

# Inflation Guard Coverage

## What is Inflation Guard Coverage?

Inflation Guard automatically adjusts coverage limits at renewal to reflect rising costs year over year. To help prevent your property from being underinsured, inflation guard increases your property limits as replacement costs increase.

## How it Works:

The actual cost of replacing your property is likely to rise over time. For example, if your property was initially covered for \$400,000, inflation could raise the replacement cost to \$420,000. Without Inflation Guard, you would be liable for the difference.

## Why Inflation Guard Coverage Matters:

- **Rising Costs:** Inflation significantly raises the cost of replacing your property in the event of a loss. Building materials surged by over 30% during the pandemic, with construction costs increasing nearly 40% in the last five years<sup>1</sup>.
- **Protection from Unexpected Costs:** Inflation Guard ensures your coverage rises with inflation, protecting you from being underinsured. Without it, you may face substantial out-of-pocket expenses to cover increases in replacement costs in the event of a loss.
- **Peace of Mind:** Inflation Guard gives you peace of mind that your property is adequately insured.

## Frequently Asked Questions

### When is Inflation Guard applied?

At renewal, if all buildings have previously completed a valuation review, then the inflation guard will be applied only to buildings with building coverage.

### Why is Inflation Guard applied to every building?


Rising costs influence all buildings, regardless of type, occupancy, or location. This ensures that your property is fully protected if a loss occurs.

### Can I waive the increase?

Generally, no. Due to inflation, many policyholders experienced insurance increases of up to 30% from 2022 to 2023. These small, consistent increases help avoid these dramatic adjustments.

### How often is the inflation percentage reviewed?

The inflation percentage is based on economic data from industry experts on material and labor costs that ICAT reviews quarterly.

Construction costs increased nearly 40% in the last 5 years 

Many factors contribute to premium change (both up or down) unrelated to inflation or valuation. The following is used to illustrate an example of inflation guard.

### Example with Inflation Guard

	Inflation Factor	Coverage	Premium at 0.5%	Total Loss Replacement Cost	Out-of-Pocket Expenses in the Event of a Loss*
Year 1	Proper Valuation Completed	\$400,000	\$2,000	\$400,000	\$0
Year 2	4% – \$16,000	\$416,000	\$2,080	\$416,000	\$0
Year 3	3% – \$12,480	\$428,480	\$2,142	\$428,480	\$0

\*This illustration does not account for deductible costs.

### Example without Inflation Guard

	Inflation Factor	Coverage	Premium at 0.5%	Total Loss Replacement Cost	Out-of-Pocket Expenses in the Event of a Loss*
Year 1	Proper Valuation Completed	\$400,000	\$2,000	\$400,000	\$0
Year 2	4% – \$16,000	\$400,000	\$2,000	\$416,000	\$16,000
Year 3	3% – \$12,480	\$400,000	\$2,000	\$428,480	\$28,480

\*This illustration does not account for deductible costs.