

Social Inflation's Impact on the Insurance Industry

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In his 1977 chairman's letter to stockholders, Berkshire Hathaway CEO Warren Buffett advised that costs in the insurance sector were expected to rise. One reason he offered was "social inflation," which he described as "a broadening definition by society and juries of what is covered by insurance policies." Then, in the mid-1980s, as asbestos suits proliferated, a top insurance executive bemoaned the then-current climate and commented, "The underlying and most dramatic cause of this insurance crisis is the wave of social inflation that has all but engulfed our system of jurisprudence ... The mood of society is to seek a culprit for all of life's mishaps and to look to the insurance companies with the deep pockets to reward victims."

Michael Olsan discusses how the term "social inflation" has reemerged in the lexicon of insurance executives in his recent article "Social Inflation's Impact on the Insurance Industry."

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