

Compass Insurance Quarterly Report- September 2021

Overview of the Insurance Sector

There were eighteen registered insurance companies at September 30, 2021. However, only seventeen were operational. Life insurance companies continued their dominance within the insurance sector, accounting for 78 per cent of the sector's total assets, while the general insurance companies accounted for 22 per cent as at end September 2021.

The combined total asset for life insurance companies and the aggregate investment assets grew by 6.1 per cent and by 5.7 per cent to \$382.7 billion and \$340.8 billion, respectively. These rates exceeded the growth rate of 3.2 per cent for total liabilities for all the life insurance companies. Capital for the life insurance companies rose 12.3 per cent to \$129.0 billion, from \$114.9 billion at September 2020.

For the nine-month period ended September 2021, net premiums earned (NPE) for the industry amounted to \$54.5 billion, reflecting a 9.9 per cent increase when compared to the NPE of \$49.5 billion for the similar period in 2020.

Combined other income rose by 33.0 per cent over the comparative period in 2020, to \$5.3 billion at September 2021 (September 2020: \$4.0 billion). This was mainly due to an extraordinary item of recognition of income to the general fund. Meanwhile, accumulated net investment income increased to \$19.1 billion from \$1.3 billion. This was triggered mainly by higher interest income and fair value gains

Consequently, total revenue increased by 43.6 per cent to \$78.8 billion (September 2020: \$54.9 billion). Total expenses excluding taxes for life insurers climbed by 94.2 per cent to \$59.4 billion (September 2020: \$30.6 billion). The hike in expenses was due to a substantial increase in operating cost as well as claims and related expenses in the reporting period. As a result, the cumulated net income before tax fell 20.1 per cent to reach \$19.4 billion at September 2021, (September 2020: \$24.3 billion).

Table 1 - Statistical Information and Financial Position of the Life Insurance Industry						
As at	Sept. 20 \$'B	Dec 20 \$'B	Mar. 21 \$'B	June. 21 \$'B	Sept. 21 \$'B	%age Change between Sept. 2020 & Sept. 2021
Balance Sheet						
Total Investment Assets	322.3	328.3	330.7	335.4	340.8	5.7
Total Assets	360.8	367.3	371.9	377.3	382.8	6.1
Insurance Liabilities	123.6	121.63	124.5	128.1	125.9	1.8
Other Liabilities	122.3	125.54	124.7	126.2	127.8	4.6
Total Liabilities	245.9	247.2	249.2	254.3	253.7	3.2
Capital & Surplus	114.9	120.15	122.7	123.0	129.0	12.3
Profit and loss (YTD)						
	Sept. 20 \$'B	Dec 20 \$'B	Mar. 21 \$'B	June. 21 \$'B	Sept.. 21 \$'B	%age Change between Sept. 2020 & Sept. 2021
Net Premium Earned	49.5	67.5	17.6	35.8	54.5	9.9
Net Investment Income	1.3	8.6	5.5	13.4	19.1	1,312.4
Other Income	4.0	5.0	1.5	3.4	5.3	33.0
Total Expenses before tax	30.6	48.4	19.8	43.3	59.4	94.2
Net Income before tax	24.3	32.7	4.8	9.3	19.4	(20.1)
Net Income	19.1	25.8	3.7	7.3	15.4	(19.5)

General Insurance

Total assets of general insurance companies were \$106.2 billion as at September 2021. This represents a growth of 11.8 per cent over the amount recorded as at September 2020. Aggregate invested assets increased by 5.9 per cent to \$56.2 billion at the end of the September 2021. (September 2020: \$53.0). Combined total liabilities remained unchanged over the period. The accumulated capital base for the sector rose by 10.0 per cent to \$29.0 billion compared to the \$26.4 billion as at September 2020 (see Table 2).

Aggregate net premium earned (NPE) for the nine-month period that ended September 2021 remained fairly stable at \$15.9 billion (September 2020: \$16.0

billion). Due to higher interest income and fair value gains, combined net investment income increased by 20.2 per cent to \$1.4 billion in the current period, from the \$1.2 billion seen in the corresponding period of 2020.

Other income for the general insurance companies increased from \$7.5 million in 2020 to \$9 million in 2021. With the uptick in NPE, net investment income and other income, total revenue for the companies amounted to \$18.3 billion for the reporting period. (September 2020: \$18 billion). Aggregate total expense was \$15.6 billion which was a decline from the \$16.1 billion recorded in 2020. Consequently, combined net income before tax for the reporting period was \$2.8 billion, an uptick from the \$1.9 billion.

Table 2 - Statistical Information and Financial Position of the General Insurance Industry						
As at	Sept 20 \$'B (Revised)	Dec 20 \$'B	Mar' 21 \$'B	Jun' 21 \$'B	Sept.' 21 \$'B	%age Change between Sept. 2020 & Sept 2021
Balance Sheet						
Total Investment Assets	53.0	52.7	52.9	54.2	56.2	5.9
Total Assets	95.0	93.4	95.5	106.9	106.2	11.8
Insurance Liabilities	53.4	51.9	52.7	59.1	53.7	0.7
Other Liabilities	15.1	14.1	15.5	19.9	14.6	(3.2)
Total Liabilities	68.1	66.0	68.2	79.0	68.1	0.0
Capital & Surplus	26.4	26.9	27.0	27.9	29.0	10.0
Profit and loss (YTD)						
Net Premium Earned	16.0	21.6	5.3	10.7	15.9	(0.6)
Net Investment Income	1.2	1.9	0.4	1.0	1.4	20.2
Other Income	0.8	1.1	0.3	0.7	0.9	24.8
Total Expenses before taxes	16.1	21.3	5.4	10.4	15.6	(3.4)
Income (Loss) before Tax	1.9	3.2	0.7	2.0	2.8	47.8
Net Income	1.2	2.3	0.5	1.4	1.9	53.1

Table 3 displays selected performance ratios for both life and general insurance companies.

Table 3 - Selected Prudential Ratio for Insurance Companies

Ratio	20 Sept	20 Dec	21 Mar	21 Jun	21 Sept.	FSC Benchmark
Life Companies						
Solvency Ratio	46.7	48.6	49.2	48.4	50.9	≥ 10%
Return on Capital (YTD)	21.1	27.2	3.9	7.6	15.0	≤ 20%
General Companies						
Solvency Ratio	38.6	40.8	39.3	35.3	37.5	≥ 25%
Return on Capital (YTD)	7.1	13,5	2.7	7.1	9.5	≤ 20%
Underwriting Ratio (YTD)	100.6	98.7	100.9	97.0	97.7	≤100%