

Insurers: Dorian Losses Increase To \$1.5bn-\$2bn

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By Neil Hartnell, Tribune Business Editor

Estimates for Hurricane Dorian's total insured losses were yesterday said to have increased to between \$1.5bn to \$2bn as the entire Bahamian industry was removed from international "review".

Anton Saunders, RoyalStar Assurance's managing director, told Tribune Business that the figures had increased from the previously-announced \$1bn because more property and casualty underwriters had now reported their data to the Bahamas Insurance Association (BIA).

The revised projections came as four Bahamian insurers - Bahamas First, RoyalStar, Summit Insurance Company and Colonial Group International (Security & General) - were removed from post-Dorian "review" by the major industry rating agency, and had their previous "financial strength" reaffirmed, despite a collective multi-billion payout that could be five times' the \$400m incurred from Hurricane Matthew in 2016.

Mr Saunders described the AM Best action as "a very, very good vote of confidence" in the Bahamian insurance industry's capitalisation and solvency, and its ability to meet obligations to all policyholders despite the scale of devastation inflicted by Hurricane Dorian.

While declining to provide data on RoyalStar's share of the Dorian-related losses, he added that the carrier now expected to settle 80 percent of Abaco claims before year-end as opposed to previous predictions that just 60 percent would be dealt with.

Attributing this to the increased speed with which claims are being adjusted and dealt with, the RoyalStar chief agreed with other industry executives that it was a question of how much - not if - property and casualty premium prices will rise next year across The Bahamas in Dorian's wake.

He noted the difference in recovery speed between those who had coverage and persons who did not, and added: "If Dorian does not drive home the message about the importance of insurance nothing will."

Disclosing the revised insured losses estimate, Mr Saunders told Tribune Business: "For the market I know the figure of \$1bn was floating around, but that is on the low end. It's going to be between \$1.5-\$2bn in insured losses.

"When our [BIA] chairman said \$1bn he did not have information from all the companies. It will be between \$1.5-\$2bn where it ends up. That will be the market loss."

Despite the increased projections, A. M. Best had few qualms about removing the quartet of Bahamian insurance companies from the "review" status previously announced in September 2019 in Dorian's immediate aftermath.

Using common language, it said it had “evaluated the loss estimates and related reinsurance contracts” for each and found that Dorian was likely to be “an earnings event since loss estimates are within current reinsurance coverage, and the net impact to the organisation is anticipated to be its contract retention amount”.

Mr Saunders said the assessments showed the insurance industry’s premier rating agency was “comfortable we have the financial strength to carry on”. He added: “I think it’s a very, very good vote of confidence....

“Most of us are insurance companies that have done the right thing, have survived a tremendous storm and are open to trade. That’s a vote of confidence for everyone. The regulators in The Bahamas should also be proud that these companies have been given a vote of confidence from A. M. Best and are resourced properly, and should put a feather in their cap.”

Warren Rolle, the BIA’s chairman, added of A. M. Best’s move: “It just reaffirms that the companies under review have the financial wherewithal to meet their obligations to policyholders. It’s certainly positive news notwithstanding the massive payout being made.

“The good thing is they’re bringing relief to policyholders and doing so smoothly. It is impressive considering this is the largest loss in our history. This is very encouraging for the industry that it’s so well positioned.”

Mr Saunders, meanwhile, said that RoyalStar was now projecting to settle 80 percent of Dorian-related claims from Abaco before year-end, up from previous guidance of just 60 percent. Grand Bahama’s resolution figure remains at 90 percent.

“We’re talking about the speed of adjusting,” he explained. “Contacting clients has become a little easier and the adjusters want to get done as quickly as possible. In Grand Bahama we’ve seen 99 percent of our clients, and 90 percent of Abaco clients have been seen.”

The RoyalStar chief said the scale of Dorian’s losses made it inevitable that Bahamian property and casualty premium rates will rise in the next insurance cycle, the only question to be answered being by how much.

“We are in the market now talking to our reinsurers,” Mr Saunders told Tribune Business. “Rates will increase. How much? I saw some numbers floating out there. I have an idea of what the reinsurance market is demanding.

“We’re trying to figure out what other conditions they will ask for, whether it will be a deductible increase or if it will be a combination of deductible and rate increases. It might be offset a bit, I don’t know. We will have a good idea in a month of where these negotiations will be going and what will be the cost to RoyalStar.”

Mr Saunders said with Dorian-type storms increasing in frequency and severity, The Bahamas “has to realise the value of insurance”. He urged policyholders to frequently assess the sums

insured to make sure they were not under-covered, and avoid the “averaging” clause that kicks-in when such cases arise.

Pointing to the difference in recovery speeds between homeowners and businesses that were fully insured, and those that were not, he also reiterated that contents were often not covered by property insurance and had to be dealt with separately.

“If Dorian does not drive home the message of the importance of insurance, nothing will,” Mr Saunders told Tribune Business. “We encourage people that instead of going to the numbers house, where you gamble, take that sacrifice so if something happens insurance is there. It doesn’t have to be with RoyalStar but get your insurance.

“That is what is more important than anything. If Dorian happens again you’ve got protection. You don’t want to lose your car, your home and start over again. It’s going to be tough.”