



## Trends Driving Social Inflation and How to Respond

As an insurance buyer, you may have heard the term “social inflation.” In general, social inflation refers to societal trends that influence the ever-rising costs of insurance claims and lawsuits above the overall inflation rate. As the commercial insurance market shifts, it’s important to understand what’s currently driving social inflation, including:

- **Third-party litigation funding**—One of the factors driving social inflation has to do with increased litigation or, more specifically, litigation funding. With litigation funding, most or all of the costs associated with litigation are covered by a third party, which has increased the volume of cases being pursued.
- **Tort reform**—Tort reform refers to laws that prevent frivolous lawsuits and preserve laws that prevent abusive practices against businesses. However, in recent years, states have modified tort reforms or challenged them as unconstitutional.
- **Plaintiff-friendly legal decisions**—The overall public sentiment toward large businesses and corporations is deteriorating, and juries are increasingly likely to sympathize with plaintiffs. As a result, plaintiff attorneys often play to a jury’s emotions rather than the facts of the case.
- **Large jury awards**—There’s an increasing public perception that businesses—particularly large ones—can afford the cost of any damages. This means juries are likely to have fewer reservations about awarding damages. In the current environment, nuclear verdicts (awards of \$10 million or more) have become more common.

While it’s impossible to completely eliminate the threat of litigation, it’s important to take the following steps to ensure your business is prepared for a lawsuit:

- **Consider purchasing an umbrella policy.** Commercial umbrella insurance provides financial protection above the limits of your organization’s other liability policies. It enhances existing liability coverages, helping you respond to gaps in insurance and substantial claims.
- **Protect yourself from employment practices claims.** Employment practices claims are common and can be particularly devastating given social inflation trends. To protect your business, review your employee handbook regularly and ensure policies related to sexual harassment, workplace violence and similar issues are communicated effectively. For additional protection, you may want to consider purchasing standalone employment practices liability insurance.
- **Work with experienced insurance professionals.** The insurance market is constantly evolving, and in the face of social inflation, it’s vital to have a competent insurance professional advising your business. Be sure to partner with a broker who has strong carrier relationships and knowledge of your industry.

As the insurance market changes, it’s important to understand what’s currently driving social inflation and take proactive steps to protect your business in the face of litigation. For more risk management guidance, contact us today.

## Distracted Driving Prevention

Distracted driving refers to any activity that pulls a driver's focus from the road. Such activities include talking or texting on the phone, eating or drinking, talking to passengers, and adjusting the stereo or navigation system. For organizations that depend upon employees to drive, distracted driving losses are a serious concern. According to the Centers for Disease Control and Prevention, people who drive for work are more likely to be in a hurry to reach their destinations, think about work tasks, experience fatigue or use their cellphones on the road.

The following are the three primary types of distractions drivers may encounter on the road:

1. **Visual distractions**—Anything that takes a driver's eyes off the road is a visual distraction. This includes reading text messages, glancing at directions or turning to look at accidents.
2. **Manual distractions**—These distractions include anything that causes a driver to take their hands off the wheel, such as reaching for something in the vehicle, adjusting the radio, and eating or drinking.
3. **Cognitive distractions**—A driver whose mind isn't on the road is cognitively distracted. These distractions can include talking on the phone, chatting with a passenger or thinking about topics other than driving behind the wheel.

Distracted driving losses can be costly. Data from Advisen, a Zywave company, shows the median cost of a distracted driving loss ranges from \$1.2 million to \$2 million across top industries. To reduce distracted driving losses and keep employees safe, employers should consider the following prevention measures:

- **Create a distracted driving policy.** Ban the use of handheld devices while driving. Other distracting activities, such as eating, grooming and reading, should also be prohibited.
- **Use technology.** Consider installing phone-blocking technology in vehicles. It may also be valuable to implement technology that can detect and warn drivers when they are distracted.
- **Communicate policies to employees.** Ensure cellphone policies and other distracted driving policies are clearly written and accessible for all drivers. Any changes in the types of technology being used in vehicles should be clearly communicated to employees.
- **Lead by example.** Ask managers to refrain from texting or calling employees behind the wheel. Managers should clearly communicate that answering emails and texts is not as important as driving safely.

Distracted driving is an all-too-frequent occurrence that poses costly risks for employers. By understanding these risks and implementing proper prevention measures, employers can help mitigate distracted driving losses and keep their employees safe on the road. For more risk management guidance, contact us today.



In 2020, the National Highway Traffic Safety Association reported **3,142 deaths** caused by distracted driving.