Bahamian insurers on Milton: 'There will be consequences'

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By Neil Hartnell, Tribune Business Editor

Insurers yesterday warned "there will be consequences" for Bahamian property premiums and coverage availability "whatever happens" with Hurricane Milton as it takes direct aim at central Florida.

Anton Saunders, RoyalStar Assurance's managing director, told Tribune Business that he is most concerned about Bahamian insurers being able to access the necessary reinsurance capacity to properly underwrite all risks in this nation if Florida takes a devastating hit from what was a Category Five storm last night as this newspaper went to press.

Should reinsurers, who tend to "lump" The Bahamas with Florida when it comes to determining which risks they will support, suffer multi-billion dollar losses as a result of Milton, he warned that they may cut back on capacity here and in the wider Caribbean which would limit the ability of Bahamian property and casualty underwriters to take on additional business.

"If the projections hold then Florida is in for a devastating event and, with that, reinsurers will be looking at it and determining the impact on each of them and their balance sheets," Mr Saunders told this newspaper. "If the state gets a Category Three or above, and it does major damage, there's no good way to say this but there will be extensive repercussions.

"We are all closely monitoring and hoping for the best. Like I said before, right now I'm worried about capacity first and will deal with [premium] price later. That's unfortunate, but if the consequences are bad I'm more concerned about getting the capacity...

"It is a concern that we have sufficient capacity to ensure that we can protect our clients. That is my main concern absolutely; that we have the availability of capacity to ensure we can protect our clients and insure their properties. We'll be praying for the people in Florida to ensure there is no loss of life and injury, and that they listen to the authorities and do what is best to protect their life and property."

Bahamian property and casualty insurers, due to their relatively thin capital bases, have to purchase huge quantities of reinsurance annually to enable them to underwrite the multi-billion risks present in this nation. This means that the premium prices Bahamian households and businesses pay for coverage are largely determined by what reinsurers charge.

Stung by recent multi-billion dollar losses from major hurricanes hitting the US and Caribbean, as well as other catastrophic event payouts, many reinsurers have either pulled out of the region altogether or reduced the capacity and availability of coverage here.

The reduction in reinsurance supply has resulted in Bahamian insurance premiums increasing in cost by as much as 20 percent since 2022. Mr Saunders, who was yesterday in London meeting with reinsurers to start negotiations over contract renewals and treaties for next year, said: "Everyone in the reinsurance market in London who I've met with today is monitoring this.

"I'm sure we in The Bahamas we'll be keeping a close eye on this storm and praying for the best. All we can do right now is to see where it hits and do the assessments afterwards. Whatever happens there will be consequences, whether it's capacity or price, or a combination of both, if it's a catastrophic event and there is catastrophic damage."

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Timothy Ingraham, chief executive of Summit Insurance Company, through which Insurance Management Company places much of its property and casualty business, told Tribune Business yesterday: “Local insurers are observing major Hurricane Milton with concern as it makes its way toward the west central coast of Florida.

“While the impact on rates and capacity, from our perspective, cannot be measured at this time, it will obviously not help.” Milton’s emergence comes after northern Florida, as well as Georgia, the Carolinas and the Appalachians were hit hard by flooding from Hurricane Helene. Mr Saunders said total insured losses from that storm are “hovering” around $15bn to $20bn although they are expected to increase.

Mr Ingraham added: “Hurricane Helene’s impact is not thought to be significant on us, since most damage was caused by flooding and in the US this risk is covered by the federal government’s flood insurance programme. Estimates for Hurricane Helene insured damage are currently in the $6bn to $8bn range.

“By comparison, Hurricane Ian, which impacted the west coast of Florida in September 2022, caused an estimated $65bn in insured damage, as per Swiss Re. That storm did cause an increase in rates and a reduction in available capacity.

“So the extent to which our rates and capacity may be impacted will depend on the size of the Hurricane Milton loss. As most local insurers begin treaty renewal negotiations in the coming weeks/months, we will begin to learn of reinsurers’ response to the loss.” Milton is currently projected to come ashore in the Tampa Bay area and then cross the state to hit Orlando before exiting.

Bruce Ferguson, the Bahamas Insurance Brokers Association’s (BIBA) president, yesterday reiterated that “there’s a limit beyond which these premiums cannot go” as he again voiced concern that property and casualty coverage affordability is already increasingly being pushed beyond the reach of many businesses and households.

However, he said Milton could prove something of a “double-edged sword”. While the fall-out from a devastating loss could reduce capacity, and put upward pressure on Bahamian insurance costs, he warned that it could also encourage reinsurers to increase supply for this nation if its building codes and construction standards are perceived as a better risk than Florida.