

## Compass Insurance Quarterly Report- December 2019

### **Overview of the Insurance Sector**

There were nineteen registered insurance companies as at December 31, 2019. However, only seventeen were operational. Life insurance companies continued their dominance within the insurance sector, accounting for 80 per cent of the sector's total assets while the general insurance companies accounted for 20 per cent as at end-December 2019.

### **Life Insurance**

As shown in Table 1, invested assets for the life insurance companies grew by 4.1 per cent to \$310.4 billion as at December 31, 2019 from the \$298.1 billion as at December 31, 2018. Aggregate total assets also increased by 6.5 per cent to \$344.2 billion as at December 31, 2019. Combined capital, surplus and reserves increased by 18.0 per cent over the amount seen at the end of December 2018 to \$108.3 billion. Growth in retained earnings contributed to the improvement in capital.

For the twelve months ended December 31, 2019, total revenue for the industry was \$103.2 billion (December 2018: \$93.0 billion) as all three elements (net premium earned, net investment income and other income) of total revenue grew over the corresponding period in 2018. Table 1 shows that net premiums earned rose by 13.4 per cent, net investment income climbed by 4 per cent and other income increased by 18.2 per cent. The improvement in other income was due to higher earnings obtained from other business activities such as management of segregated funds as well as pension administration and investment.

For the reporting period, combined total expenses including taxes amounted to \$78.6 billion (December 2018: \$69.3 billion); consequently, aggregate net income after tax was \$24.5 billion. Return on capital (ROC) for the life industry, was 22.6 per cent (Sept 2018 25.9 per cent) (See table 3).

<b>Table 1 - Statistical Information and Financial Position of the Life Insurance Industry</b>						
<b>As at</b>	<b>Dec 18 \$'B</b>	<b>Mar 19 \$'B</b>	<b>Jun 19 \$'B</b>	<b>Sep 19 \$'B</b>	<b>Dec 19 \$'B</b>	<b>%age Change between Dec '18 &amp; Dec '19</b>
<b>Balance Sheet</b>						
Total Investment Assets	298.1	302.5	312.4	309.1	310.4	4.1
<b>Total Assets</b>	<b>323.1</b>	<b>328.1</b>	<b>334.5</b>	<b>338.9</b>	<b>344.2</b>	<b>6.5</b>
Insurance Liabilities	96.9	95.7	99.4	102.6	99.3	2.5
Other Liabilities	134.4	135.0	134.6	130.6	136.6	1.6
<b>Total Liabilities</b>	<b>231.3</b>	<b>230.7</b>	<b>234</b>	<b>233.2</b>	<b>235.9</b>	<b>2.0</b>
<b>Capital &amp; Surplus</b>	<b>91.8</b>	<b>97.4</b>	<b>100.5</b>	<b>105.7</b>	<b>108.3</b>	<b>18.0</b>
<b>Profit and loss (YTD)</b>						
Net Premium Earned	59.0	15.6	31.6	49.9	66.9	13.4
Net Investment Income	27.4	5.0	13.4	22.9	28.5	4.0
Other Income	6.6	1.4	3.8	6.0	7.8	18.2

Table 1 - Statistical Information and Financial Position of the Life Insurance Industry						
As at	Dec 18 \$'B	Mar 19 \$'B	Jun 19 \$'B	Sep 19 \$'B	Dec 19 \$'B	%age Change between Dec '18 & Dec '19
Total Expenses before tax	63.4	16.9	35.4	57.6	72.8	14.8
<b>Net Income before tax</b>	29.7	5.3	13.4	22.2	30.3	2.0
<b>Net Income</b>	23.8	4.3	10.8	18.3	24.5	2.9

## General Insurance

While total assets of general insurance companies climbed by 6.2 per cent from \$81.3 billion as at December 2018 to \$86.3 billion as at December 31, 2019, combined invested assets declined from \$52.1 billion to \$51.1 billion. Also shown in Table 2, aggregate total liabilities increased as growth in insurance liabilities was driven by claims while other liabilities increased as payables to reinsurers grew.

Aggregate net premium earned for the twelve-month period ended December 2019 was \$21.1 billion, representing a 5.5 per cent increase over the amount recorded in the corresponding period for 2018. Combined net investment income and total other income increased by 17.9 per cent and 16.7 per cent respectively. Hence total revenue for the industry grew to \$25.1 billion for the reporting period. (December 2018: \$20.0 billion). Total expenses for the general insurance companies rose to \$21.1 billion in 2019 from the \$19.4 billion in 2018. As a result, total net income before taxes was \$4.1 billion. See Table 2. ROC was 11.6 per cent for the reporting period as seen in Table 3.

Table 2 - Statistical Information and Financial Position of the General Insurance Industry						
As at	Dec 18 \$'B	Mar 19 \$'B	Jun 19 \$'B	Sep 19 \$'B	Dec 19 \$'B	%age Change between Dec '18 & Sept '19
<b>Balance Sheet</b>						
Total Investment Assets	52.1	53.5	54.9	53.3	51.1	-1.9
<b>Total Assets</b>	81.3	83.0	91.7	88.5	86.3	6.2
Insurance Liabilities	44.7	44.9	50.3	49.8	48.6	8.7
Other Liabilities	9.3	10.8	13.4	12.4	11.7	25.8
<b>Total Liabilities</b>	54.0	55.7	63.7	62.1	60.3	11.7
<b>Capital &amp; Surplus</b>	27.1	27.0	27.8	25.9	25.9	-4.4
<b>Profit and loss (YTD)</b>						<b>%age Change between Sept '18 &amp; Sept '19</b>
Net Premium Earned	20.0	4.9	10.4	15.7	21.1	5.5
Net Investment Income	2.8	0.5	1.5	2.2	3.3	17.9
Other Income	0.6	-9.9	0.4	0.7	0.7	16.7
Total Expenses before taxes	19.4	5.0	10.8	15.8	21.1	8.8
<b>Income (Loss) before Tax</b>	4.0	0.4	1.5	2.9	4.1	2.5
<b>Net Income</b>	2.7	0.3	0.9	1.9	3.0	11.1

**Table 3 - Selected Prudential Ratio for Insurance Companies**

<b>Ratio</b>	<b>18- Dec</b>	<b>19- Mar</b>	<b>19- Jun</b>	<b>19-Sep</b>	<b>19- Dec</b>	<b>FSC Benchmark</b>
<b>Life Companies</b>						
Solvency Ratio	39.7	42.2	42.9	45.3	45.9	≥ 10%
Return on Capital (YTD)	25.9	4.4	10.8	17.3	22.6	≤ 20%
<b>General Companies</b>						
Solvency Ratio	50.1	48.6	43.6	41.6	42.9	≥ 25%
Return on Capital (YTD)	10.0	1.1	3.2	7.4	11.6	≤ 20%
Underwriting Ratio (YTD)	97.0	102.2	103.8	100.6	100.0	≤100%