

Talking Points Sheet

Reasoning behind the rate changes

Social inflation is a term that describes how insurers' claims costs are increasing above general economic inflation. This is generally thought to be due to a trend in increasing litigation costs brought by plaintiffs seeking large monetary relief for their injuries. The "social" aspect of the term represents shifting social and cultural attitudes about who is responsible for absorbing risk (the insurer or the plaintiff). The varying demographic makeup of jury pools, an increasing public distrust of large corporations, and the influences of social media and legal marketing can all influence jury verdicts and awards. There are several major contributors to increased litigation costs and social inflation, though.

Nuclear verdicts, generally defined as jury verdicts exceeding \$10 million in punitive and compensatory awards, are one of the largest contributors to social inflation. Nuclear verdicts often arise from sympathetic juries who perceive big businesses as having deep pockets and responsible for plaintiffs' injuries. A [September 2022 study](#) by the Institute for Legal Reform found that nuclear verdicts were most frequently found in product liability (23.6%), auto accident (22.8%) and medical liability (20.6%) cases.

Third-party litigation funding (TPLF) also has an effect on social inflation. TPLF refers to a practice where investors help plaintiffs finance lawsuits against companies in return for a portion of the settlement. [As of 2021](#), litigation funding had become a \$17 billion industry globally, with just over half that amount spent in the United States. A [Swiss Re](#) report found that TPLF is "contributing to growing loss ratios for excess liability, commercial auto, medical malpractice and general liability" and leading to increased premiums for consumers.

Source - NAIC

Construction inflation isn't easing up just yet – supply chains are still backed up, and interest rates are still high. [The Associated Builders and Contractors](#) reports that building material costs have increased by 37.7%