

Insurer Expands To US Virgin Islands

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By Neil Hartnell, Tribune Business Editor

A Bahamian insurer has expanded into the US Virgin Islands (USVI) to further its goal of reducing reliance on this nation to just 60 percent of its total business portfolio.

Anton Saunders, RoyalStar Assurance's managing director, told *Tribune Business* that the property and casualty underwriter began insuring business in the US Virgin Islands last month as it bids to "make sure all eggs are not in the same basket in The Bahamas".

He disclosed that RoyalStar is aiming to deepen its Caribbean territorial diversification such that The Bahamas drops from its present 75 percent share of the insurer's total business portfolio to some 60 percent, thereby ensuring that no-Dorian strength storm can wipe-out its entire book.

"The one thing we did two years ago was that we looked at diversifying into different territories, and secured some of our distribution channels," Mr Saunders told this newspaper. "We are a Bahamian company that does business in six other territories, and have just concluded a licence agreement in the US Virgin Islands."

Besides The Bahamas and US Virgin Islands, RoyalStar Assurance also writes business in the Turks & Caicos Islands; British Virgin Islands; the Cayman Islands and Anguilla. "We wanted to diversify away from The Bahamas; there's only so much business you want to write in any territory," Mr Saunders added.

"We look for countries that are stable and give us hard currency, making sure all eggs are not in one basket in The Bahamas. I am sure if any other opportunities arise we will look at them."

Mr Saunders said RoyalStar started writing business in the US Virgin Islands via a broker last month, and disclosed: "It took us a year-and-a-half to clear all the hurdles in the US Virgin Islands. That's a different jurisdiction for us; we're used to British common law, and that's US."

"We have a learning curve there but we believe the opportunity will be a good one for RoyalStar Assurance.... We have to learn the territory first. We creep before we walk, then run. We have to learn the territory and the people first."

The US Virgin Islands move is part of a broader expansion/diversification strategy by RoyalStar that late last year saw it team with one of its shareholders, Trinidad-based Guardian Holdings, to acquire Fidelity Bank's Cayman-based insurance broker. The Bahamian insurance industry has been one of the few to expand beyond this nation's borders into territories such as Cayman and Turks & Caicos.

"We have always wanted to diversify where we have a 60/40 split, with The Bahamas being the 60 and the rest the other territories," Mr Saunders told *Tribune Business*. "We are presently at 75/25. For us, when we talk about split, we are talking on a net basis or net premium basis."

He spoke out as A. M. Best, the global insurance industry's credit rating service, maintained RoyalStar's 'A' (Excellent) financial strength rating and the long-term issuer credit rating of 'a'. The carrier's "outlook" was also maintained at "stable" despite the twin effects of nine-figure Dorian claims payouts and COVID-19.

Mr Saunders hailed this as "a great achievement in trying times", adding that RoyalStar's ability to maintain the highest ratings an insurer can achieve showed there was "enough strength and diversity in the balance sheet" to overcome developments such as the recent sovereign downgrades suffered by The Bahamas at the hands of Moody's and Standard & Poor's (S&P).

The RoyalStar chief added that claims stemming from last weekend's hurricane/tropical storm Isaias were "not going to be anything major", saying: "It's probably going to be a minimal event for the industry."

However, RoyalStar was not the only property and casualty underwriter to enjoy an A. M. Best-related boost. For its rival, Bahamas First, saw its own A- (Excellent) financial strength rating and long-term issuer credit ratings of 'a-' reaffirmed with a stable outlook.

Patrick Ward, Bahamas First's president and chief executive, described the assessment as "a huge boost" for the company given the backdrop of COVID-19 and record-setting Hurricane Dorian claims payouts.

"It comes on the back of Hurricane Dorian claims, which were the biggest catastrophic event companies in The Bahamas have had to deal with, and subsequently on the back of COVID-19 uncertainty in terms of the real economic impact to the country, global marketplace and what that means for the insurance industry in particular," he added.

"We're happy to see the rating affirmed at the current level, and the outlook is stable, which means having come through two significant tests we're still in a good place. That gives our client base the assurance they're dealing with a company that has the wherewithal to cope with a natural and other disasters and still be able to discharge its obligations from a claims standpoint."

Mr Ward said Bahamas First, too, was not expecting much claims activity as a result of Isaias. "We've been notified of a handful of claims, but have not been able to verify them as we have not been able to see them," he added. "We have confirmation that we have adjusters available in Nassau and Grand Bahama, and to travel to other locations as needed."

Expressing confidence that Bahamas First will be able to process such claims electronically amid the latest COVID-19 lockdown, Mr Ward said: "Most people have become accustomed to doing things online in terms of renewals, business transactions and even claims.

"Even if we're working remotely we think if claims are coming through, as with the most recent hurricane/tropical storm, we will still be able to deal with those in a timely manner."