



TONRY TOPICS

What is social inflation and why is it an important consideration when reviewing your insurance policy?

What is social inflation?

Social inflation refers to the increase in court awards due to factors other than economic inflation such as changing attitudes of jurors due to society trends, views toward increased litigation, broader contract interpretations, and plaintiff friendly legal decisions.

Plaintiff attorneys are much more aggressive than a decade ago. They are investing heavily in strategic marketing, utilizing physiological tactics to elicit emotional response from jurors, and becoming more creative in influencing medical costs associated with injuries. We see more and more judgements based on emotions and increased desensitization to large awards and settlements.

How does social inflation affect insurance?

It's easy to allow your insurance policies to renew every year with only a glance at the premium change, but today more than ever it is time to take a close look at the limits you have for auto liability and the personal or business liability limits you carry. For example, Massachusetts law requires a minimum of \$20,000 per person; \$40,000 per accident for auto bodily injury. These limits can and should be increased as \$20,000 will do very little to protect you in the event of an accident.

In 2020 the average personal injury award was \$2.6 million; the average business liability award was \$3 million for negligence and \$7 million from products liability [1]. It is expected these awards will continue to climb. These factors drive the value of insurance claims and in the event of an

unfortunate accident may exceed the limits carried on your insurance policy leaving your personal assets at risk.

The cost to increase liability limits on an insurance policy is a very small investment. An umbrella policy, which is also a small investment, sits atop of your other policies and provides additional protection if a judgement exceeds your policy limit and threatens to consume your personal or business assets. In today's litigious environment, a thorough review of your current policy with your insurance agent is imperative. Accidents are all around us, and higher insurance limits will protect everything you've worked hard for.

[1] Insurance Information Institute.
<https://www.iii.org/graph-archive/96044>

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