



Changing Times in Catastrophe Insurance

The Impact of Inflation, Natural Disasters and Capacity Constraints on the Insurance Industry.

Why are Insurance Premiums on the Rise?



Inflation Rates Reached a 40-year High¹

If your insurance premiums have increased this year, you're not alone.

The increased cost to replace and repair damaged properties due to inflation has driven up the price of claims and, in turn, insurance. If insurers don't charge enough in premiums, they run the risk of being unable to pay out claims in full.

In addition, **social inflation** is a huge contributor to higher rates. Unlike general economic inflation, which can be mitigated using pricing models and loss reserves, social inflation can arise from factors that are difficult to foresee, such as rising costs from long and drawn-out legal proceedings, more significant jury rewards to claimants, new and emerging risks such as pandemics, and more.²

Social Inflation Example: One analysis of more than 3,000 property insurance cases in Florida determined that, on average, fees paid to attorneys by Florida carriers for litigation were more than 750% of the damages paid to the plaintiffs/insureds.



Increase in Natural Disasters

The increase in natural disasters in recent years has amplified the need to increase premiums within the catastrophe insurance market.

The increase in costly disasters has made catastrophe insurance a much riskier investment. Carriers are now tightening their appetite for writing catastrophe risks to protect their investments. A tighter appetite means less **capacity**, which equates to a **'Hard Market.'** As a result, premiums are increased to offset coverage being less available and more valuable.



Capacity Constraints

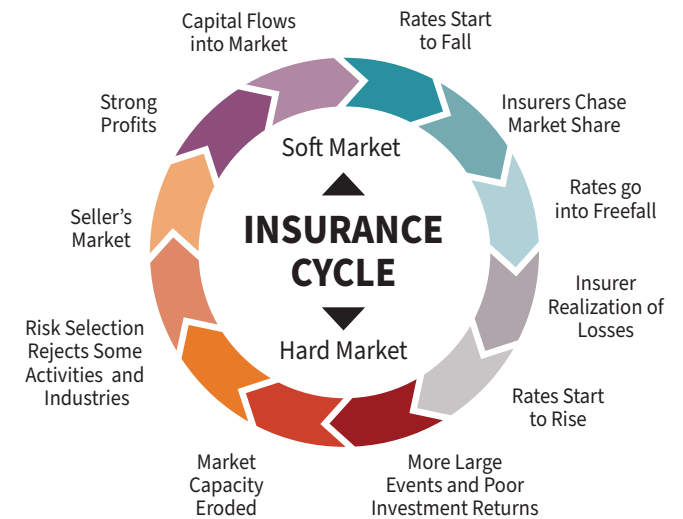
Capacity is the amount of total exposure an insurance company can take on.

It's an insurance company's inventory. In short, the amount of insurance ICAT can underwrite is determined by how much capacity we can obtain through our carrier partners.

Insurance is Cyclical

Cycles usually span a number of years.

We are currently in what is known as a **'Hard Market'**.³



A Hard Market is when there's high demand for insurance coverage and a low appetite to insure. During a hard market, rates are high and coverage is difficult to find.



A Soft Market is when insurance is readily available. Rates are stable or falling because of healthy competition in the market.

Navigating the Impacts of a Hard Market

What Can You Do?

- > **Understand your deductible and compare options.**
While a high deductible may result in a lower premium, you'll likely need to pay more out of pocket when you submit a claim.
- > **Research carriers and claims servicers.**
Dig into the company's **core values, mission, claims handling track record,** and **carrier rating** to understand what you're paying for.
- > **Maintain your property.**
Well-maintained properties, including roofs, systems, and overall premises, will result in more favorable underwriting outcomes and less loss.
- > **Work with your agent.**
Ask the agent to help you determine the best plan for your risk and budget.
- > **Review your property's valuation annually.**
Inflation has caused the cost of repairing damage to increase. An accurate valuation is essential to ensure your insurance policy works the way you need it to.

What is ICAT Doing?

- > **ICAT prioritizes first-class underwriting on behalf of only the most highly rated capacity providers.**
This means our policyholders can rest assured that we deliver on our promise of recovery at the time of claim.
- > **We offer highly customizable products.**
ICAT can fit your priorities, whether it's price or coverage.
- > **With close to 25 years of experience, this isn't the first hard market ICAT has experienced.**
You can trust we know how to navigate market changes to ensure we'll always be here to help you recover from a disaster.



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.

1. Bayly, Lucy, and Alicia Wallace. "US Inflation Hit 40-Year High in June, Driven by Record Gas Prices | CNN Business." CNN, Cable News Network, 14 July 2022, <https://www.cnn.com/2022/07/13/economy/cpi-inflation-june/index.html>.
2. "Social Inflation: Hard to Measure, Important to Understand." III, 17 July 2022, <https://www.iii.org/article/social-inflation-hard-to-measure-important-to-understand>.

3. Meakin, Tony. "Understanding the current insurance cycle | Lockton." Lockton, 27, October 2020, <https://global.lockton.com/gb/en/news-insights/understanding-the-current-insurance-cycle>



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> **Security. Service. Recovery.**