

Compass Insurance Quarterly Report- September 2020

Overview of the Insurance Sector

Following the transfer of NCB Insurance Company's portfolio to Guardian Life Insurance Company at September 30, 2020; only seventeen insurance companies were in operation while nineteen were registered. 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 2020.

Life Insurance

Invested assets for the life insurance companies grew by 4.3 per cent to \$322.3 billion as at September 30, 2020; from the \$309.1 billion as at September 2019. Aggregate total assets increased by 6.5 per cent to \$360.8 billion as at end September 2020. For the the nine-month period ending September 30, 2020, net premiums earned (NPE) for the industry amounted to \$49.5 billion. (September 2019:\$49.9 billion). Other income declined by 33.3 per cent from the amount seen in the comparative period in 2019, to reach \$4 billion. This was mainly due to a decline in both unrealized foreign exchange gains and revenue earned from pension administration and investment management services.

Net investment income declined by 94.3 per cent to \$1.3 billion in the reporting period (September 2019: \$23.0 billion). The fall in net investment income was attributable to net realized losses on equity as well as all other investment types. These losses reflect the adverse impact of the COVID19 pandemic. Consequently, total revenue fell by 30.5 per cent to \$54.9 billion (September 2019:\$78.9 billion). Combined total expenses excluding taxes for life insurers fell by 46.0 per cent to \$30.6 billion (September 2019: \$56.7 billion). The reduction in expenses was due to a decrease in actuarial provisions. Aggregate net income before tax grew by 9.5 per cent to \$24.2 billion, (September 2019: \$22.2 billion).

Driven mostly by growth in retained earnings, combined capital, surplus and reserves increased by 8.7 per cent over the amount seen at the end of September 2019 to \$114.9 billion (see Table 1). Return on capital (ROC) for the Life industry, was 21.1 per cent at September 2020 (September 2019: 21.0 per cent) (See Table 3).

Table 1 - Statistical Information and Financial Position of the Life Insurance Industry

As at	Sep 19 \$'B	Dec 19 \$'B	Mar 20 \$'B	Jun 20 \$'B	Sept. 20 \$'B	%age Change between Sept. '19 & Sept. '20
Balance Sheet						
Total Investment Assets	309.1	310.4	317.7	325.2	322.3	4.3
Total Assets	338.9	344.2	351.4	359.9	360.8	6.5
Insurance Liabilities	102.5	99.3	94.8	95.8	123.6	20.6
Other Liabilities	130.7	136.6	149.8	149.4	122.2	(6.5)
Total Liabilities	233.2	235.9	244.6	245.2	245.8	5.4
Capital & Surplus	105.7	108.3	106.8	114.6	114.89	8.7
Profit and loss (YTD)	Sep 19 \$'B	Dec 19 \$'B	Mar 20 \$'B	Jun 20 \$'B	Sept. 20 \$'B	%age Change between Sept. '19 & Sept. '20
Net Premium Earned	49.9	66.9	18.0	35.6	49.5	(0.8)
Net Investment Income	23.0	28.4	(6.2)	(0.6)	1.3	(94.3)
Other Income	6.0	7.8	2.3	4.1	4.0	(33.3.)
Total Expenses before tax	56.7	72.8	8.8	23.8	30.6	(46.0)
Net Income before tax	22.1	30.3	5.2	15.2	24.2	9.5
Net Income	18.2	24.5	4.1	12.0	19.1	4.9

General Insurance

Total assets of general insurance companies were \$95.0 billion as at September 30, 2020. This represents a growth of 7.3 per cent over the amount recorded as at September 30, 2019. Driven mostly by increase in the amount payable to reinsurers, combined total liabilities rose by 11.6 per cent to \$68.5 billion as at end of September 2020 from the \$62.1 billion seen as at September 30, 2019

Aggregate net premium earned for the nine-month period that ended September 2020 was \$16.0 billion, representing a 1.9 per cent increase over the corresponding period in 2019. As the general insurance industry suffered significant realized losses on its investment portfolio, combined net investment income declined by 45.5 per cent to \$1.2 billion in the current period from the \$2.2 billion seen in the first nine months of 2019. Total revenue for the industry declined by 4 per cent to \$18.0 billion for the September 2020 quarter (September 2019: \$18.7 billion). With aggregate total expenses before taxes increasing by 1.9 per cent to reach \$16.1 billion, net income before taxes was reduced by 34.5 per cent to reach \$ 1.9 billion at September 2020. (See Table 2). The ROC for the current quarter, was 7.0 per cent, down 4.3 percentage points. (see Table 3).

Table 2 - Statistical Information and Financial Position of the General Insurance Industry						
As at	Sep 19 \$'B	Dec 19 \$'B	Mar 20 \$'B	Jun 20 \$'B	Sept. 20 \$'B	%age Change between Sept. '19 & Sept '20
Balance Sheet						
Total Investment Assets	53.3	46.3	45.1	52.7	51.8	(0.5)
Total Assets	88.5	86.3	88.9	99.0	95.0	7.3
Insurance Liabilities	49.8	48.6	49.1	53.9	53.4	7.2
Other Liabilities	12.4	11.7	14.6	18.5	15.1	21.8
Total Liabilities	62.1	60.3	63.8	72.4	68.5	10.3
Capital & Surplus	25.9	25.9	24.8	26.0	26.4	1.9
Profit and loss (YTD)						%age Change between Sept '19 & Sept '20
Net Premium Earned	15.7	21.1	5.6	10.8	16.0	1.9
Net Investment Income	2.2	3.3	0.1	0.6	1.2	(45.5)
Other Income	0.8	0.8	0.3	0.4	0.75	(6.3)
Total Expenses before taxes	15.8	21.1	5.8	11.0	16.1	1.9
Income (Loss) before Tax	2.9	4.1	(.01)	0.8	1.9	(34.5)
Net Income	1.9	3.0	(.08)	0.5	1.2	(36.8)

Table 3 - Selected Prudential Ratio for Insurance Companies						
Ratio	19-Sep	19-Dec	20 Mar	20 Jun	20 Sept	FSC Benchmark
Life Companies						
Solvency Ratio	45.3	45.9	43.7	46.7	46.7	≥ 10%
Return on Capital (YTD)	21.0	28.0	4.9	13.3	21.1	≤ 20%
General Companies						
Solvency Ratio	41.6	42.9	38.7	36.0	38.6	≥ 25%
Return on Capital (YTD)	11.3	15.8	-0.04	3.3	7.0	≤ 20%
Underwriting Ratio (YTD)	100.7	99.9	104.4	102.1	100.6	≤100%