‘Can't go higher': Insurer says no major hike in '25 storm cover

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By NEIL HARTNELL, Tribune Business Editor

Insurers yesterday voiced optimism that Bahamian consumers will see "no significant increases" in hurricane coverage costs in 2025 after telling global reinsurers: "We cannot go any higher."

Anton Saunders, RoyalStar Assurance's managing director, told Tribune Business that international reinsurers seemed to be receptive to the message delivered by himself and other Bahamian underwriters that local homeowners and businesses have "reached the point" where all-perils catastrophe coverage becomes increasingly unaffordable if there are any further rate hikes.

Expressing confidence that this warning has been heeded, he added that despite an unusually active 2024 "hurricane season from hell" - with more than 80 percent of storms that formed striking land - the resulting damage and global insurance industry payouts/losses have not been as severe as feared.

As a result, Mr Saunders told this newspaper that pressure for further substantial property premium increases in The Bahamas market has lessened in the immediate term at least. And, given The Bahamas' stable status, he said this nation stands to obtain "some small increases in capacity" from reinsurers for 2025.

This, the RoyalStar chief added, will enable the underwriter to accommodate existing clients who are seeking to increase their "sums insured" and thus maintain 100 percent coverage for properties that have increased in value. And it may also be able to take on, and provide insurance for, new real estate developments that cannot proceed or obtain approvals without catastrophe coverage.

Mr Saunders was backed by Tim Ingraham, Summit Insurance Company's chief executive, who told Tribune Business that hurricanes Helene and Milton, in particular, "do not appear" to have pushed property insurance premiums higher for 2025. However, he warned that prices will still remain "elevated" compared to prior years, while multi-billion dollar storm payouts in 2024 will "likely prevent" any rate reductions.

The RoyalStar managing director, who has just returned to The Bahamas following a series of meetings and negotiations over the carrier's reinsurance treaty arrangements for 2025, said: "I can just tell you based on the talks that I have had that reinsurers, after [tropical storm] Sara, are hoping this hurricane season from hell is over and comes to a conclusion quickly.

"The sad thing about this hurricane season is that 80 percent of the storms that formed have hit something. That's not normally the case. But, even with that percentage of hits, the good news is that Milton did not go through Tampa, so the expected losses that everyone was bracing for were not realised."

And, with insurance and reinsurance rates having increased worldwide, Mr Saunders expressed hope that this year's hurricane-related losses and payouts will impact industry earnings (income statements) rather than create holes in balance sheets. The latter, he explained, would be the worse outcome for The Bahamas.

Turning to the implications for this nation's homeowners and businesses, he told Tribune Business: "We are optimistic we should get all the capacity we had last year, and some small increase in

capacity [for] new developments plus sums insured that people want to increase because of the law of averages.

"Some people want to increase their sums insured to replacement value. With the small increase in capacity we are likely to get, we will be able to deal with that and some organic growth with all the developments happening around the Caribbean."

Following successive years of multi-billion dollar hurricane-related losses in Florida, the US gulf coast and wider Caribbean, some reinsurers have either exited the region and business altogether or reduced their exposure. This has created concern over whether The Bahamas will be able to access sufficient reinsurance supply, with previous capacity and availability reductions having driven much of the premium cost hikes.

Both The Bahamas and local property and casualty insurers are effectively 'price takers' in the global reinsurance markets. This is because Bahamian underwriters do not possess large enough balance sheets to enable them to cover all the real estate and other risks, valued at billions of dollars, which are exposed to hurricanes and other perils on an annual basis.

They therefore have to purchase large quantities of reinsurance to enable them to underwrite these risks, and protect homeowners and businesses from losing their most valuable assets to storms and climate change-related events. As a result, it is reinsurers and their demands that largely dictate the premium prices paid annually by Bahamians.

While reinsurance capacity/availability appears not to be a concern for 2025, Mr Saunders yesterday said it would be "a double whammy" if persons failed to properly insure assets that are wiped out by hurricanes, as then the Government and taxpayers have to step in to finance their replacement.

"When it comes to prices, let me be very careful," the RoyalStar chief said. "We don't expect any significant increase in prices for The Bahamas and eastern Caribbean, where we also do business, but there might be some fluctuations in the Turks & Caicos and the Cayman Islands.

"There might be one-offs where people are below the book value of insurance, but we don't expect any significant price increases in The Bahamas." RoyalStar underwrites risks in multiple English-speaking jurisdictions in the Caribbean, including Anguilla, the British Virgin Islands and US Virgin Islands, in a bid to diversify its geographical risk concentration.

And, acknowledging that The Bahamas has reached a catastrophe insurance affordability tipping point, Mr Saunders told Tribune Business: "We keep stressing in the insurance market that The Bahamas has been stable for a long time, and has reached a point of affordability. We've told them we've reached that point and cannot go any higher.

"The message has been listened to. They've been listening.... I have never had more sleepless nights because of this hurricane season since every territory we participate in got a tropical storm, but we got no damage. Sometimes you're lucky, and sometimes you're not."

Mr Ingraham, whose Summit Insurance is the underwriter through which Insurance Management places much of its property and casualty business, said: "On the issue of premium pricing for 2025, hurricanes Helene and Milton do not appear to have pushed prices higher, but have reminded the industry of the risks and will likely prevent a reduction in rates.

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"Reinsurance capacity for catastrophe risks continues to be in short supply with demand for the cover increasing. This will also likely mean that rates will remain at an elevated level for 2025, given the laws of supply and demand.

"For the first nine months of 2024, the [global] insurance industry paid out $108bn in insured losses, and this was before factoring in the impact of Hurricane Milton. The $108bn is 5 percent higher than the recent nine-month average. This will also prevent any major slippage in rates."

Mr Saunders, meanwhile, added of RoyalStar's financial outlook: "For us, if the next six weeks go well and attritional losses don't pick up, we should hit our budget targets [for 2024]. We prepare for the worst every season and hope for the best. We don't want another Dorian but it's not in our hands.

"The whole industry wants to build stronger balance sheets so we retain a bit more risk, and the other thing we want is affordability of our product so people can purchase it and get the sums insured up as best they can."