



NEWS STORY

Monday February 3, 2020

To: News Editor

For: Immediate Release

Property Insurance Rate Increase Pending

Property owners should prepare for an increase in insurance rates of 10 to 15 percent this year, states Insurance Association of Jamaica (IAJ) executive director, Orville Johnson.

Mr. Johnson says that this pending rise in property insurance premiums is due to increasingly destructive Atlantic hurricane seasons in recent years. He explains that insurers pool insurance premiums from their customers, which they use to cover the losses which a few customers experience. Insurance companies in turn protect themselves against extraordinary losses by buying reinsurance from large international reinsurance companies.

"International reinsurers are increasing their cost of coverage to the region in order to recover prior years' losses, forcing local companies to also increase insurance rates. Local insurance companies use reinsurance to manage the risks associated with covering property insurance and as such reinsurance rates heavily influence the rates available in the local market," Mr. Johnson notes.

Mr. Johnson indicates that in recognition of the increased exposure to risks in the region, as experienced in the last three years, and likely as a result of climate change, international reinsurers have increased costs. This exposure has likely been further amplified by the recent spate of earthquakes in the region. "Reinsurance makes up the largest single component of property insurance rates; hence, a rise in these rates has a direct impact on local costs."

"We have avoided many major strikes since hurricane Sandy hit the island in 2012 however, we fall into the same reinsurance pool as countries in the wider Caribbean, which have not been as fortunate," the insurance sector leader indicates. "The risks we face are similar to those of the rest of the region; consequently, in response to an increased Caribbean risk rating, premiums are set to increase this year."

He points out that hurricanes Harvey, Irma and Maria, which rampaged through the Caribbean in 2017, are among the top five costliest Atlantic hurricanes on record. In that year, there were a total of 17 storms, causing astronomical insured losses of more than US\$90 billion.

"This year was followed by another above average hurricane season in 2018 with 15 named storms, eight hurricanes, including two major hurricanes, again causing major insured losses," Mr. Johnson says. "Last year, we had the fourth-most active hurricane season on record; this included Hurricane Dorian, the strongest Atlantic hurricane ever to make landfall which caused devastation in the Bahamas and generated insured losses of more than US\$8 billion."

For local property owners, factors such as the type of construction, property location, and other property specific elements, will have an impact on the level of rate increase; but, the overall rise will be between 10 to 15 percent, the insurance executive declares.

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