

Insurer: 'No significant' storm cover increases

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By Neil Hartnell, Tribune Business Editor

A major Bahamian insurer yesterday pledged that its regular homeowner clients will not suffer "any significant increases" in catastrophe premium rates for policy renewals from April 1 onwards.

Anton Saunders, RoyalStar Assurance's managing director, told Tribune Business that the property and casualty underwriter is "going to hold the rates" for its Bahamian portfolio to give households "some relief" following the significant hikes experienced during the 2023 renewal cycle that closes on March 31 this year.

But, while RoyalStar will seek other cost savings to avoid passing on the slight increase it received in reinsurance treaty costs, he warned that it will likely be at least two years - and provided there are no major hurricane losses - before reinsurance market pressures on Bahamian insurers and their customers eases.

Confirming that the underwriter has secured the necessary reinsurance treaties for its next 12-month cycle, Mr Saunders told this newspaper: "We are in six territories, and in some of those territories rates will increase, but with respect to The Bahamas we are going to hold the rates as they were in 2023."

The only exception to this strategy, he explained, are large or unusual risks (mainly companies) that have to be placed with the "facultative market" where premium prices and rates are dictated by open market terms and conditions.

"But for the homeowners business there's not going to be any significant increase in The Bahamas from RoyalStar," Mr Saunders reassured. "We will find other ways to cost save for the company instead of passing on the slight increase we got for The Bahamas with the contract."

"In some of my other territories there will be an increase in rates. The highest rises are going to be in the Cayman Islands and Turks & Caicos to a lesser extent. But, for all of our Bahamas portfolio, at least they can plan accordingly and the significant rate increase they got last year, at least they have some relief this year in that it is not increasing."

Bahamian property and casualty underwriters must acquire huge amounts of reinsurance annually because their relatively thin capital bases mean they cannot cover the multi-billion dollar assets at risk in this nation, thus making them dependent on the cost and availability of such global support.

The large, and more frequent, payouts associated with hurricanes in the Caribbean means some reinsurers now either have a reduced appetite for underwriting risks in this region or have withdrawn from it altogether. Hence the reduction of capacity and increase in pricing, the latter of which was passed on to Bahamian consumers in 2023.

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Asked about reinsurance rates facing RoyalStar, Mr Saunders replied: "Unfortunately they are not decreasing because we still have that constraint in capacity in the market, and we were still unable to increase the capacity we got from the market.

"Let's put it this way. We believe, based on everything we have read, what we have been told and everything in the market, there's probably another two years before [rates] relax subject to there being no big losses in the meantime. Last year was the worst I have ever seen. This year it was more organised from a capacity standpoint, but there were still the same constraints."

Bahamian carriers and their reinsurance partners incurred around \$2bn worth of claims payouts as a result of Hurricane Dorian, which Mr Saunders said was a sum four times' greater than the estimated \$500m worth of annual gross written premiums generated for catastrophe coverage across the entire Bahamas.

"All over the Caribbean, and for The Bahamas, we have had an increased frequency and severity of storms," the RoyalStar chief pointed out. "But this year, for The Bahamas, we decided we were not going to increase the insurance for homeowners. There are some persons with below the book rates that have to be adjusted, but the overall market will not see an increase from RoyalStar.

"At the end of the day, the market is the market right now, and we believe in two years - if nothing major happens - the market will decline. It always goes in cycles, and we have to ride out the cycle as best we can."

Mr Saunders also revealed that the Government is working on a solution to address concerns surrounding the affordability of catastrophe coverage amid fears that more Bahamian homeowners and companies are increasingly being priced out of obtaining such security.

"The Government, I know, is looking at a scheme," he disclosed. "It's in the initial stages, and some of us in the insurance market are working along with them. Hopefully we'll see something come to fruition on the home end of the market by the end of next year."

Timothy Ingraham, chief executive of Summit Insurance Company, the carrier through which Insurance Management places much of its property and casualty business, echoed Mr Saunders' assessment of market conditions.

"The reinsurance market continues to be very challenging for insurers who must purchase reinsurance protection, which includes all regional property and casualty insurance companies," he told Tribune Business.

"The January 1 renewals were much more orderly than they were a year ago, though reinsurance rates continue to rise and capacity continues in short supply. For 2023, the trend of reinsurers paying catastrophe claims above the \$100bn mark continued, hence the drive to continue price increases in catastrophe prone areas.

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"This means that some property owners may see an increase in their premiums dependent on what level they are at currently. Local insurers are doing all they can to contain these increases, with some absorbing at least part of the reinsurance rate increase where this is possible."