

# Social Inflation

Dr. Lars Powell, University of Alabama

# Social Inflation?

- Liability costs change for reasons other than changes in frequency and severity of harm caused by defendants, or in cost of underlying goods and services.
- Changes can be social, legal, strategic, technical, etc.





## **HOW THE CASH-RICH INSURANCE INDUSTRY FAKES CRISES AND INVENTS SOCIAL INFLATION**

**By:**

**J. Robert Hunter, Director of Insurance, Consumer Federation of America**

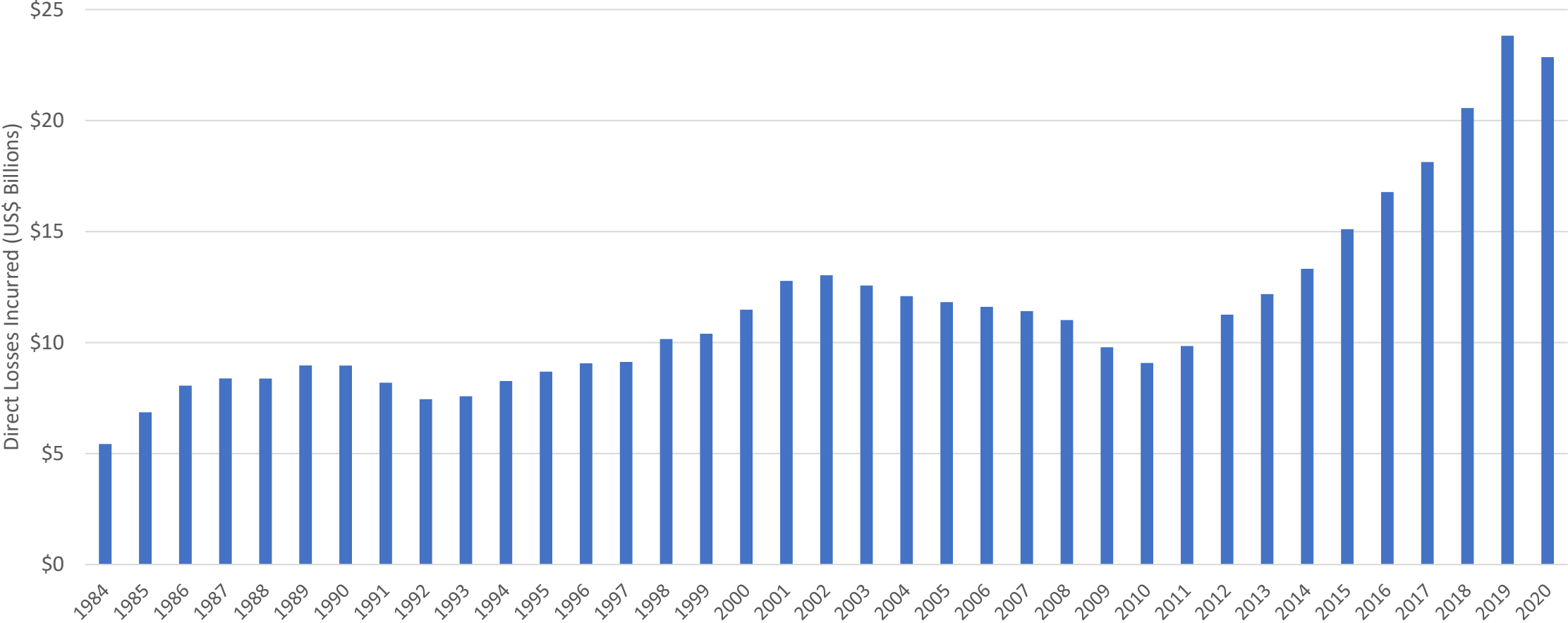
**Joanne Doroshov, Executive Director, Center for Justice & Democracy**

**Douglas Heller, Insurance Expert, Consumer Federation of America**

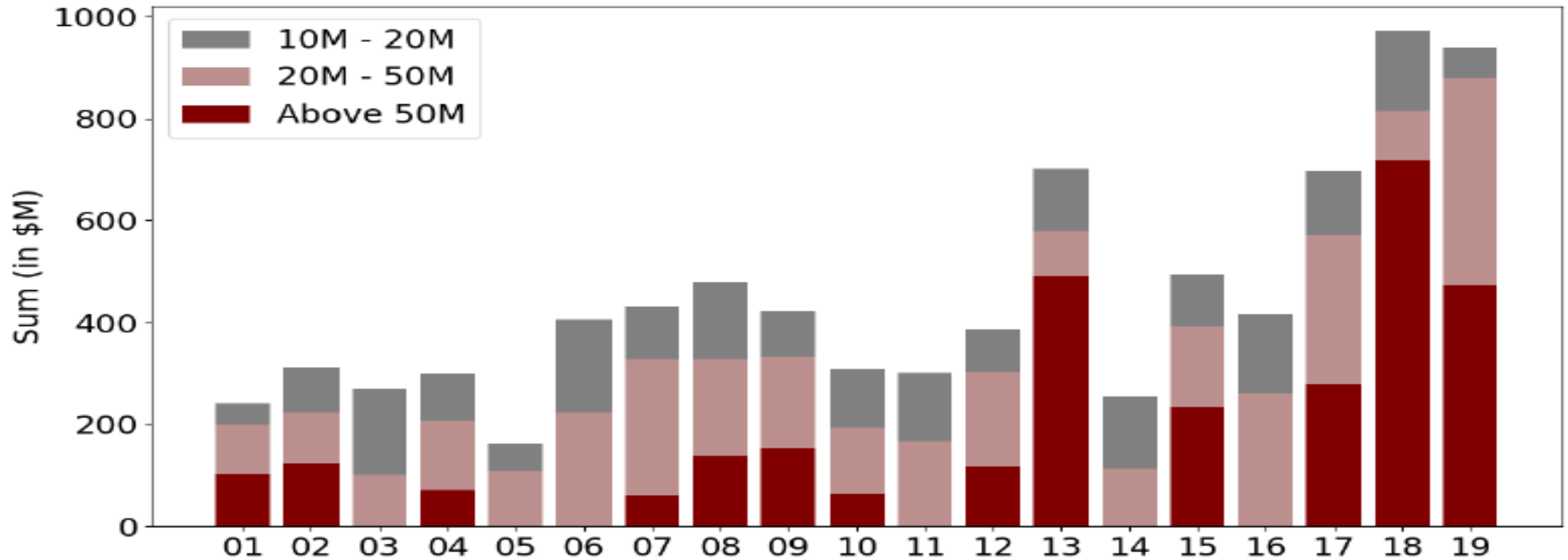
**CONSUMER FEDERATION OF AMERICA  
CENTER FOR JUSTICE & DEMOCRACY**

**March 2020**

# Commercial Auto Liability Direct Losses Incurred

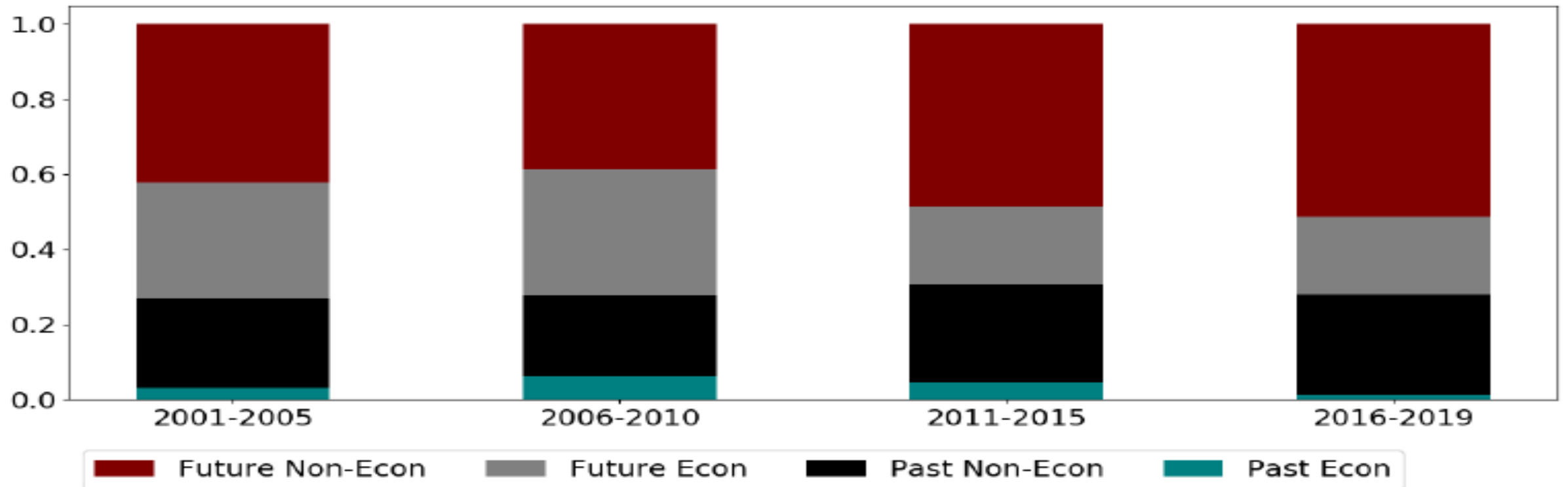


# Trends in large verdicts/settlements



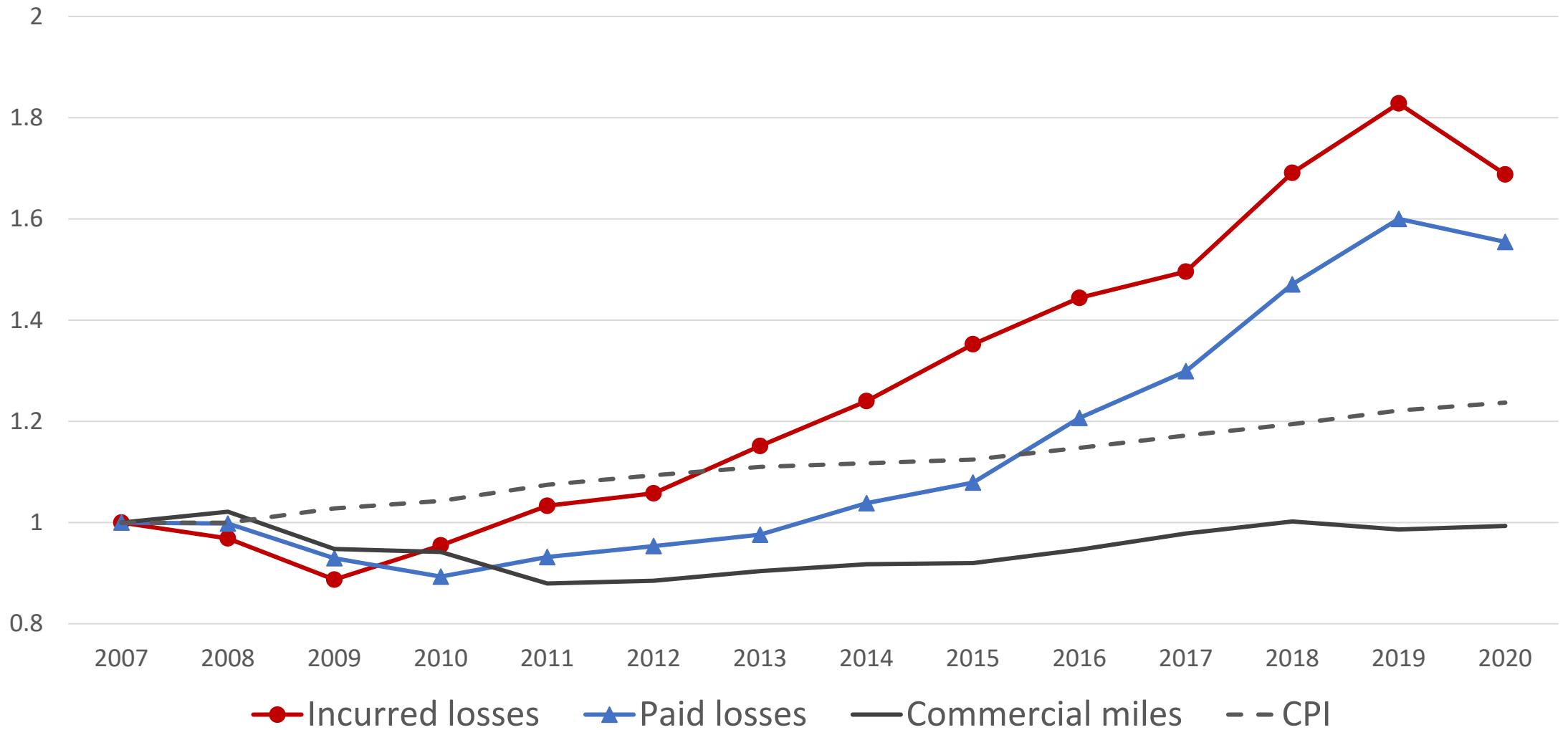
Source: Oh, S.S., 2020. "Social Inflation," Working Paper University of Chicago

# Trends in large verdicts/settlements

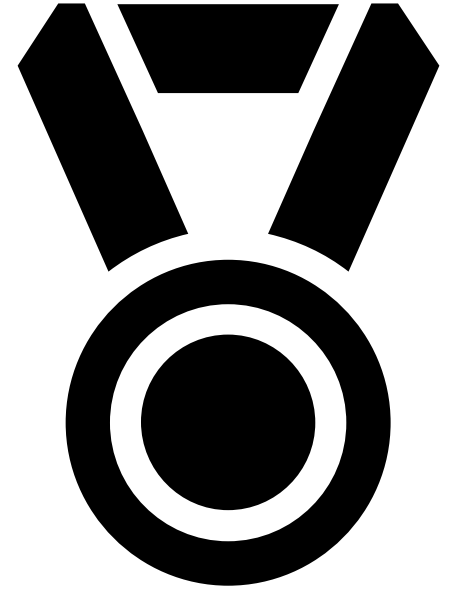
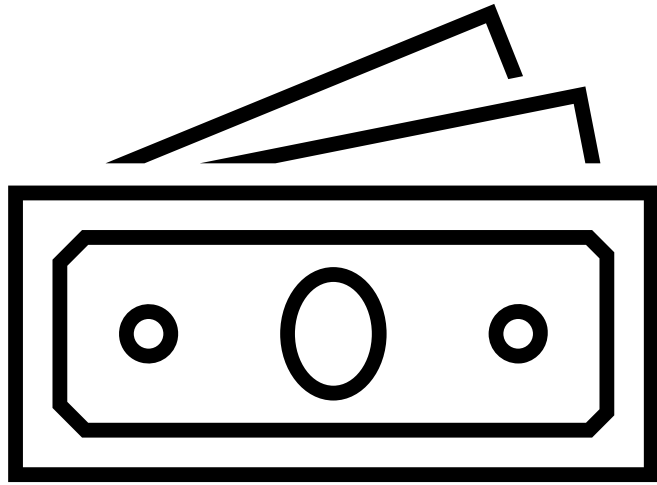


Source: Oh, S.S., 2020. "Social Inflation," Working Paper University of Chicago

# Commercial Auto Losses



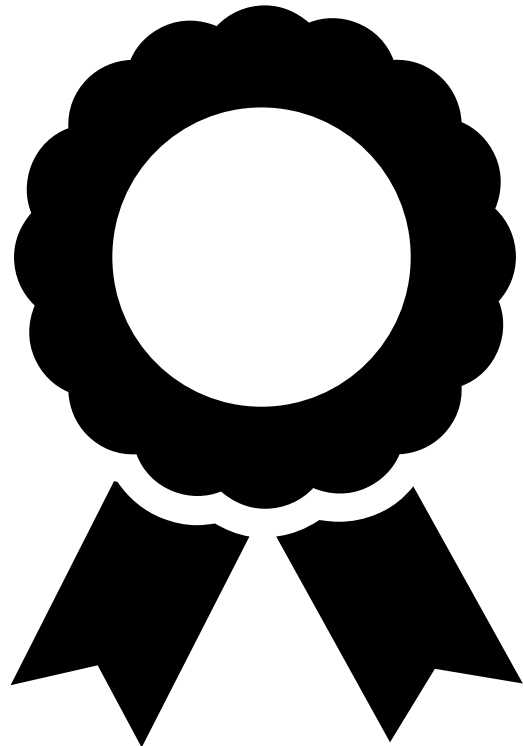




What causes social inflation?

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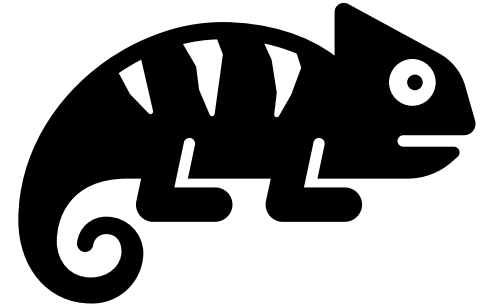
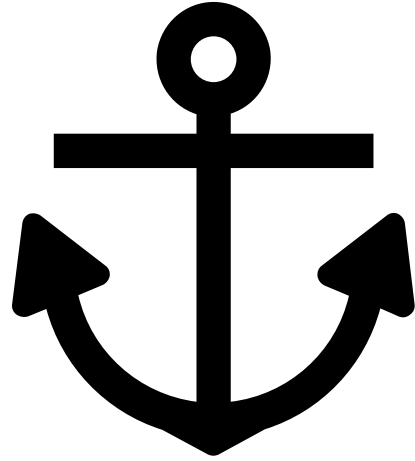
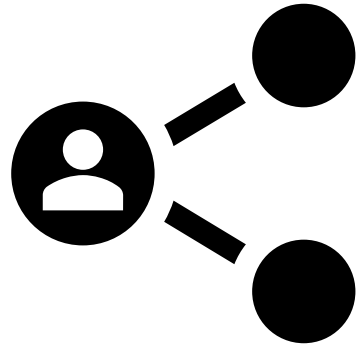
# Plaintiff bar performance



# Advertising

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Tactics

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Litigation funding

# Public attitudes

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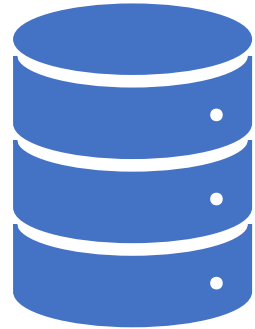
- Income inequality
- #MeToo
- Social justice
- Equity



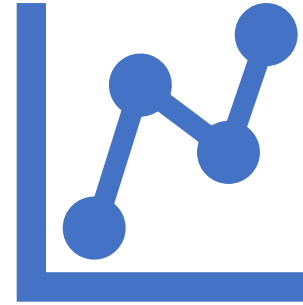
How to address social  
inflation?

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# Invest in technology and information




Databases



Analytics

Praedicat





# Evaluate legal defense strategies



Compensation



Collaboration

# Product innovation

- Cost sharing
- Parametric coverage
- Liability risk securitization



# Join the public policy conversation

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- Current insurer advertising
- Consolidation



Thank you



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College of Business

**Alabama Center for Insurance  
Information and Research**

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