

'Russian Roulette' By 20% Of Drivers

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By Neil Hartnell, Tribune Business Editor

More than 20 percent of Bahamian drivers “are playing Russian Roulette” with people’s lives because they have no insurance protection, a top industry executive warned yesterday.

Anton Saunders, RoyalStar Assurance’s managing director, told Tribune Business the willingness of one in five drivers to use the roads without adequate coverage threatened “serious consequences for the Bahamian economy and families” who had the misfortune to encounter them.

He added that the situation threatened to “inflict a burden on the whole society” if accident victims were unable to obtain due compensation for their injuries, or written-off and damaged vehicles, from uninsured drivers.

Reiterating the industry’s readiness to work with the Road Traffic Department, police and industry regulator to develop a solution that would stamp out this potential menace, Mr Saunders voiced hope that the government’s planned digitisation of the former agency would give all stakeholders access to real-time information that would help detect uninsured drivers.

Yet he also urged the authorities to take enforcement further by following the lead established by the US and other countries. This, the RoyalStar chief added, should involve the seizure and impounding of vehicles used by uninsured drivers until they obtain the correct coverage rather than the present system of simply issuing a fine and letting them continue on their way.

Disclosing that the property and casualty insurer saw the severity of road accident claims, and the loss per incident, increase in 2020, Mr Saunders said the company was looking to other Caribbean territories rather than The Bahamas to fuel its near-term growth.

He revealed that RoyalStar had chosen to itself “absorb” the COVID-19 related increases in reinsurance costs, ranging from 7.5 percent to 15 percent, rather than pass them on to Bahamian businesses and households via increased home, motor and marine insurance premiums because the pandemic-devastated economy simply cannot bear it.

The number of uninsured, under-insured and incorrectly insured drivers on Bahamian streets has always been a concern for the insurance industry, and Mr Saunders said these worries have only intensified as high unemployment and reduced incomes stemming from COVID-19 force further consumer cutbacks.

“We know that people, especially on motor, are playing Russian Roulette,” he told Tribune Business. “They are driving around without insurance. We believe it’s over 20 percent of people

driving without insurance, and that is a serious consequence to the Bahamian economy and families that end up in accidents with uninsured people and cannot get compensation.”

Mr Saunders said the insurance industry felt “the biggest issue” involved second-hand vehicles where there was “no bank involvement”, in terms of a lien on the auto, compelling the owner to purchase the necessary insurance.

“Right now there’s a clear and present danger in The Bahamas,” he added. “People are driving around in motor vehicles, at least 20 percent without insurance. God forbid those people get into an accident and injure someone. That is a burden on the whole society.”

Besides those drivers who are either uninsured, or inadequately insured, many businesses and individuals are unaware of the ‘authorised driver’ clauses inserted into motor policies to minimise the insurer’s liability.

This means that only those persons named on the policy have insurance coverage to drive the vehicle, but many companies and persons have been caught out when they flip the keys to those who are not ‘authorised’. When such persons are involved in an accident in vehicles they are not authorised to drive, insurers will typically not make a pay-out.

“We have seen a major decrease in attritional motor claims, but the severity on the other side has gone up,” Mr Saunders said, although he provided no figures. The decrease in road accident volumes is thought to have been driven by the COVID-19 lockdowns and associated reduction in the number road users.

Besides the Road Traffic Department’s digitisation, the RoyalStar chief said “enforcement has to be the key part” in substantially reducing the uninsured driver threat. While the likes of the US and UK impounded vehicles driven by uninsured drivers until they came into compliance, Mr Saunders said in The Bahamas “you get a ticket and drive your car away still breaking the law”.

“It’s not rocket science,” he added. “Hopefully, once we sit down and come up with a credible solution, the laws and policies put in place will help to stop this.”

Meanwhile, although The Bahamas was spared any further devastating hurricanes in 2020, Mr Saunders said the world’s reinsurance market had been rocked by COVID-19 related claims related to business interruption and the cancellation of major crowd events such as music concerts.

As a result, reinsurance costs are set to increase worldwide in 2021, “and some of that will trickle down to the Caribbean”. Bahamian property and casualty insurers are among those most heavily impacted by such developments, as they are reinsurance ‘price takers’ due to the need to purchase huge quantities of this coverage to help underwrite all the risks based in this nation.

“That’s what we’re dealing with right now,” Mr Saunders said. “What we have told our reinsurers is that whatever the increase is we have to absorb it. We, RoyalStar, have to absorb it ourselves as we cannot pass any increase on to our consumers at this time. We have to absorb whatever that marginal increase is ourselves.

“We have to protect our consumers and the balance sheet. With everything else going on in the Bahamian economy there is no way we can pass it on to our clients. We’re taking the decision, as RoyalStar, that that marginal increase will be absorbed in our expense items.”

Mr Saunders said reinsurance cost increases ranged from 7.5 percent to 15 percent “depending on what you are buying”. To mitigate against the impact of absorbing these rises, he added that RoyalStar was looking to its “hard currency” territories of Anguilla, the British Virgin Islands and US Virgin Islands for 2021 growth.

“We’re just diversifying as best we can in the region,” Mr Saunders told this newspaper. “Our growth targets will be more in those areas than in The Bahamas. We’ll just eat the marginal costs and not see any growth kicking in in The Bahamas.

“For us it’s just prudent looking at the state of the economy in the Bahamas and some other territories in which we do business. It’s nor prudent for us to pass that on at this time.”

Mr Saunders, though, said the insurance industry had taken the position that the COVID-19 premium deferral announced by the Government last year had ended in June/July rather than, as stated, that customers hit by the pandemic had 60 days after the emergency orders end - which is currently end-January - to pay the outstanding sum or agree a settlement plan.

The RoyalStar chief argued that the Government’s intention cannot have been to give persons “free insurance for a year”, as the latter interpretation implies, and added: “As far as the Bahamas Insurance Association is concerned those emergency orders for the deferral of premiums ended last year.”

He urged persons struggling to keep their insurance current to work with both their agents and brokers, and underwriters, arguing that coverage “is a necessity in catastrophe prone areas” especially after the “double whammy” of Hurricane Dorian and COVID-19.