‘Insurer eyeing $1m profit fall after 2024’s 64% jump’

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By NEIL HARTNELL, Tribune Business Editor

A Bahamian insurer yesterday revealed competitive pressures will likely cause about a $1m drop in 2025 profits in the absence of hurricane payouts following last year’s 64 percent net income increase.

Anton Saunders, RoyalStar Holdings’ president and chief executive, told Tribune Business that rival property and casualty underwriters are likely to follow its lead in re-pricing their motor coverage in line with elevated risks after this drove profits from this product line some 25 percent higher than the group’s 2024 expectations.

As a result of this and other gains, Royal Star Holdings, which serves as the group’s parent entity, enjoyed a near-$5m or 64 percent increase in total comprehensive income to $12.521m for the 12 months to end-December 2024 as opposed to the $7.633m achieved for the prior year.

These gains largely came from its core insurance underwriting business, RoyalStar Assurance, which saw net income more than double year-over-year. It increased by 112 percent to $10.963m compared to $5.169m for the 2023 calendar year, although the latter year’s total comprehensive income was inflated by a $1.888m gain from a property revaluation.

“It was above budget; slightly above budget,” Mr Saunders told this newspaper of RoyalStar’s 2024 profits. Detailing the factors that drove this surge, he explained that property coverage - where reinsurance costs remain at their peak - was not the primary factor behind last year’s performance.

“What drove the profits was more other classes of business, especially motor,” Mr Saunders said. “Three years ago we decided to purge our motor account. We increased third-party motor insurance premiums knowing we would lose market share across all our territories.

“We purged and lost market share, but the motor account improved drastically. We didn’t believe the third party motor vehicle premium rates that we wanted to purge were aligned with our goals as a company. People were paying $300 in premium for $30m worth of coverage.

“We decided to increase third-party motor insurance premiums knowing we would lose market share but most of the risks that we wanted to leave left. Those people who are not price sensitive when it comes to the quality of insurance that they get, and the people we wanted to keep, stayed. As a result, we were left with high quality business.”

Mr Saunders said the fruits of this strategy emerged in RoyalStar’s 2024 financial results. “We were about 15 percent above budget,” he told Tribune Business of the group’s profitability. “We knew that there was profit going to be coming from the motor line of business. That was about 25 percent more than budget.

“The good thing about it is the things we can control, we controlled. There were no catastrophes [hurricanes] out there, so if there are no catastrophes we expect to meet our profit metrics. Our philosophy, our group philosophy, has always been that we don’t take everything out of the company. We build up the company so that we can take on more risk and slightly less reinsurance.

"The more we can move away from buying that lower layer of reinsurance protection and pay for it ourselves, the better for our long-term." Mr Saunders said RoyalStar last year absorbed around $1m in increased reinsurance costs across the six territories in which it operates - including The Bahamas, Cayman Islands and Turks and Caicos - rather than pass the full impact on to consumers in higher premiums.

"We decided it was not in our interests, and not in the clients' interests, and affordability is more important to us in the long-term," Mr Saunders said. The RoyalStar chief said the group has also restructured to ensure that its corporate investments, in entities such as Star General Insurance Agents & Brokers and the Gateway Financial mortgage restructurer, are held by Holdings as opposed to the Assurance level.

RoyalStar has an 80 percent equity ownership interest in Star General, and also holds a 45 percent interest in Gateway and the latter's parent. Other interests include minority stakes in Bahamian real estate and Cayman insurance companies, with RoyalStar itself 52.86 percent owned by Sunshine RSA Holdings - an entity 52.86 percent majority controlled by Sir Franklyn Wilson's Sunshine Holdings.

"We made a strategic decision that all non-core investments in RoyalStar Assurance, the operating company, we are moving them out and into the holding company. The regulated company, we want it as simple as possible," Mr Saunders explained.

"All non-core investments that were in RoyalStar Assurance, we have moved all of them to the holding company. Any new investments that we have that are non-insurance related will go into the holding company. That move allows us to clearly concentrate on two segments of the business. The operations, the insurance side, has a clear mandate, and the holding side has a clear mandate.

"This elimination of investments out of the operating company allows us to focus on the growth we want to achieve for both companies. We are going to do more changes to the holding company and investment more in some investments we are looking at."

Mr Saunders declined to identify these potential investments, and their nature, other than to say: "We are looking at some other opportunities that are presenting themselves around the region and we'll have more to say on that by the end of the year or early 2026."

RoyalStar is also continuing to diversify its traditional reliance on The Bahamas with a view to ensuring that it does not have "all eggs in one basket". It is targeting a 50/50 split between The Bahamas and its other Caribbean territories, and in 2024 managed to again reduce this nation from 61 percent to 58 percent of its total business portfolio.

And, looking ahead to 2025, Mr Saunders revealed that RoyalStar expects its 2025 profits to "be a little bit less than 2024 because our competitors are looking at what we're doing, especially on the motor side, and are going to adapt, which will put a little strain on the motor.

"We're looking at about $1m less on the bottom line barring unforeseen circumstances," he told this newspaper. "If everything pans out we'll accept that.... The team worked very hard, and we can pat ourselves on the back for 2024. That's gone and the focus now is on 2025. We're thankful for 2024 and what it did, but we're all on board for 2025 and looking at the challenges and opportunities in the future.

"There's some stuff we're looking at that, once we're signed off on the regulatory side and everything, I will advise you about. 2024, thank you very much, but it's all hands on deck for 2025. We are totally focused on 2025. 2024, for us, is done."