The effects of Social Inflation

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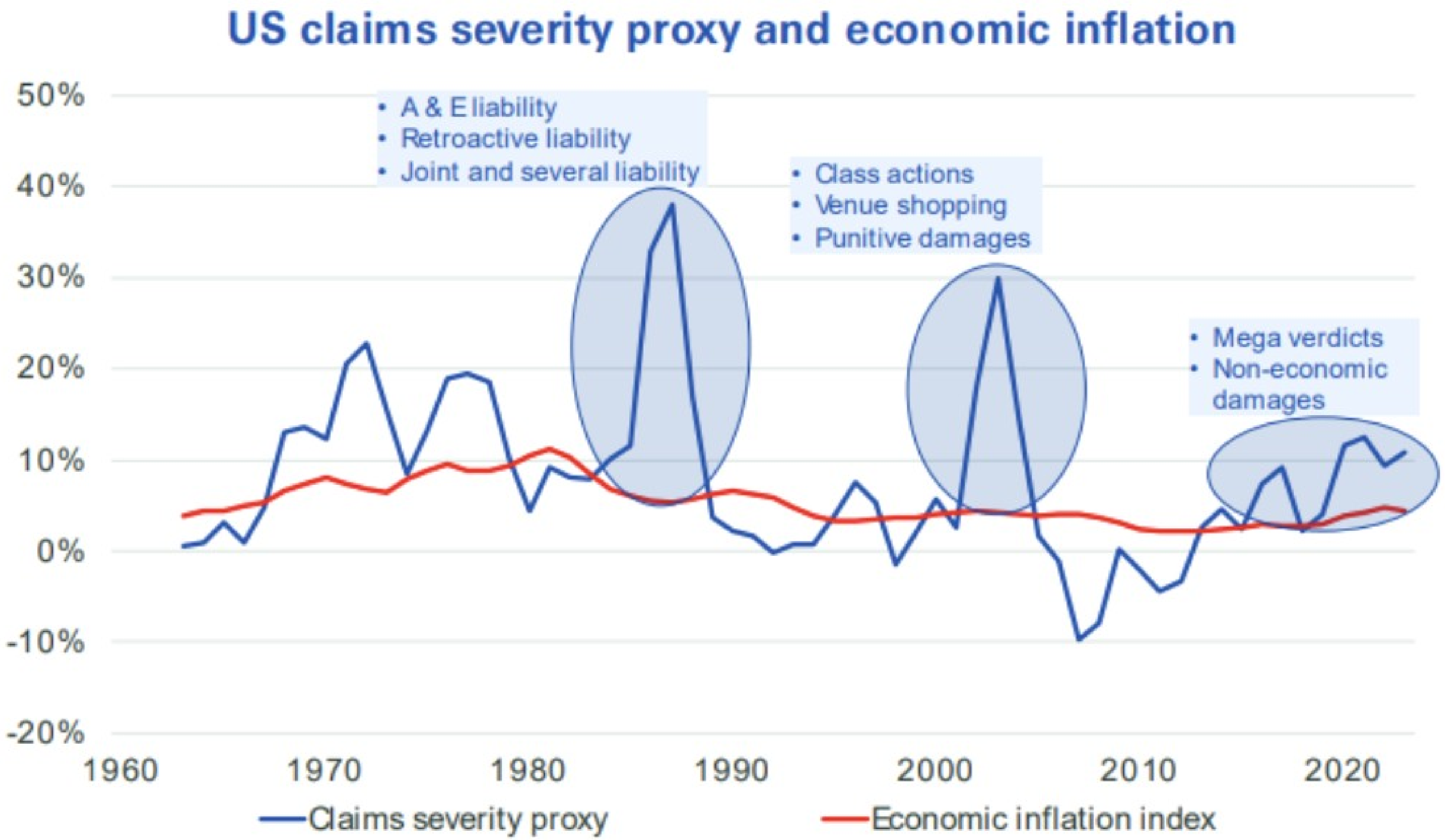
Outline

- Nuclear Verdicts
- Social Inflation
- 3rd Party Claims Funding
- Industry Impact

Nuclear Verdicts

- McDonalds hot coffee
  - $2.7 Million



Source: S&P Capital IQ, Swiss Re Institute; Note: A&E refers to asbestos and environmental. Claims severity proxy is on a calendar year basis.

- 2023 - 27 Cases where awards surpassed 100 million – Insurance Journal

SOCIAL INFLATION

- **Social Inflation,** a societal shift in Juries attitudes towards corporations is the largest contributor to the “Nuclear Verdict” – Insurance Information Institute
- **Social Inflation** has surpassed economic inflation as the primary driver of casualty claims – Insurance Journal
- **Social Inflation** is driving an increase in loss severity in the commercial auto and product liability industries (20% despite inflation remaining 2-3%
- **Social Inflation:** has added $30billion to commercial auto insurance costs, forcing increasing premiums and reduced coverage– CAS

Third Party Litigation Funding (TPLF)

Without transparency or direct ties to litigated cases, institutional investors contribute significant amounts of capital toward litigation suits for profit.

Increasing Contingency Fees

Insured claimants receive smaller portions of settlements as attorneys and funders profit even more.

Social Inflation has created a market for 3rd Party Claim Funding

Plaintiff Attorney Advertising

Through erosion of judicial standards, plaintiff attorneys spend billions on advertising,

Eroding Caps on Damages

Settlements and case damage awards increased by 27.5% from 2010 to 2019, largely due to limited or no caps on damages in the U.S. judicial system.

Industry Impacts of Social Inflation

DECREASE PROFITABILITY OF INSURANCE INDUSTRY

- Nuclear Verdicts have severely impacted the Industry's financial stability
- Without tort reform or TPLF regulation, the insurance industry faces severe challenges

RAISED COSTS FOR CONSUMERS

- Insurers are responding by raising rates, tightening policy terms and reducing coverage to manage risk
- Ex: Trucking industry– premiums as high as 11% due to rate hikes

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