‘We’ll bring it home’: Insurer says no rate increase in 2026

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By Neil Hartnell, Tribune Business Editor

A Bahamian insurer yesterday voiced optimism that businesses and homeowners will suffer “no increase in premium prices” for all-perils catastrophe coverage in 2026 despite the multi-billion damages inflicted by Hurricane Melissa.

Anton Saunders, Royal-Star Assurance’s managing director, told Tribune Business that the property and casualty underwriter shies away from insuring tour boats and other commercial vessels that transport visitors and cruise ship passengers because there are too many lawsuits “that fly” from catering to these groups. A Bahamian insurer yesterday voiced optimism that businesses and homeowners will suffer “no increase in premium prices” for all-perils catastrophe coverage in 2026 despite the multi-billion damages inflicted by Hurricane Melissa.

Anton Saunders, RoyalStar Assurance’s managing director, told Tribune Business that he and other Bahamian property and casualty underwriters will tell reinsurers that any fall-out from Jamaican insurance claims payouts should be confined solely to the southern Caribbean nation and not shared by others in the region.

Foreign reinsurers largely dictate Bahamian insurance premium costs due to the domestic industry’s heavy dependence on them to help fully underwrite risks domiciled in this nation. Melissa, a Category Five storm when it devastated Jamaica, emerged just as local carriers had begun negotiating their reinsurance treaties for 2026.

However, Mr Saunders told this newspaper that the “record profits” enjoyed by reinsurers over the past two years will provide a cushion against any major exposures to Jamaica’s losses and damage. And he suggested that the outcome for The Bahamas will be influenced by the winner of what he described as “a tale of two cities”.

Noting that, prior to Melissa’s development, new reinsurers had been considering whether to enter the Caribbean market, the RoyalStar chief explained that much will now depend on whether they proceed with these plans or take a more conservative view to not provide extra capacity.

Should the former view prevail, Mr Saunders said the influx of new reinsurers - and extra coverage capacity - will inevitably “soften” rates and premium prices due to the extra supply. Suggesting that 80 percent of those considering entering the Caribbean will still do so, Melissa notwithstanding, he added that his “crystal ball” predicts there will be no premium price increases in 2025 for Bahamian companies and mortgage holders.

Mr Saunders, revealing that the outcome of 2026 reinsurance negotiations will be known “in three weeks”, told Tribune Business: “The reinsurers have enjoyed record profits in 2024 and 2025. Because they have record profits, and rates were adequate, Melissa will have an impact on the Jamaican programme but I don’t see that spilling over to the rest of the Caribbean. That’s us as well.

“I think it will be just like Hurricane Dorian. When Dorian happened, it impacted us but didn’t impact the wider Caribbean. We have a tale of two things. What Melissa did, for people contemplating coming to the Caribbean, they’ll step back and reevaluate their situation. But they might still come.

"It's a tale of two cities," reiterated Mr Saunders. "Some people will want to remain disciplined and don't want to place excessive capacity. Then there's the other set of circumstances where market forces drive people to come to market. If that happens, the rates will have to soften. Which one of those wins? We'll know in the next three weeks.

"My crystal ball is that I'm anticipating there'll be no rate increase [for 2026]. The extent of any rate reduction depends on which of those two situations wins out in three weeks. I think we'll be OK. There are some new elements that want to come. They'll take a second look, but I think 80 percent of those looking will come."

Mr Saunders said that while he expects no problems with property and casualty coverage availability for The Bahamas, there is unlikely to be a major increase or "overflow" in reinsurance supply. He added, though, that existing reinsurers - because of their recent "tremendous" increase in profits - will have to use that capacity.

"I think that, capacity wise, we're not going to have a big overflow but I think we'll be OK," the RoyalStar chief told Tribune Business, as he predicted: "There should be no increase in premium prices next year. The impact of Melissa should be felt in Jamaica.

"That is what our position will be to the reinsurers. It's always tough negotiations, whether it's a hard or soft market, because each side wants to get the best for their companies. But, at the end of the day, we'll bring it home."

Jamaica is still calculating the total losses and damage from Melissa, with the latest estimates placing the latter as high as $8bn. Projections for insured losses are as high as $4bn, with payouts for onshore property damage pegged at between $2.4bn and $4.2bn.

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 previous multi-billion dollar losses from major hurricanes hitting the US and Caribbean, as well as other catastrophic event payouts, many reinsurers had either pulled out of the region altogether or reduced the capacity and availability of coverage here. The reduction in reinsurance supply resulted in Bahamian insurance premiums increasing in cost by as much as 20 percent since 2022.

Bahamian homeowners and businesses, though, have been previously warned that cutting, or dropping, property coverage will be "a false economy".

Tom Duff, who retired as Insurance Company of The Bahamas (ICB) general manager in 2023 after 26 years in the post, warned clients in the company's 2022 annual report that while they may save premium dollars they run a huge risk of becoming "financially crippled" if their property assets are devastated by a Hurricane Dorian-style storm.

Acknowledging that the affordability of insurance is becoming an increasing concern, with reinsurance costs at their highest-ever level during ICB's existence, Mr Duff wrote: "The cost of catastrophe reinsurance has risen quite dramatically for 2023 and, as a result, customers will be faced with an unwelcome increase in their renewal premiums.

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“Although some may be tempted to cancel or reduce cover, doing so may prove to be a false economy as uninsured losses from a major storm can be financially crippling..... The recent phenomenon of the ‘super storm’ is unfortunately a reality that the region can no longer deny. Scientists are predicting that, because of global warming, the region will likely experience an increase in the frequency of these destructive storms.

“This probability represents a major threat to the well-being of The Bahamas and the population at large. It is therefore vitally important that homeowners and businesses take every measure they can to mitigate their risk of incurring serious financial loss from a major hurricane. I encourage all of our policyholders to consider the vulnerabilities of their individual properties and take steps to make them more secure against the risk of hurricane and any other perils.”