

Insurance Industry as at December 2015

Overview of the Insurance Industry

As at December 31, 2015, eleven (11) general insurance companies were registered however, only nine were operational. While there were seven (7) registered life insurance companies; only six were in operation during the same period.

Life Insurance Industry (See Table 1)

There were changes to the taxation regime for the life industry which took effect during 2015 where gross premium and investment income taxes were removed and replaced by a new corporation tax of 25 per cent.

This change resulted in the life companies holding less of their actuarial reserves compared to the period ended December 31, 2014. Consequently, the insurance companies experienced an improvement in their profitability due to the reduction in their net actuarial reserves. The improvement in profitability was evident by the 60.3 per cent increase in net income before tax over the prior period.

Capital and surplus (retained earnings) increased by 17.1 per cent over the prior period based on the reasons stated above.

Table 1 - Statistical Information and Financial Position of the Life Insurance Industry							
As at	Sep 14 \$'B	Dec 14 \$'B	Mar 15 \$'B	Jun 15 \$'B	Sep 15 \$'B	Dec 15 \$'B	%age Change between Dec '14 & Dec '15
Balance Sheet							
Total Investment Assets	238.1	244.0	247.5	253.8	255.3	262.1	7.4
Total Assets	256.6	261.7	265.7	271.7	273.9	281.5	7.6
Insurance Liabilities	78.1	80.0	79.6	82.6	81.1	81.3	1.6
Other Liabilities	121.7	122.9	125.2	127.5	128.7	131.2	6.8
Total Liabilities	199.8	202.9	204.8	210.1	209.8	212.5	4.7
Capital & Surplus	56.8	58.9	60.8	61.5	64.1	69.0	17.1
Profit and loss (YTD)							
Net Premium Earned	31.4	41.7	10.6	21.4	32.1	45.8	9.8
Net Investment Income	14.2	19.3	4.8	10.1	15.6	23.0	19.2
Other Income	4.38	5.2	0.9	2.0	3.0	4.0	-23.1
Total Expenses before tax	39.1	51.6	13.8	28.1	38.0	52.0	0.8
Net Income before tax	10.8	13.1	2.6	5.4	12.9	21.0	60.3
Net Income	10.0	13.7	2.2	5.0	10.4	17.3	26.3

General Insurance Industry

As seen in table 2, the general insurance industry for the year 2015 experienced small increases in net premium income and net investment income while other income fell when compared to the prior year in 2014. This decline was a result of the deterioration in foreign exchange by 18.3 per cent, due to a slower rate of depreciation year-to-date for the Jamaican dollar against the United States dollar. With total expenses increased marginally, there was a 2.3 per cent decline in pre-tax income at the end of 2015.

The general industry demonstrated growth in their total assets, investment assets and capital. See Table 2. Table 3 displays selected key results such as the underwriting ratio. The industry was below the underwriting ratio maximum of 100 percent.

Table 2 - Statistical Information and Financial Position of the General Insurance Industry							
As at	Sep 14 \$'B	Dec 14 \$'B	Mar 15 \$'B	Jun 15 \$'B	Sept 15 \$'B	Dec 15 \$'B	%age Change between Dec '14 & Dec '15
Balance Sheet							
Total Investment Assets	41.6	41.1	42.8	43.4	44.5	45.2	10.0
Total Assets	61.9	59.5	62	66.3	64.9	64.8	8.9
Insurance Liabilities	35.8	34.5	34.9	36.9	37.0	35.5	2.9
Other Liabilities	5.8	4.4	6	7.5	5.5	5.8	31.8
Total Liabilities	41.6	38.9	40.9	44.5	42.5	41.4	6.4
Capital & Surplus	20.3	20.3	19.8	21.8	22.4	23.4	15.3
Profit and loss (YTD)							
Net Premium Earned	11.9	16	4	8.1	12.3	16.3	1.9
Net Investment Income	2.1	2.8	0.6	1.4	2.0	2.9	3.6
Other Income	0.5	0.9	0.1	0.3	0.5	0.7	-22.2
Total Expenses	11.3	15.4	4.3	8.0	12.0	15.8	2.6
Income (Loss) before Tax	3.3	4.3	0.7	1.8	2.9	4.2	-2.3
Net Income	2.3	2.9	0.5	1.3	2.0	3.0	3.4

Table 3 - Selected Prudential Ratio for Insurance Companies							
Ratio	14-Sep	14-Dec	15-Mar	15-Jun	15-Sep	15-Dec	FSC Benchmark
Life Companies							
Solvency Ratio	28.4	29	29.7	29.3	30.5	32.5	≥ 10%
Return on Capital (YTD)	18.9	22.2	4.2	8.6	20.0	30.1	≤ 20%

General Companies							
Solvency Ratio	45.3	52.1	48.5	45.3	48.8	53.7	≥ 25%
Return on Capital (YTD)	17.4	21.2	3.7	8.8	13.9	18.9	≤ 20%
Underwriting Ratio (YTD)	94.6	96.6	100.1	99.2	97.3	96.8	≤100%