

Insurance Quarterly Report- June 2022

There were eighteen registered insurance companies at June 30, 2022. However, only seventeen were operational. The six (6) life insurance companies, which were all operational, continued their dominance within the insurance sector, accounting for 77 per cent of the sector's total assets. In comparison, the eleven (11) general insurance companies, which were operational, were responsible for the remaining 23 per cent as at end June 2022.

Life Insurance

Aggregate total assets for the life insurance companies grew by \$19.0 billion or 5 per cent to \$396.3 billion. This uptick in total assets was driven by a \$17.0 billion increase in combined invested assets. Table 1 displays the asset composition for life insurers for the quarters ended June 30, 2021, and June 30, 2022.

Table 1: Asset Composition for Life Insurance Companies

Types of Assets	June 2021		June 2022	
	\$' Millions	Percentage of Total Assets (%)	\$' Millions	Percentage of Total Assets (%)
Investments				
Cash	9,459	3	19,909	5
Short term investments	12,337	3	8,644	2
Bonds	247,672	66	251,642	63
Equities	50,870	13	53,704	14
Real Estate	8,453	2	10,444	3
Other Investments & Loans	6,621	2	8,046	2
Total Investments	335,413	89	352,388	89
Receivables	22,063	6	23,979	6
Fixed Assets	7,249	2	7,413	2
Other Assets	12,546	3	12,537	3
Total Assets	377,270	100	396,317	100

Combined liabilities grew by 1.9 per cent to \$259.1 billion as at end-June 2022. Due mainly to fair value losses in the bond market and the equities portfolio, the total investment reserve for the life companies fell significantly. Nevertheless, aggregate capital and surplus rose 11.6 per cent to \$137.2 billion from the \$123.0 billion in June 2021 due to re-capitalization and increased retained earnings.

For the six-month period ended June 2022, net premiums earned (NPE) for the industry amounted to \$38.1 billion, reflecting a 6.3 per cent increase when compared to the NPE of \$35.8 billion for a similar period in 2021. Cumulative other income fell by 17.3 per cent below the amount seen for the comparative period in 2021. This was partially due to lower gains being recognized on bonds when compared to the prior period. Net investment income declined by 36.3 per cent from \$13.4 billion at June 2021 to \$ 8.5 billion at June 2022 due to lower investment returns.

Combined total revenue decreased by 6.1 per cent to \$49.4 billion (June 2021: \$52.6 billion). Accumulated total expenses excluding taxes for life insurers declined by 13.9 per cent to \$37.3 billion (June 2021: \$43.3 billion). Consequently, net income before tax rose by 30.0 per cent to reach \$12.1 billion at June 2022, (June 2021: \$9.3 billion). Table 2 illustrates some statistical information.

Table 2 - Statistical Information and Financial Position of the Life Insurance Industry						
As at	June. 21 \$'B	Sept. 21 \$'B	Dec'21 \$'B	Mar' 22 \$'B	June' 22 \$'B	%age Change between June 2021 & June 2022
Balance Sheet						
Total Investment Assets	335.4	340.8	354.4	353.6	352.4	5.1
Total Assets	377.3	382.8	397.6	397.3	396.3	5.0
Insurance Liabilities	128.1	125.9	128.5	126.7	124.6	(2.7)
Other Liabilities	126.2	127.8	136	135.5	134.5	6.6
Total Liabilities	254.3	253.7	264.5	262.2	259.1	1.9
Capital & Surplus	123.0	129	133.1	135.1	137.2	11.6
Profit and loss (YTD)						
	June. 21 \$'B	Sept. 21 \$'B	Dec. 21 \$'B	Mar 22 \$'B	June 22 \$'B	%age Change between June 2021 & June 2022
Total Revenue	52.6	78.9	111.0	25.0	49.4	(6.1)
Of which:						
Net Premium Earned	35.8	54.5	76.5	18.8	38.1	6.3
Net Investment Income	13.4	19.1	27.1	4.7	8.5	(36.3)
Other Income	3.4	5.3	7.4	1.5	2.8	(17.3)
Total Expenses before tax	43.3	59.4	82.2	18.2	37.3	(13.9)
Net Income before tax	9.3	19.4	28.5	6.8	12.1	30.0
Net Income	7.3	15.4	23.1	5.3	9.4	29.1

General Insurance

For the six-month period ended June 2022, the total assets of general insurance companies grew by 12.5 per cent to \$120.3 billion. The rise in total assets was assisted by the 8.2 per cent growth in aggregate invested assets to \$58.7 billion from the \$54.2 billion seen in June 2021. See Table 3. Combined total liabilities increased by 16.5 per cent to \$91.6 billion in June 2022 compared to the \$79.0 billion for June 2021. Contributing factors to the growth in liabilities included amounts owing for unpaid claims and amounts due to reinsurers. The accumulated capital base for the sector rose by 2.4 per cent to \$28.5 billion compared to the \$27.9 billion as at June 2021 (see Table 4).

Table 3: Asset Composition for General Insurance Companies

Type of Assets	June 2021		June 2022	
	\$' Millions	Percentage of Total Assets (%)	\$'Millions	Percentage of Total Assets (%)
Investments				
Cash	7,281.5	6.8	10,312.5	8.6
Term Deposits	20,955.92	19.6	22,808.84	19.0
Bonds	21,069.8	19.7	20,736.6	17.2
Unit Trust Funds	111.0	0.1	69.9	0.1
Equities	3,473.83	3.2	3,523.7	2.9
Real Estate	1,245.5	1.2	1,224.9	1.0
Other Investments & Loans	103.72	0.1	18.6	0.0
Total Investments	54,241.2	50.7	58,695.1	48.8
Reinsurance Receivables	25,615.0	24.0	31,354.0	26.1
Investment in Subsidiaries, Associates and Partnerships	936.4	0.9	839.0	0.7
Other Assets	26,137.59	24.4	29,455.21	24.5
Total Assets	106,930.12	100.0	120,343.33	100.0

For the first six months of the calendar year, the aggregate net premium earned (NPE) declined by 10.1 percent to \$9.6 billion (June 2021: \$ 10.7 billion). The fall in NPE was primarily due to an approximately 32 per cent increase in reinsurance ceded. With higher interest rates and growth in the investment portfolio, combined net investment income improved by 26.7 per cent to reach \$1.2 billion over the reporting period compared to \$1.0 billion for the comparative period in 2021. Due to foreign exchange

losses resulting from the appreciation of the Jamaican dollar against its United States dollar, total other income was wiped out, falling by 105.9 percent from the \$0.7 million seen in the relative period of 2021

Consequently, combined total revenue for the reporting period contracted from \$12.3 billion for the June quarter of 2021 to \$10.8 billion in the June quarter of 2022. Aggregate total expenses before taxes amounted to \$10.6 billion; as a result, net income before taxes for the general insurance companies was \$0.2 billion. Table 5 displays a few prudential indicators for both life and general companies.

Table 4 - Statistical Information and Financial Position of the General Insurance Industry						
As at	Jun' 21 \$'B	Sept.' 21 \$'B	Dec.' 21 \$'B	Mar.' 22 \$'B	June.' 22 \$'B	%age Change between June 2021 & June 2022
Balance Sheet						
Total Investment Assets	54.2	56.2	57.3	59.1	58.7	8.2
Total Assets	106.9	106.2	103.2	110.5	120.3	12.5
Insurance Liabilities	59.1	60.4	59.0	61.8	66.1	12.0
Other Liabilities	19.9	16.7	15.0	19.8	25.6	28.9
Total Liabilities	79.0	77.1	74.0	81.6	91.6	16.0
Capital & Surplus	27.9	29.0	29.1	28.8	28.5	2.4
Profit and loss (YTD)						
Total Revenue	12.3	18.3	25.1	4.9	10.8	(12.4)
Of Which:						
Net Premium Earned	10.7	15.9	21.4	4.3	9.6	(10.1)
Net Investment Income	1.0	1.4	2.2	0.5	1.2	26.7
Other Income	0.7	0.9	1.7	0.1	(.04)	(105.9)
Total Expenses before taxes	10.6	15.9	22.2	5.2	10.6	1.7
Income (Loss) before Tax	2.0	2.8	3.4	-0.2	0.2	(88.1)
Net Income	1.4	1.9	2.0	-0.3	(0.1)	(105.7)

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

Ratio	21 Jun	21 Sept.	21 Dec	22 Mar	22 June.	FSC Benchmark
Life Companies						
Solvency Ratio	48.4	50.9	50.3	51.5	53.0	≥ 10%
Return on Capital (YTD)	7.6	15.0	214	5	8.9	≤ 20%
General Companies						
Solvency Ratio	35.3	37.7	39.3	35.3	31.1	≥ 25%
Return on Capital (YTD)	7.1	9.5	11.7	(0.7)	0.8	≤ 20%
Underwriting Ratio (YTD)	97.0	97.7	102.0	118.4	109.9	≤100%