

In the eye of the storm All was quiet on the hurricane front this year, but while that's good for tourism and agriculture, insurers were still battered

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DIVINE intervention, maybe? Jamaica appears to have avoided billions of dollars in losses this year with the quiet passing of the hurricane season.

This holds true especially against the background that the 2011 Atlantic hurricane season — which ended November 30 — produced 19 tropical storms, the third-highest number on record. Jamaica was spared major damage, despite adverse weather conditions, as the likes of Hurricane Irene and Tropical Storm Lee wreaked havoc elsewhere in the region.

Financial analyst Dennis Chung said the country was “lucky” to have avoided the sort of excessive hurricane damage it has grown accustomed to in recent years, noting that such an impact would have exacerbated the country's fiscal troubles.

“We are very lucky; we would've been worse off,” Chung told the Business Observer yesterday.

The Government spends an average of \$14 billion per year repairing damage caused by hurricanes and floods, according to the Office of Disaster Preparedness and Emergency Management.

Some of the major storms that have affected the island in the past decade include hurricanes Ivan (2004) and Gustav (2008), as well as tropical storms Emily (2005), Dean (2007) and Nicole (2010). They have caused damage to roads, bridges, gullies, houses, schools, hospitals, and the water and electricity networks.

“It usually costs us \$100 million or more in just direct costs,” Chung noted, adding “Remember, you have to factor in productive time lost as well as losses by private citizens.”

The International Monetary Fund — which has a US\$1.23 billion stand-by agreement with the Government — had to relax primary surplus fiscal targets by 0.3 per cent of GDP for the 2010/11 fiscal year due to flood damage caused by the passage of Tropical Storm Nicole in September 2010.

The storm had an enormous fiscal impact, with the final bill being close to \$20 billion, he said.

You might think that insurers would be happy not to have to pay out on a slew of Jamaican claims, but that's not the case. Due to its internationally exposed reinsurers, the industry is having to pay for disasters elsewhere.

“Even though we have had no storms this year, on a global stage this has been one of the worst years ever, which included earthquakes in New Zealand and Japan,” Paul Lalor, president of the Insurance Association of Jamaica (IAJ), told the Business Observer.

“These events have had a serious financial impact on reinsurers,” he said. This means that property insurance premiums will likely go up when insurance companies rewrite them.

“This will have an impact on us here as... we will have to pay more to buy our reinsurance,” said Lalor. “Will the price to insure your property go up despite no storm? I think yes, but let's

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hope by not too much.”

One sector which is breathing a sigh of relief this year is agriculture, so often severely battered during the hurricane season. Farms recorded significant losses of a little over \$1 billion due to Nicole's rains last year as a result of loss of livestock and crops as well as damage to farm roads and other infrastructure.

“The Lord has steered us this hurricane season,” acknowledged Jamaica Agricultural Society (JAS) vicepresident, senator Norman Grant.

“There were no major hurricanes that affected the island, thus the impact that we have become very familiar with over the last seven to eight years did not take place,” he said.

The upshot is that the sector saw solid growth in domestic crop production, he said.

The Planning Institute of Jamaica (PIOJ) recently reported that favourable weather conditions contributed to the agriculture sector growing by 2.5 per cent for the July to September 2011 quarter, with increased production particularly in the traditional export crops, which grew by 5.2 per cent.

“While we saw fall-off in some of the traditional crops, like coffee, it really had nothing to do with disaster but the lack of support to some of the farmers,” said Grant, noting that “a hurricane would have certainly made those situations worse.”

Tourism players are also expressing gratitude. The industry is vulnerable to adverse natural conditions because of the impact it can have on consumer confidence.

“We have been lucky and we are grateful,” declared Wayne Cummings, immediate past president of the Jamaica Hotel and Tourist Association.

“What we would have gained, first of all, is the benefit of no distraction. Everybody is always on pins and needles during the hurricane season,” Cummings stated.

A PIOJ damage assessment of the tourism sector last year put the cost of damage at \$76 billion and losses at \$88 billion. The agency said that damage within the sector was greatest in Negril and the south coast resort areas, as well as Montego Bay, and Port Antonio.

The most frequently reported type of damage was to buildings, boats and other vessels. The storm also caused extensive beach erosion and plant and landscape damage.

According to Cummings, small hoteliers are usually the most vulnerable to storms because many of them don't have adequate insurance.

“When we talk about dodging a bullet, (the small hoteliers) were probably the luckiest,” said Cummings. “The greatest concern when (an adverse weather system) does in fact hit is that a number of the small properties have not been able to secure insurance because of the very active hurricane seasons in recent years.”



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The hurricane season usually inflicts a hefty cost on agriculture.