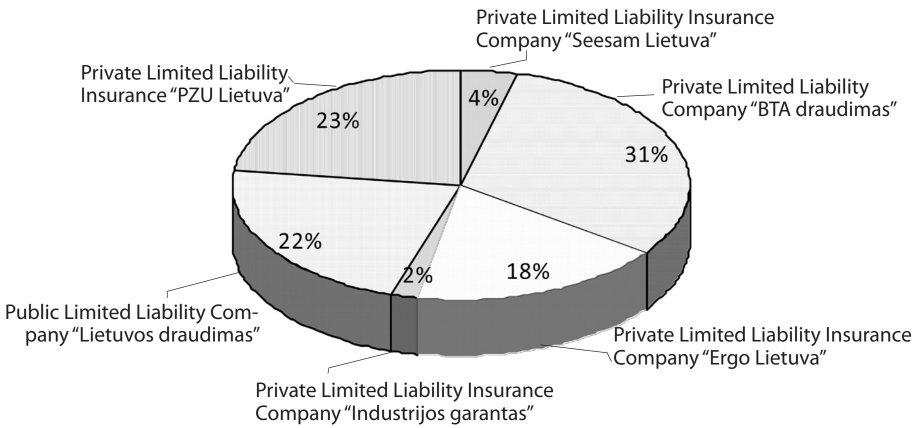

FIG. 4. **Concentration of general liability insurance undertakings in terms of premiums written (2nd quarter of 2010), according to data provided by insurance supervisory commission**

Source: Insurance Supervisory Commission (ISC) quarterly data on non-life insurance, 3rd quarter 2010.

The general liability insurance market was concentrated in the third quarter of 2010, but the concentration was not too strong; four undertakings (private limited liability company "BTA draudimas", private limited liability insurance company "PZU Lietuva", public limited liability company "Lietuvos draudimas", and private limited liability insurance company "ERGO Lietuva") from the six companies offering general liability insurance held 94% of the general liability insurance market (Fig. 4).

The share of each company was quite similar; however, two companies providing general liability insurance held only 6% of the general liability insurance market in terms of premiums written.

In terms of premiums written, the general liability insurance in 2009 amounted to almost 53.52 million litas (Table 2). The steady growth, which has lasted during the previous four years, has stopped and reached a somewhat higher level than in 2006. The amount of claims paid during 2009 reached 10.32 million litas (Commercial Liability, 2009). Changes in the claims paid were developing in the same manner as premiums written. Claims paid in 2009 decreased in comparison with 2008 and reached a slightly higher level than in 2005.

TABLE 2. **Share of general liability insurance expenditures / costs in the revenues of Lithuanian business units**

	2005	2006	2007	2008	2009
Business revenue (thousand Lt)	122.223.494	147.192.074	181.449.782	211.108.352	151.584.858
Premium written (thousand Lt)	42150.7	52463.6	69785.7	75345.5	53516.3
Share in business revenue (%)	0.03%	0.04%	0.04%	0.04%	0.04%

Source: Statistics Lithuania and ISC quarterly data on non-life insurance, 3rd quarter, 2009.

The share of general liability insurance in the non-life insurance portfolio in terms of premiums written is not changing very much and remains at a level of around 5.5% during the last 5 years; the share has shown a small rise (up to 5.9%) only in 2009. The biggest increase in the share was noted in 2004. The situation with claims paid was also not changing very much, except the year 2009 when the share in non-life insurance portfolio varied from 2.4% to 3.5%, reaching its top in 2006 and going down in 2009 to the level close to that of 2003. The share of claims paid in premiums written was also varying more or less steadily between 19.3% and 31.4%. This shows that the premium written fully covers claims to be paid, and there is still much capacity to save or to set to technical provisions.

The average cost of commercial liability insurance in the United States was about 0.2% of business revenues in 2008 (Commercial Liability, 2009). However, it was lower in other countries. The situation in Lithuania is reflected in Table 2.

The share of general liability insurance expenditures – premium written – in business revenue is very small as compared with that in the United States, and in the period of four years it increased from 0.03% to 0.04% of all business revenue (Commercial Liability, 2009). Premium written was growing until 2008; the Lithuanian mentality was changing; hopefully, it will definitely lead to the growth of money spent on general liability insurance in future.

Hiwever, not only premium written but also the number of claims made was growing on the year-to-year basis; since 2004, the amount of claims paid increased more than four times (ISC 2010) until 2008, and both figures declined in 2009.

The amount of reported claims was fluctuating permanently, with a peak of 8181 in 2006 (Fig. 5). However, the common characteristic of every year is that no more than 56.66% of reported claims were covered by insurance.

TABLE 3. **General liability premiums – 2000–2008 billion euro at constant exchange rate**

Country	2000	2001	2002	2003	2004	2005	2006	2007	2008
Austria	448	468	494	536	564	603	628	660	681
Belgium	550	572	614	637	649	647	694	726	752
Bulgaria	3	5	6	8	11	14	16	16	16
Switzerland	942	1.061	1.100	1.229	1.213	1.229	1.265	1.154	1.169
Cyprus	9	10	11	18	21	24	28	33	35
Czech Republic	129	149	229	243	258	307	337	372	456
Germany	5.877	5.922	6.148	6.306	6.535	6.807	6.874	6.821	6.826
Denmark	128	143	176	232	196	202	209	208	220
Estonia	1	2	3	3	4	4	5	5	6
Spain	736	827	1.088	1.334	1.559	1.672	1.828	1.892	1.824
Finland	126	131	145	160	163	160	160	177	176
France	3.520	3.869	4.183	4.967	5.398	5.815	6.276	6.553	6.785
United Kingdom	4.588	5.717	7.692	8.743	8.915	9.099	8.550	8.301	7.948
Greece	25	29	33	40	51	51	63	69	70
Croatia	12	14	18	20	23	26	31	34	38
Hungary	30	41	47	57	62	64	67	72	78
Ireland	433	535	725	860	865	794	822	691	597
Iceland	16	17	18	18	19	25	29	27	14
Italy	2.033	2.229	2.472	2.798	2.999	3.116	3.184	3.256	3.316
Liechtenstein	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Lithuania	8	6	7	8	8	13	15	21	22
Luxembourg	51	54	54	59	58	87	85	58	62
Latvia	20	16	15	18	12	9	8	11	12
Malta	2	2	5	5	6	6	7	7	6
Netherlands	604	695	814	965	1.065	1.113	1.161	1.197	1.256
Norway	97	118	125	126	128	142	143	144	151
Poland	92	113	117	118	140	176	211	238	277
Portugal	57	62	71	80	95	95	97	108	109
Romania	n.a.	n.a.	4	7	11	12	19	34	35
Sweden	251	157	179	285	391	194	299	208	229
Slovenia	21	23	25	28	32	36	39	43	48
CEA*	**20.873**	**23.027**	**26.671**	**29.972**	**31.524**	**32.639**	**33.285**	**33.443**	**33.426**
EU (27)	19.776	21.789	25.377	28.538	30.094	31.156	31.724	31.825	31.898

Source: CEA Statistics N°40: European Insurance in Figures, Data 1999–2008.

* The CEA is the European insurance and reinsurance federation.

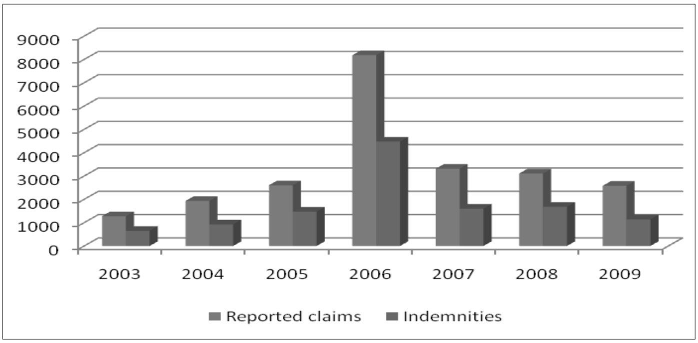

FIG. 5. **Reported claims and indemnities (2003–2009): number of cases**

Source: ISC quarterly data on non-life insurance, 3rd quarter 2009.

There are three main indirect insurance ratios used for evaluating the insurance market. These are insurance density, insurance penetration, and the expansion of the insurance market. The mentioned ratios are widely applied by all insurance companies and supervisory bodies. For the calculation of these ratios, not only premium written or contracts signed, but also the size of GDP (insurance penetration), as well as the population in a certain country or region (insurance density, insurance expansion) are considered. Insurance density is the ratio of premiums written per capita, and insurance penetration is the ratio of premiums written to the GDP. This ratio reflects the development level of the insurance market and its place, together with the importance of insurance business in the structure of a state's economy. Insurance expansion is the ratio of contracts signed per capita.

These three ratios were calculated to evaluate also general liability insurance (Table 4).

The dynamics of the general liability insurance density ratio shows that the amount of Lithuanians' spending on general liability insurance has increased significantly till 2008 – from 7.74 Lt to 22.44 Lt per capita. This is almost a triple growth in the 5-year

TABLE 4. **Key indirect ratios of general liability insurance market in Lithuania (2003–2009)**

	2003	2004	2005	2006	2007	2008	2009
GDP, in million litas	56.959	62.698	72.060	82.793	98.669	111.189	92.016
Population	3.454.200	3.435.600	3.414.300	3.394.100	3.375.600	3.358.100	3.329.000
Insurance density, in litas	7.74	8.16	12.35	15.46	20.67	22.44	16.08
Insurance penetration	0.00047	0.00045	0.00058	0.00063	0.00071	0.00068	0.00058
Expansion of insurance market	0.012	0.015	0.016	0.015	0.019	0.021	0.022

Source: Statistics of Lithuania (2003–2009) and authors' calculations.

period. However, the last year has shown a negative trend – a decrease by 6.36 Lt per capita spent on general liability insurance. In comparison, the density of non-life insurance has increased from 173.59 Lt to 418.40 Lt (2.4 times) in the period 2003–2008. This means that in 2008 one citizen spent 418.40 Lt on non-life insurance. The result of 2009 showed the same negative trend as for general liability insurance – the density of non-life insurance in 2009 was 272.44 Lt. Of them, 16.08 Lt (5.9%) were spent on general liability insurance . However, the decrease in numbers did not reduce the share of general liability insurance in the portfolio of non-life insurance; it was not significantly changing during the 7 years covered by the analysis.

The second ratio – insurance penetration – shows that the premium written in general liability insurance amounted only to 0.06% of the state GDP in 2009 and was at the level of 2005. Such a small insurance penetration shows that there is still a relatively big potential for this line of insurance. In comparison, non-life insurance amounted to 0.98% of the GDP in 2009.

With reference to the insurance market expansion ratio, one citizen signed 0.022 general liability contracts in 2009 versus 0.012 contracts signed in 2003, while each citizen signed 1.05 and 1.17 non-life insurance contracts in 2003 and 2009, respectively (Insurance in Lithuania, 2010).

Thus, the indirect insurance ratios have shown a negative trend in the results of general liability insurance in 2009; however, there still exists a potential for the general liability insurance to expand its share in the total portfolio of non-life insurance, as it was gradually increasing in the period before the financial crisis.

Conclusions

Lithuania's insurance market is quite young (only 20 years have passed since Lithuania has shifted to the market economy), small (insurance density in 2009 was 464 litas versus 4 477 litas in the European insurance market and 1 431 litas on the global scale) and still developing as compared with other European countries, including the general liability insurance. However, signs of a positive future are apparent. The main users of this insurance are large companies, especially those working internationally. The number of such companies is not big in Lithuania; however, requirements set by foreign partners become stricter, ensuring a continuous usage of general liability insurance. Furthermore, the definition "general liability insurance" covers a few different liability insurances under its umbrella; therefore, its growth is also related to the lawful obligation for some types of businesses to exercise professional indemnity insurance and employer liability insurance. So, there are mainly two forces stimulating the popularity of general liability insurance: requirements set by international partners and requirements set by the state.

Lithuanians do not comprehend the value and meaning of this type of insurance and its functions. The use of this insurance is rather related to certain obligations set by particular institutions or business partners. The actual meaning of general liability insurance is unclear not only to its potential users, but also to the third parties, which is especially important in this line of insurance. A third party manipulates this insurance, transforming it into a social support tool rather than exercising the original functions of general liability insurance as the coverage of liability. And this is not the only problem related to this line of insurance.

To sum up, the market of general liability insurance in Lithuania is not perfect because of the lack of experience. General liability insurance should continue growing; however, the growth will not be very impressive in the nearest future due to the difficult financial situation in the markets and a careful behaviour of companies which plan their expenditures. On the other hand, the complicated situation in the markets stimulates companies to look for guarantees to cover possible losses. Often, it is the requirement for companies to have general liability insurance, especially from their foreign partners in international business. In general, the future of general liability insurance in Lithuania depends on the economy improvement and export increase, including goods and services.

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