Social Inflation

Sean Kevelighan, CEO
What They’re Saying…

**A broadening definition by society and juries of what is covered by insurance policies**

Warren Buffett, Letter to Shareholders 1977

“Excessive inflation in claims.”

- Occurs when development defies key assumption: Loss Development is RV about stable mean

James Lynch, Former Tripe-I Chief Actuary

**But the industry has developed a new term for their old target, blaming ‘social inflation’ in courtrooms for problems that really result from unrelated economic conditions facing the industry.**

Robert Hunter
Consumer Federation of America
Press Release, March 9, 2020
Runaway Litigation
Runaway Litigation

- Nuclear Verdicts
- Class Action & Litigation Funding
- Tort Reform Rollbacks
COVID-19: Real Time Experience

1,300+ COVID-19-related employment complaints filed in federal and state courts in 2020.
Entitlement attitudes, by age

*I honestly feel I’m more deserving than others. I deserve more things in my life. People like me deserve an extra break now and then.*
Fewer people think there are too many lawsuits

DecisionQuest, Inc.

- 2016: 90% Strongly or Somewhat Disagree
- 2018: 78% Strongly or Somewhat Agree
- 10% Strongly or Somewhat Agree
- 22% Strongly or Somewhat Disagree
Social Inflation: The Toll

Reserve Development, Commercial Auto Liability

Additions to Claim Reserves

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<th>Year</th>
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<tr>
<td>2019</td>
<td>2,572</td>
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Reductions from Claim Reserves

Sources: NAIC data sourced from S&P Market Intelligence; Insurance Information Institute.
It’s Not Just Auto

12:36 Loss Development Factors by Year, Long-Tailed Lines

- Medical Malpractice Occurrence, Other Liability Claims-Made, Products Liability Occurrence, Products Liability Claims-Made. Estimate assumes 24:36 Factor is straight average of previous three years.

Source: NAIC data, sourced from S&P Global Market Intelligence; Insurance Information Institute.
Thank you!