

Easing the impact of social inflation to protect your business



What is social inflation — and why do you need to know about it? New attitudes mean injured parties are more likely to bring litigation against companies — and win. In turn, we'll likely see more (and more severe) liability claims, squeezing insurers as they try to cover growing losses. See what we're doing to help protect your interests.

Synopsis

A new higher threshold for loss is probably here to stay. That's why we're working hard to ease the impact of social inflation on our business partners from every angle, including risk control, claims, and legal. Keys to our claims management approach include:

Enlisting the ideal experts

We have the resources to put the best-equipped people on task. Over and over, this speeds the process and helps alleviate costly and/or unfavorable suits.

Holistic litigation

We consider each case in the context of social inflation. By acting early and planning for unpredictability, we're positioned for the best possible results.

Research and analytics

As innovators who look for compelling data to make smart business decisions, we're investing in data that helps guide strategy, set realistic rates, and control costs.



The industry average **general liability combined ratio** was estimated at **104 percent for 2019**, the sixth consecutive year of underwriting losses.¹

To understand this impact on insurers and what it means for you, let's start with a look at three key shifts driving this rise in claims.

- 1. Jurors see things differently.** These days, jurors are more likely to root for the plaintiff in the name of social justice. They strive to hold big companies responsible and make statements with their actions.
- 2. Litigation funding.** Claimants are getting help from outside investors with deep pockets to bring their cases to court. They pay legal fees and expenses in exchange for a stake in potential awards and settlements.
- 3. Plaintiffs bar.** The bar is a well-organized and sophisticated group willing to invest in advertising, social media, technology, and expert resources to drive damage awards.

In Texas, a pickup truck driver lost control in icy conditions, crossed a median, and struck an oncoming tractor trailer truck. The impact killed one child in the pickup, paralyzed another, and severely injured others in the pickup. The tractor trailer had been traveling in control below the speed limit, yet the jury hit the tractor trailer company with a **\$90M** verdict.²

42%

of jurors say they would decide a case based on what they believe is fair — not based on the law.³

110%

The 2019 auto liability combined ratio⁴

Addressing social inflation from every angle

We're working hard to manage social inflation and limit its impact on our customers.

Risk control

We work with our customers as business partners to get ahead of risk and situations that could lead to litigation.

Legal

We hand-pick our legal teams, selecting the best possible expertise for each case. Our teams understand this environment and work efficiently and ethically.

Public affairs

Our well-informed public affairs team helps us prepare and respond to today's growing verdicts in real time.

Rates

Raising rates is a last resort, though the pressure of this situation has made increases inevitable.

Claims management

We treat claims handling as a critical part of our strategy, not a process that happens in a vacuum. That means we match claims specialists to cases that suit their particular expertise, improving performance and enhancing efficiency.

1 Conning General Liability Insurance Segment Report, Mid-Year 2019; ALM Intelligence and Validity)

2 <https://www.law360.com/articles/1045269/houston-jury-awards-90m-to-family-in-trucking-death-case>

3 <https://www.law.com/nationallawjournal/2019/06/05/top-100-verdicts-2018-chart/>

4 Conning forecast and analysis Q1 2020

Partner with Liberty Mutual, and you benefit from the financial strength, security, and capacity of a Fortune 100 carrier. Go beyond business as usual.

Superior claims management strengthens our stance.

- 1 A comprehensive approach.** The best results come from a proactive strategy to prevent litigation.
 - **Meticulous preparation.** We hire exceptional claims specialists and give them superior training, so they can apply thoughtful, creative solutions to each situation. Before a suit arises, we carefully match a specialist to each claim, so red flags can be raised early.
 - **Rich resources and tools.** As a Fortune 100 company, Liberty Mutual is well-equipped to put key counsel and experts on each claim. Cutting-edge evaluation tools and analytics help us regularly review inventory.
 - **Intentional litigation strategy.** All parties work in sync, using a total cost of claim philosophy and following an agreed-upon strategy to save money, time, and resources.
 - **Continuous measurement.** We monitor predictive data to anticipate future decisions and measure operational metrics, backfill historical litigation data, perform legal audits, use advanced analytics, and adhere to our quality assurance program. This data provides insights that control costs, guide strategy, and lead to the best possible outcomes.
- 2 A strong talent pool to tap.** Our commitment to employee growth in specialized industries means our claims specialists are positioned for maximum contribution. Assigning expertise early keep us a step ahead.
 - **Experienced adjusters.** Early on, we tag the most experienced experts for potentially outsized claims. With a flexible approach to early resolution, core bodily injury, and complex teams, we're poised to handle high-profile claims in an efficient, timely way.
 - **Expert counsel.** Each case is strategically analyzed to ensure we assign the ideal counsel from our broad staff and panel options. Our core panel are experts on frequently litigated casualty claims. Inquisitive and well-connected, they're ready to tackle any inflated scenario. For complicated claims, our specialty panel brings the latest insights to a range of specific situations.
- 3 Early intervention.** We take pride in our ability to prevent litigation, but it's always best to be over prepared.
 - **Testing.** We use mock juries to test themes, arguments, liability damages, and issues. This provides critical insights that our teams use in and out of the courtroom.
 - **Anticipating outcomes.** We invest in challenging cases that we feel confident about bringing to trial. We identify unfavorable cases early and resolve them quickly.

What's next?

Our ever-expanding playbook brings together our expert claims and legal teams and is backed by outside counsel to help mitigate social inflation and provide the best possible outcome.