

# The Makings of a Hard Market: A Timeline

As the insurance industry helps the world recover from disasters, the cost of insurance has changed.



## 2016 is the height of a soft market.

Buyers and producers are happy, prices are low and companies compete to pay producers commission.



## 2022 we are in a hard market.

There is high demand for insurance coverage and low appetite to insure. Rates are high and coverage is difficult to find.

### 2017 Costliest Year on Record for Natural Disasters

16 separate events, each causing damages in excess of \$1B<sup>1</sup>

2017 Hurricane Season Ranks as Costliest Ever for U.S.



### 2017 California Wildfires

### 2018 Market Starts to Harden Due to Catastrophes

The market begins to harden and capacity constricts causing supply and demand issues for insurers

### 10/17/2018 Hurricane Michael

- > Category 5
- > 9th most costly storm on record (\$25B)<sup>3</sup>

Hurricane Michael is the Most Powerful Storm to Hit the Florida Panhandle on Record



### 2019 The Rise of Social Inflation

The rising cost of insurance claims due to the impact of societal factors such as:

- > An increase in litigated claims and larger jury awards
- > Broader definitions of coverage by the legal system, such as pandemic insurance
- > Use of Public Adjustors in the claims process
- > Changing views of social responsibility

This all caused the losses from the 2017 and 2018 seasons to be much bigger than anticipated.

### 2020 Rising Reinsurance Costs

Florida insurers seeing rate increases of at least 20% and as high as 60%

### 2020 Very Low Interest Rates

Very difficult to earn the investment return many carriers are dependent on, causing reduced risk appetite

### 2020 California Wildfires

### 2020 Colorado Wildfires

### 2022 Rising Costs

Due to inflation, social inflation, undervaluation, and a lack of insurance capacity, creating a hard market.

### 2021 Another Active Catastrophe Season

with the second most disasters in a calendar year, behind 2020<sup>5</sup>

- > Winter storm event in the deep south
- > Extreme heat, drought and wildfires across western U.S.
- > Hurricane Ida

### 2023 United States broke the record for billion-dollar weather and climate disasters

> In 2023 there were 28 separate weather or climate disaster that each resulted in at least \$1 billion in damages, surpassing the previous record of 22 in 2020.<sup>7</sup>

2017

2018

2019

2020

2021

2022

2023



### Summer of 2017

- > Hurricane Harvey<sup>2</sup> (\$125B)
- > Hurricane Irma (Category 5, \$50B)
- > Hurricane Maria (Category 5, \$90B)

### 2018 California Wildfires

### 8/31/2018 Hurricane Florence

### COVID-19 Global Pandemic

- > Bigger losses than 9/11
- > Uncertainty around full impact to the industry and the world

### 2020 Active Catastrophe Season

- > Most active storm season on record
- > Cost estimated to be over \$30B for Hurricanes Isaias, Laura and Sally alone<sup>4</sup>

### 9/2022 Hurricane Ian

- > Category 4
  - > Estimated to exceed \$50B in insured and uninsured losses<sup>5</sup>
- Aftermath of Hurricane Ian, Fort Meyers, FL

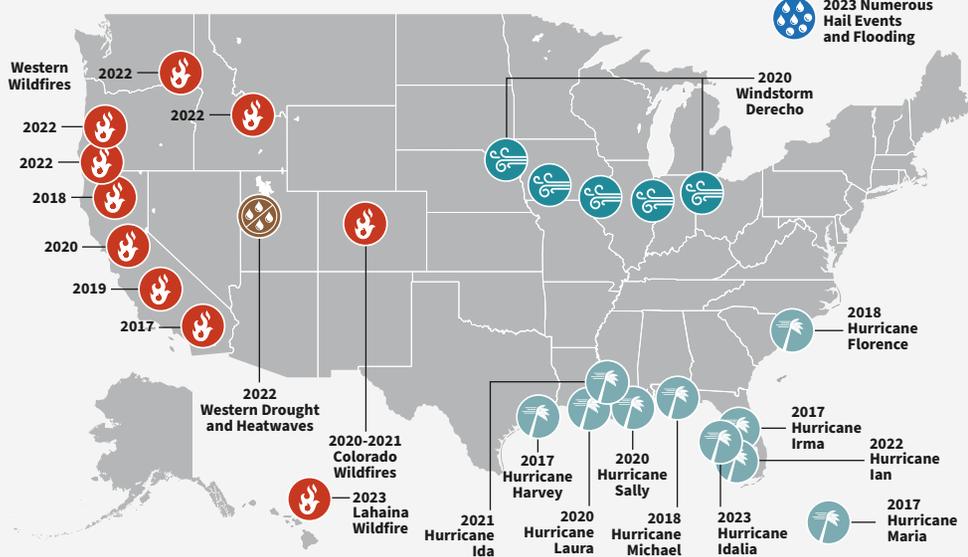


### 2023 Lahaina, HI Wildfires

### 2023 Hurricane Idalia

### 2023 Numerous Hail Events and Flooding

## 2017-2023 Natural Disaster Locations



### 2020 Atlantic Hurricane Season Breaks All-time Record while Leaving the Gulf Coast Battered



### 8/10/2020 Midwest Derecho

Caused \$7.5B in damage in just 14 hours and generated winds up to 140 MPH

### 2020 Global Insurance Market Starts to Harden

### TIMELINE KEY

Nationwide (and worldwide)



2019-2022 Hardening Markets



2020-2022 COVID-19

**icat**  
a VICTOR company

# Times Are Changing

## Frequently Asked Questions regarding the Hardening Insurance Market

### Q: How long does a hard market last?

**A:** There is no magic calendar; however, once insurance companies begin seeing improved margins (due to higher premiums and/or lower losses), investment income improves, investors start seeing similarly positive results and insurance once again starts looking like a stronger investment, which attracts more capital. As the capital supply begins to catch up with the demand, pricing and restrictions loosen.

### Q: Why is my premium going up when I have had no claims?

**A:** Inflation, social inflation, natural disasters, and lack of capacity have had a huge impact on insurance rates. Insurance companies are incurring more claims and expenses on an overall basis. The increase in claims and the cost of claims drive the need for increased pricing across the board for insurance providers.

### Q: My primary concern is my costs/budget. Should I buy less insurance?

**A:** Although budgets may well be challenged by increasing premiums, it is important not to lose sight of the big picture: saving a relatively modest amount now by reducing coverage may negatively affect your business significantly should a loss occur.

While reducing insurance coverage may be an attractive alternative, you should evaluate that choice against what losses you can absorb without creating financial hardship for yourself/your business.



While property catastrophe insurance is a small niche within the insurance industry as a whole, it is heavily influenced by loss events around the world, the global climate and the worldwide economy. ICAT strives to provide peace of mind for you and your insureds during all cycles of the market.

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ICAT  
385 Interlocken Crescent  
Suite 1100  
Broomfield, CO 80021  
[www.ikat.com](http://www.ikat.com)  
303-327-1872

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