

Compass Insurance Quarterly Report- September 2019

Overview of the Insurance Sector

There were nineteen registered insurance companies as at September 30, 2019. However, only seventeen were operational. Life insurance companies continued their dominance within the insurance sector, accounting for 79 per cent of the sector's total assets while the general insurance companies accounted for 21 per cent as at end-September 2019.

Life Insurance

Invested assets for the life insurance companies grew by 3.7 per cent to \$309.1 billion as at September 30, 2019 from the \$298.1 billion as at December 31, 2018. Aggregate total assets increased by 4.9 per cent to \$338.9 billion as at September 30, 2019 (December 2018: \$323.1). Combined capital, surplus and reserves increased by 15.1 per cent over the amount seen at the end of December 2018 to \$105.7 billion (see Table 1). Growth in retained earnings contributed to the improvement in capital.

For the nine months ended September 30, 2019, net premiums earned for the industry amounted to \$49.9 billion, reflecting an increase of 14.4 per cent when compared to the net premiums earned of \$43.6 billion for the similar period in 2018. This resulted from growth in insurance sales. Net investment income grew by 6 per cent to \$22.9 over the comparative period last year. While total revenue for the industry was \$78.9 billion (September 2018: \$70.4 billion), total expenses including taxes for life insurers amounted to \$60.6 billion (September 2018: \$52.7 billion). Increased claims and administrative expenses contributed to the growth in total expenses. Consequently, net income before taxes was \$22.2 billion. (September 2018: \$22.1 billion) Return on capital (ROC) for the life industry, was 21.2 per cent (Sept 2018 24.5 per cent) (See table 3).

Table 1 - Statistical Information and Financial Position of the Life Insurance Industry						
As at	Sep 18 \$'B	Dec 18 \$'B	Mar 19 \$'B	Jun 19 \$'B	Sep 19 \$'B	%age Change between Dec '18 & Sept '19
Balance Sheet						
Total Investment Assets	304.1	298.1	302.5	306.4	309.1	3.7
Total Assets	328.7	323.1	328.1	334.5	338.9	4.9
Insurance Liabilities	100.5	96.9	95.7	99.4	102.6	5.9
Other Liabilities	136.7	134.3	135.0	134.6	130.6	-2.8
Total Liabilities	237.1	231.2	230.7	234.1	233.2	0.9
Capital & Surplus	91.6	91.8	97.4	100.5	105.7	15.1
Profit and loss (YTD)						
						%age Change between Sept '18 & Sept '19
Net Premium Earned	43.6	59.0	15.6	31.6	49.9	14.4
Net Investment Income	21.6	27.4	5.0	13.4	22.9	6.0
Other Income	5.2	6.6	1.5	3.8	6.1	17.3
Total Expenses before tax	48.3	63.4	16.9	35.4	56.6	17.2
Net Income before tax	22.1	29.7	5.3	13.4	22.2	0.5
Net Income	17.7	23.8	4.3	10.8	18.3	3.9

General Insurance

Total assets of general insurance companies were \$88.5 billion as at September 30, 2019. This represents a growth of 8.9 per cent over the amount recorded at December 31, 2018. Invested assets for the industry stood at \$53.3 billion at the end of the September 2019 quarter (December 2018: J\$52.1 billion).

Aggregate net premium earned for the nine month period to September 2019 was J\$15.7 billion, representing a 3.3 per cent increase over the corresponding period in 2018. Aggregate net investment income was \$2.2 billion, the same as for the corresponding period in 2018. Total revenue for the industry grew to J\$18.6 billion for the September 2019 quarter (September 2018: J\$18.3 billion). With total expenses amounted to \$15.8 billion, net income before taxes was J\$2.8 billion for the reporting period. Despite the fall in net income (See Table 2), the ROC (See Table 3) was 11.3 percent as the capital base was bigger at the end of September 2018. (See Table 2).

Table 2 - Statistical Information and Financial Position of the General Insurance Industry						
As at	Sep 18 \$'B	Dec 18 \$'B	Mar 19 \$'B	Jun 19 \$'B	Sep 19 \$'B	%age Change between Dec '18 & Sept '19
Balance Sheet						
Total Investment Assets	52.6	52.1	53.5	54.9	53.3	2.3
Total Assets	81.7	81.3	83.0	91.7	88.5	8.9
Insurance Liabilities	46.2	44.7	44.9	50.3	49.8	11.4
Other Liabilities	9.6	9.3	10.8	13.4	11.6	24.7
Total Liabilities	55.2	54	55.7	63.6	62.1	15
Capital & Surplus	27.5	27.1	27.0	27.8	25.9	-4.4
Profit and loss (YTD)						%age Change between Sept '18 & Sept '19
Net Premium Earned	15.2	20.0	4.9	10.4	15.7	3.3
Net Investment Income	2.2	2.8	0.5	1.4	2.2	0
Other Income	0.9	0.6	-9.9	0.4	0.7	-24.7
Total Expenses before taxes	14.8	19.4	5.01	10.8	15.8	6.8
Income (Loss) before Tax	3.6	4.0	0.4	1.5	2.9	-19.4
Net Income	2.4	2.7	0.3	0.9	1.9	-20.8

Table 3 - Selected Prudential Ratio for Insurance Companies

Ratio	18-Sep	18-Dec	19-Mar	19-Jun	19-Sep	FSC Benchmark
Life Companies						
Solvency Ratio	38.6	39.7	42.2	42.9	45.3	≥ 10%
Return on Capital (YTD)	24.5	32.8	5.6	13.5	21.2	≤ 20%
General Companies						
Solvency Ratio	49.8	50.1	48.6	43.6	41.6	≥ 25%
Return on Capital (YTD)	13.1	14.7	1.5	5.4	10.83	≤ 20%
Underwriting Ratio (YTD)	97.4	97.0	102.2	103.8	100.6	≤100%