

# Insurers 'Sorry' For 15% Hike . . . But It's Worth It

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By Neil Hartnell, Tribune Business Editor

Major Bahamian insurers yesterday warned property owners they face “a minimum” 15 percent premium rate rise in 2020 with Dorian-related claims set to hit peak estimates of \$2bn.

Patrick Ward, Bahamas First’s president and chief executive, told Tribune Business that obtaining proper catastrophe coverage “should be one of the number one priorities” for Bahamians despite the increased cost and affordability pressures such a significant price hike will bring.

Both he and Anton Saunders, RoyalStar Assurance’s managing director, questioned whether Bahamians can afford not to insure their assets given the potential for Abaco and Grand Bahama-type devastation to occur elsewhere in this nation in coming years.

Mr Saunders, revealing that RoyalStar and its reinsurance partners have set aside a \$325m “gross reserve” to deal with some 1,800 Dorian-related claims, conceded that homeowners and businesses will be “challenged” to afford the necessary coverage in 2020.

Apologising for this, he urged consumers to “step back, look in the mirror and say: ‘If Dorian can happen elsewhere in The Bahamas, can I afford not to have insurance?’”. Revealing that the category five storm had created the “most work” seen during his 20-plus years in the insurance industry, Mr Saunders and his Bahamas First counterpart urged Bahamians to do what is necessary to reprioritise their spending accordingly.

The RoyalStar chief said the underwriter has now settled 80 percent of its Dorian-related claims, while Mr Ward disclosed that Bahamas First was “probably more than 50 percent of the way through” as year-end approaches.

Besides premium increases, both men confirmed that reinsurers were also seeking “additional terms and conditions” and, in some cases, increased deductibles from their Bahamian insurance partners as they seek compensation for Dorian’s massive claims payout and to better manage their risk exposure/investment return.

Mr Ward, affirming that individual Bahamian property and casualty underwriters each have to negotiate their own terms, said: “I still think it’s a little bit of a moving feast in some ways. The reason I say that is because individual companies are assessing to what extent they apply additional terms and conditions, and additional deductibles that may apply in certain locations.

“It’s not just about premiums. I would say rates will go up by a minimum 15 percent, and possibly higher for certain locations and exposures, plus areas directly impacted by the hurricanes. Companies have to make their own judgments on that.”

The Bahamas First chief said these “additional terms and conditions” could include comprehensive catastrophic coverage “being restricted or not made available in certain cases” where properties were non-compliant with the Bahamas Building Code or had not used the correct construction materials.

Homes and businesses in coastal or flood-prone areas, where the risk of water damage is higher, will likely face higher premiums than locations less susceptible to this, while the Dorian-hit islands and others with histories of greater hurricane exposure may be subjected to similar escalating costs.

Bahamian property and casualty underwriters are now better able to pinpoint the likely premium price rises facing their clients because the annual treaty negotiations with global reinsurers are virtually complete, Mr Ward revealing that Bahamas First was “pretty much done”.

“I think the reinsurance market is looking at the market here to give them some direction but, at a very minimum, they want to see rates go up and all the companies here are pretty much in the same boat in that regard,” he added.

Mr Ward, though, said that “in The Bahamas, historically, we’ve had rates higher than they’re likely to be in 2020 even with this increase. It will be a case of persons deciding how to spend their money.

“If insurance is valuable, people may have to make a choice between that and other options. Anyone seeing the devastation Dorian brought, I think, would treat insurance as one of their number one priorities going forward.”

Mr Saunders echoed his Bahamas First counterpart, telling Tribune Business: “There is going to be an increase, and it’s going to be staggered across individual locations, but I believe it’s going to be from a high in some islands of 30 percent to a low of 15 percent on other islands

“The \$2bn [collective industry claims payout] for Dorian is holding firm. Tom Duff at Insurance Company of The Bahamas says he has seen some tweaks in his reserves, but overall it will be more in the region of \$2bn. You can forget the \$1.5bn.”

Acknowledging the growing concerns over insurance affordability, Mr Saunders added: “People have to prioritise. This is something that is needed, and we all have to step back and say: Is insurance needed in my life? If the answer is, yes, you have to prioritise and find a way to deal with it.”

Homeowners and businesses with mortgages secured on their premises will have no choice but to acquire insurance due to the lender’s need to protect their security, but Mr Saunders added: “Look at what Dorian did, and ask people who had insurance about the gratification they had when they knew it would help them.

“Emotionally it cannot do anything, but financially it can bring you back.... It’s going to be a challenge next year, affordability will be a challenge, but everyone needs to step back, look in the

mirror and say: ‘If Dorian happened elsewhere in The Bahamas, can I not afford to have insurance?’”

Mr Saunders said the Bahamian insurance industry had proven its worth as a force for “economic stability” through its response to Hurricane Dorian, and argued that it had not received due credit for this.

“The industry has proven its weight and value,” he told Tribune Business, “and doesn’t get as much credit as it deserves for being an economic stabilising force in The Bahamas. Imagine if the insurance industry was not here. Who else is going to pay that additional \$2bn.”

Revealing good progress in the payout of Dorian claims, Mr Saunders added: “Every claim we are responsible for internally, all of our reinsurers, all of our network partners, we have a gross reserve of \$325m. All in we have a total of 1,800 claims, and of those 1,800 claims we have satisfied and settled 80 percent of those. We’re slightly ahead of expected pace.”

Bahamas First’s Mr Ward said: “We’d like to think we’re getting to the end of the process in terms of the claims likely to be reported. We’re working our way through the settlements, and at this point feel we’re probably more than 50 percent of the way through.”