

NAGICO

AT A GLANCE



A REORDERING OF PRIORITIES

Anchored by unprecedented hurricanes in Irma and Maria, 2017 has redefined the insurance landscape in the Caribbean and has earned the dubious distinction of being the reference point for what could go wrong in the hurricane season. That is, of course, until a new standard is set (God forbid!).

Packing sustained winds of 185 miles per hour and gusting to 225 miles per hour, Hurricane Irma tore through the top of the Caribbean chain. A week later, a double-dose of nature's wrath came in the form of Hurricane Maria (160 MPH). Residents (I call them 'survivors') emerged from their places of refuge to find a trail of unimaginable destruction of property, infrastructure, crops and livestock and, worse yet, many lives lost.

Even now, more than six months removed from those calamities, people still shudder when retelling those harrowing hours under the gun, recalling in vivid detail the 'voices in the wind' or the incredible arcing of the glass sliding door or the sting of wind-driven rain on their faces after their roofs took flight. For most, those events re-ordered their priorities and focused their attention on the things that truly matter.

In many ways, the storms did the same to the region's insurance industry, as well.

The prior four/five years was the bottom of the insurance cycle - a period of fierce competition. Prices tumbled to unsustainable levels as insurers raced to the bottom in their attempts to reach growth targets or maintain market share. This persistent softening of the market was further fueled by fierce competition among reinsurers, owing to significant capital inflows into the reinsurance market.

In its online publication of September 2017 titled "Global Reinsurance: Fit for the future?", international consulting firm McKinsey & Company wrote:

"Non-life reinsurance remains strongly capitalized. Even in the case of a 1-in-250-year loss event, industry capitalization is unlikely to deteriorate below the "A" level versus the current "AAA" capital adequacy. This, in combination with the ongoing inflow of capital in the continued low-interest rate environment, makes the current soft market likely to persist – at least in the near term, and in the absence of a series of above-average catastrophic losses. At the time of publication, Hurricane Harvey had just formed.

Advance to the end of 2017 and the picture is completely different. The total insured losses from Hurricanes Harvey, Irma and Maria, combined with the earthquakes in Mexico amount to USD 135 billion - the highest ever - causing significant erosion in reinsurers' capital and triggering premium increases. Being price-takers, regional insurers are obligated to pass on the increases to customers and premiums are going up 10% - 50% depending on territory, exposure and average market rate.

Another adjustment is taking place as well. The stepchild of the recent past, proper underwriting - careful risk selection and adequate pricing - has reasserted its prominence in the business acquisition process. Deductibles are being increased, warranties are making a comeback and the appetite for coastline risks is drastically diminished.

Yet, there is no need to panic. The market is simply correcting as the insurance cycle begins to harden after many years of decline. And, with 2018 projected as a repeat of 2017, these conditions are expected to persist.



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An Opportunity to Rebuild with Resilience in Mind

2017 has been described as “A record breaking loss year” by Munich Re. It was surely a year with extreme catastrophic activity. Within a span of four weeks, the hurricane trio of Harvey, Irma and Maria (“HIM”) made the 2017 hurricane season the costliest ever in the North Atlantic with estimated losses reaching \$220bn and insured losses \$90bn.

Global temperature continues to rise. After the previous three record-breaking years, 2017 became the warmest non-El Niño year on record. According to the Intergovernmental Panel on Climate Change (IPCC), the increase in temperature that has principally occurred since the second half of the last century is primarily caused by humans and is influencing natural disasters.

Although the events of 2017 cannot be definitively attributed to climate change, recent research has found that over the last 140 years climate change has significantly increased the probability of extreme three-day rainfall on the Gulf Coast, such as that associated with Harvey (van Oldenborgh et al.: Attribution of extreme rainfall from Hurricane Harvey, Environ. Res. Lett., 12, 2017). Against the background of these findings and projections, the 2017 season does appear to be a foretaste of the future. We expect there to be a higher frequency of exceptional hurricane seasons like 2004, 2005 and 2017.

Current projections of future conditions expect almost unchanged or stagnating overall tropical cyclone numbers in most ocean regions for the mid-21st and end-21st century. By contrast, the frequency of extreme hurricanes (cat 4–5) is projected to increase in most areas given continued climate change. Also, maximum wind speeds will on average rise a little, and rainfall rates within 100 km of the storm’s center will increase due to higher evaporation rates.

The threat of climate change is a real giant to contend with but, in spite of the urgency and significance of the topic, progress still remains slow.

Politicians are now more aware of the acuteness of the problem than ever before, and commitments to reduce emissions have never been so significant. In October 2017, the Solar Head of State and NAGICO partnered to promote the expansion of renewable energy across the Caribbean.

The two organizations held a reception at the Caribbean Renewable Energy Forum (CREF) in Miami where island leaders and renewable energy developers were gathered to discuss this very important subject matter and the way forward. Munich Re was also represented at CREF and presented at the main conference.

It is heartening to see that renewable energy programs are being committed to in the Caribbean region and many are being rolled out quickly. One of the top priorities for the next few years and decades must be for societies around the world to adapt to the now already inevitable impact of climate change. Science offers increasingly precise information about the areas in which climate change is influencing weather extremes. Munich Re, for instance, supports a research project which uses models to investigate the extent to which specific severe weather events have become more probable since pre-industrial times as a result of climate change. Munich Re's loss statistics also demonstrate the plausibility of climate change already influencing some types of event in a number of regions. Meteorologists have also observed changes in such weather patterns, so it stands to reason that climate change has played a role in the increased losses.

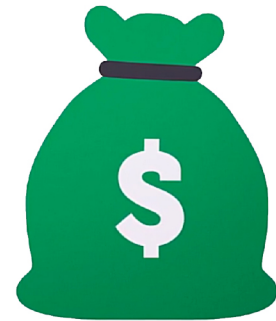
Climate protection is a must and we are never too small to make a difference. NAGICO is developing solutions to support renewable energy projects in the Caribbean which would directly counter the risks of a changing climate. Of course, this will not allow us to conquer the scourge of climate change – but it certainly would help us to mitigate its impact.



**With the passing of Hurrcanes Irma and Maria,
the NAGICO Group received in excess of 12,000 claims spread
across the motor, property and marine lines of business.**

8 Months After Hurricanes Irma and Maria

> USD\$400m
paid accross the Group.



HOME &
PROPERTY

+



VEHICLE

+

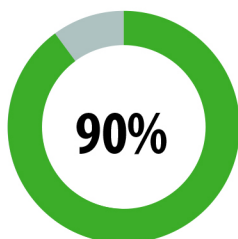


MARINE

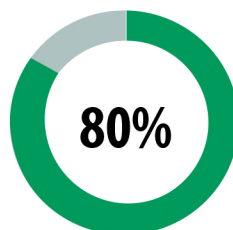
85%

Group's Overall Claims Settled and Paid.

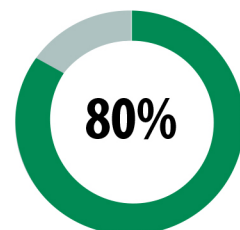
Percentage settled in the hardest Hit Islands:



St. Maarten



BVI



Dominica

Making Your
Today better than Yesterday

NAGICO-GBSS Crowned 2018 Intercol Champions

NAGICO Insurances pride itself on being good corporate citizens and showing its commitment through various community initiatives and partnerships.

Once again, NAGICO Insurances exhibited that commitment in Grenada, by sponsoring the Grenada Boys' Secondary School (NAGICO – GBSS) for the 2018 Scotiabank Intercol Champions which was held from the 20th to 22nd March, 2018 at the Kirani James Athletic Stadium.

The Grenada Boys Secondary School has a long history of excellence in academics as well as on the field of play, which was heavily showcased during the 3 days of exhilarating competition.

GBSS lived up to its slogan "The prize to the one who earns it" and were deservedly crowned 2018 Intercol Champions!

NAGICO Insurances wishes to extend heartfelt congratulations to the Grenada Boys Secondary School for its continued excellence and reaffirms its commitment to the school's sports programme which is geared toward developing its students and promoting a balanced lifestyle.





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