

Social Inflation and the #MeToo Movement

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Agenda

- Introduction and Background
 - *What is Social Inflation?*
 - *What Causes It?*
- Trends
 - *Sexual Harassment and #MeToo*
 - *Child Sexual Abuse*
- Changing Legal Environment
- Lessons Learned from Underwriting and Pricing
- What do Reinsurance Pricing Actuaries Need to Know?

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What is Social Inflation?



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What Causes Social Inflation?



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Social Inflation – Trends Sexual Harassment & #MeToo

- 2017 21st Century Fox reached a \$90M settlement with shareholders over losses related to two harassment scandals
- 2018 \$215M class action settlement for victims of sexual abuse from the University of Southern California
- 2018 \$500M settlement for victims of sexual assaults from Michigan State University

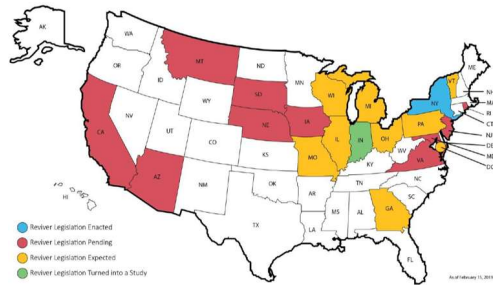
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Social Inflation – Trends Child Sexual Abuse

- Since 2002 Catholic Church of America has paid more than \$2.6B in child abuse claims
- 2010 An Oregon court awarded \$166M for abuse inflicted by priests against more than 500 victims
- 2011 Single plaintiff awarded \$18.5M after being abused by Boy Scout leader

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Sexual Abuse Reviver Legislation Introduced and Expected



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Best Practices to Mitigate Risk What Can We Do Better?

Underwriting

Score abuse exposures and assess internal controls

- Cross-LOB exposure to abuse/harassment-driven claims
- Risk management services assistance in abuse training
- Evaluate effectiveness of insureds' internal controls
- Coverage wording

Pricing

Address rate deficiencies as social/legal climate shifts

- Loss Development
- Increased Limit Factors
- Frequency & Severity
- Claim reporting window in states with Reviver Legislation

Capacity Management

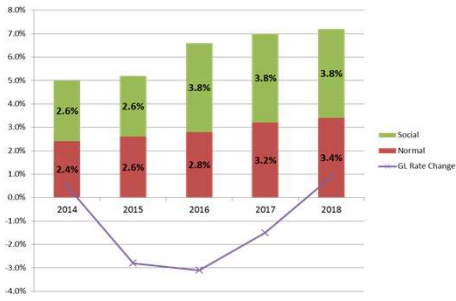
Mitigate claim severity potential by limiting capacity

- Primary carriers pull back, especially on hyper-abuse exposures (Adoption / Foster Care / Residential Youth Services / etc)
- Reinsurers pull back in both Treaty and Facultative markets

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Inability to Keep Up

Inflation vs. Rate Change - GL



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Reinsurance Pricing What do Actuaries Need to Know?

Unique Coverage Considerations

- Coverage trigger
- Defense costs
- Abuse sublimits

Identifying Best-in-Class Underwriting Operations

- Claims staff dedicated to abuse claims
- Guidelines to evaluate and score abuse exposure

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Q & A

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