OVERVIEW OF THE INSURANCE INDUSTRY

The Insurance sector comprises the Life and General insurance companies and the insurance intermediaries. Chart 18 shows the types and number of each insurance registrant as at March 31, 2015.

Chart 18: Number of Registrants in the Insurance Industry as at March 31, 2015

Type of Registrants	Registered At March 31, 2014	Additions	Less Terminations/ Cancellations	Less Merged Entities	Registered At March 31, 2015
Life Insurance Companies	6	1	0	0	7
General Insurance Compa-nies	10	0	0	0	10
Association of Underwriters	1	0	0	0	1
Insurance Brokers	25	1	0	0	26
Facultative Placement Bro-kers	18	0	0	0	18
Overseas Reinsurance Brokers	1	0	0	0	1
Local Reinsurance Brokers	2	0	0	0	2
Insurance Agents	14	8	0	0	22
Insurance Sales Reps	2,917	308	130	0	3,095
Loss Adjusters	34	4	0	0	36
Loss Adjusters - Employed Practitioners	5	2	0	0	7
Investigators	13	1	0	0	14
Claims Negotiators	6	1	0	0	7
Insurance Consultants	3	0	0	0	3
Total	**3,055**	**326**	**132**	**0**	**3,249**

THE GENERAL INSURANCE INDUSTRY

There were ten (10) general companies registered, but only nine were operating as at December 31, 2014. As was the case in the preceding two years, Gross Written Premium (GWP)[3] as percentage of GDP remained under 2.4 per cent in 2014. Charts 19-23 show performance indicators and other statistics for the general insurance industry.

[3] Gross Premium Written ("GPW") is the sum of gross direct premiums written and reinsurance assumed

Chart 19: Number of Employees, General Insurers, 2012-2014

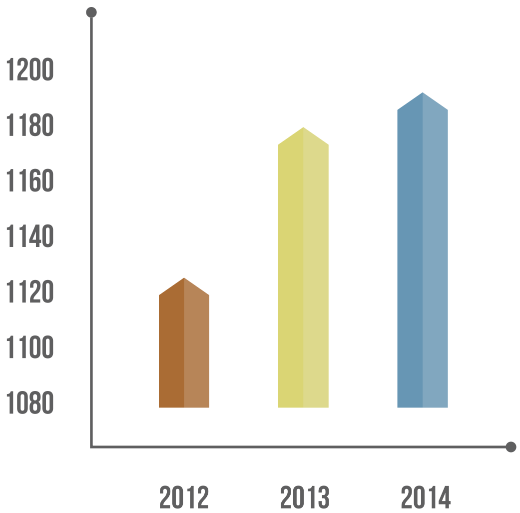


Chart 20: GPW per Capita ($)

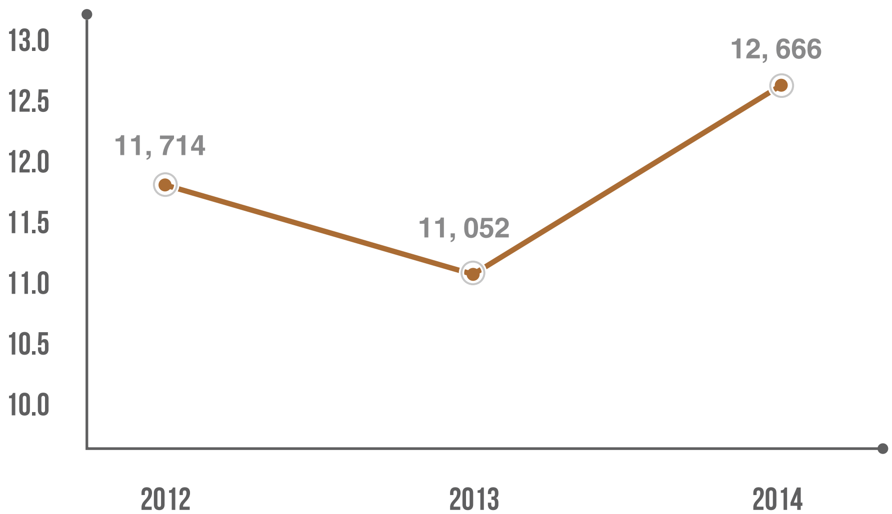


Chart 21: Sum Assured, General Insurers, 2012-2014

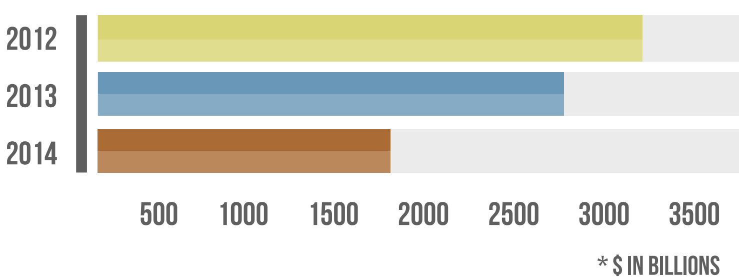


Chart 22: Number of Policies by Class of Business 2012-2014

Class of Business	2012 A	2013 A	2014 P
Liability	6,327	6,351	6,695
Property	46,907	43,300	43,768
Motor	261,289	257,197	277,477
Pecuniary Loss	5,854	5,348	5,118
Marine Aviation &Transport	218	400	2,043
Accident	1,575	681	3,107
Total	**322,170**	**313,277**	**338,208**

Notes: A - Actual ; P - Preliminary

Chart 23: GPW by Class of Business, 2012-2014

Class of Business	2012 A	2013 A	2014 P
Liability	1,232.4	1,155.0	1,573.1
Property	14,043.7	12,919.0	16,111.5
Motor	14,052.1	14,970.0	16,001.6
Pecuniary Loss	185.8	489.0	458.5
Marine Aviation &Transport	313.9	344.0	446.6
Accident	172.2	163.0	183.7
Total	**30,000.1**	**30,040.0**	**34,775.0**

Notes: A - Actual ; P - Preliminary

Chart 24- Statistical Information and Financial Position of the General Insurance Industry

As at	Dec 12 [A] $'B	Dec 13 [A] $'B	Dec 14 [P] $'B
BALANCE SHEET			
Total Investment Assets	37.1	38.4	41.2
Total Assets	54.2	56.8	60.0
Insurance Liabilities	31.3	33.4	34.6
Other Liabilities	4.0	4.7	4.5
Total Liabilities	35.2	38.1	39.1
Capital & Surplus	18.7	18.4	20.8
PROFIT AND LOSS (YTD)			
Net Premium Earned	14.0	14.3	16.0
Underwriting Expenses	13.3	14.3	15.3
Net Investment Income	2.4	2.3	2.8
Other Income	0.5	0.9	0.8
Income before Tax	3.5	3.2	4.3
Taxes	1.0	0.8	1.2
INCOME (LOSS) AFTER TAX	2.5	2.4	3.1

Notes: A - Actual ; P - Preliminary

The weighted average Minimum Capital Test (MCT) ratio for these companies at the end of 2014 was 294.2 per cent compared to 293.2 per cent in 2013. This surpassed the 250 per cent capital requirement. Aggregate assets amounted to $60 billion and reflected an increase of 5.6 per cent over the $56.8 billion reported, as at December 31, 2013. Aggregate invested assets amounted to $41.2 billion, representing an increase of 7.3 per cent over the amount reported in 2013 and accounted for 68.7 per cent of total assets. The increase was generally due to the reinvestment of matured securities.

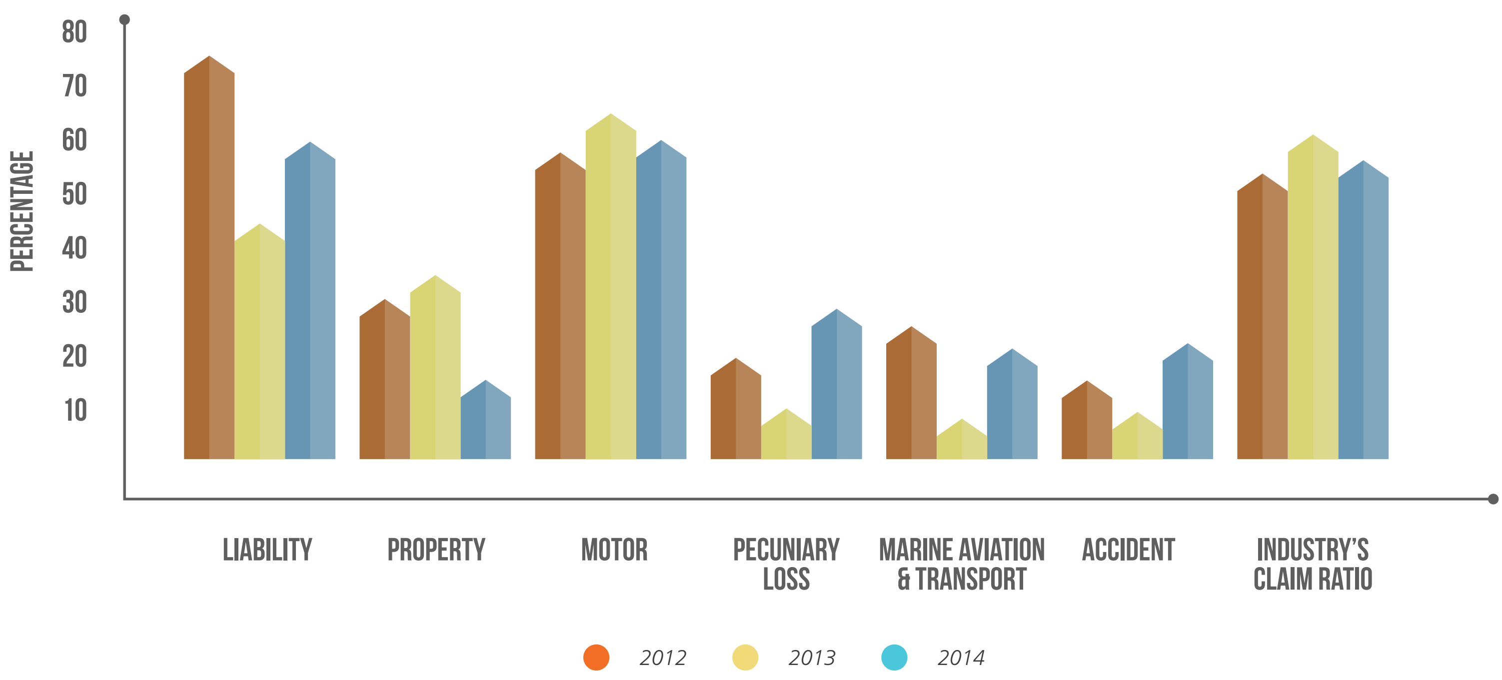
Total revenue, comprising Net Premium Income (NPI), other income and Net Investment Income (NII), was $19.7 billion, while total expenses inclusive of tax amounted to $16.5 billion. Total underwriting expenses increased by 7 per cent in 2014 over the corresponding amount in 2013. The increase in expenses was the result of increases in claims expenses, as the frequency and severity of reported claims and operational costs grew. Chart 25 displays the aggregate amount of claims by classes of business, while Chart 26 exhibits the claims ratios for the insurance industry by classes of business.

Chart 25: Aggregate Claims by Classes of Business 2012-2014

Class of Business	2012 A	2013 A	2014 P
Liability	582.9	352.0	568.8
Property	223.1	211.0	111.0
Motor	7,075.4	8,485.0	8,483.7
Pecuniary Loss	16.3	12.9	23.7
Marine Aviation &Transport	28.0	6.6	20.0
Accident	16.2	9.4	26.4
Total	**7,941.9**	**9,076.9**	**9,233.6**

Notes: A - Actual ; P - Preliminary

Chart 26: Claims Ratios by Class of Business and for the General Insurance Industry, 2012-2014



LIFE INSURANCE INDUSTRY

During 2014, there were seven registered life insurance companies; however, only six were in operation. Charts 27–31 show the composition and performance of the life insurance sector. GPW in 2014 was $42.6 billion (2013: $42.3 billion). At the end of 2014, GPW for the life industry, as a percentage of GDP was 2.9 per cent, the same as in 2013.

Chart 27: Number of Employees, Life Insurers 2012-14

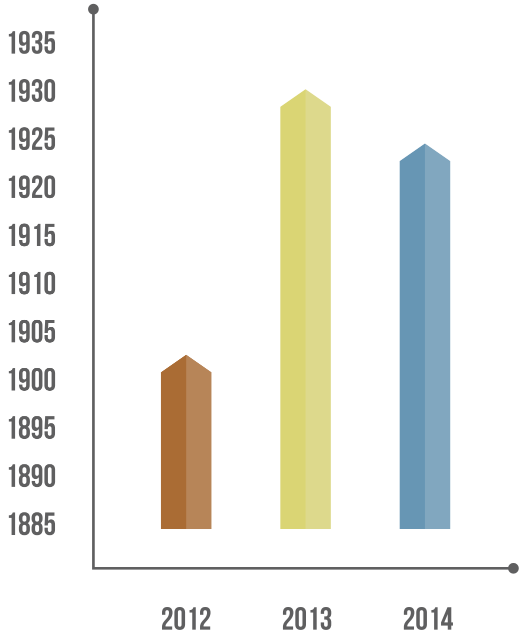


Chart 28: GPW Per Capita ($) Life Insurance (per '000)

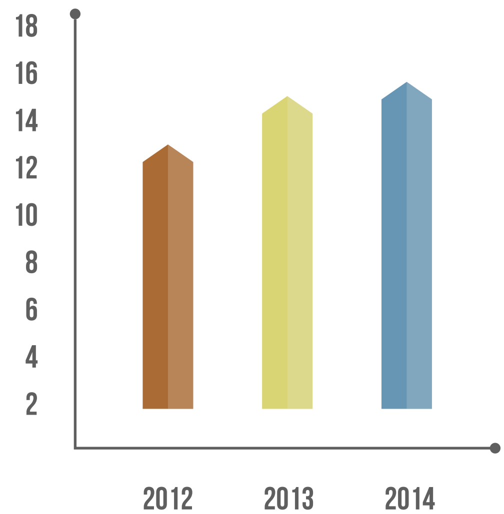


Chart 29: Gross Premium Written by Class of Business, 2014

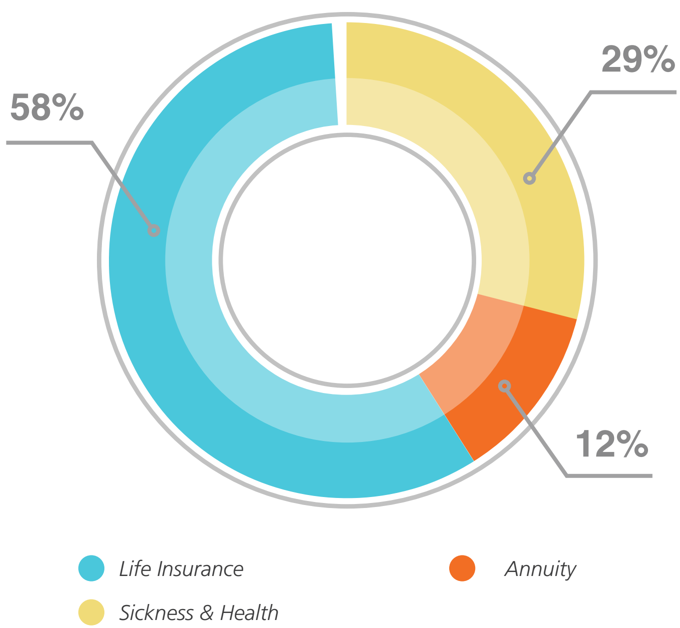


Chart 30: Financial Performance of the Life Insurance Industry

As at	Dec 12 [A] $'B	Dec 13 [A] $'B	Dec 14 [P] $'B
BALANCE SHEET			
Total Investment Assets	190.9	224.0	245.3
Total Assets	225.2	250.0	261.5
Insurance Liabilities	59.6	70.5	160.3
Other Liabilities	107.2	116.1	39.9
Total Liabilities	167.0	186.6	200.2
Capital & Surplus	58.4	63.4	61.3
PROFIT AND LOSS (YTD)			
Net Premium Earned	35.0	41.6	41.8
Net Investment Income	16.5	16.0	19.4
Other Income	3.2	12.0	5.2
Policy Benefits	15.9	21.5	23.3
Operating Expenses	23.3	27.5	26.8
Taxes	1.0	0.9	0.8
Total Expenses	44.0	49.8	50.9
NET INCOME AFTER TAX	10.8	19.8	15.5

Notes: A - Actual ; P - Preliminary

Capital

In 2014, the aggregate capital base of the life insurance companies declined by 3.3 per cent to $61.3 billion (2013: $63.4 billion). At the end of 2014, the weighted average Minimum Continuing Capital and Surplus Requirement (MCCSR) for the life insurance sector stood at 357.2 per cent (2013: 338.2 per cent) which was more than twice the regulatory benchmark of 150 per cent.

The companies with high MCCSR ratios skewed the industry weighted average to a ratio that was significantly higher than the 150 per cent benchmark. Those companies typically offer investment products with very low mortality and morbidity risk exposures. The other companies have typical life insurance products that carry much more life insurance liabilities. Each life insurance company's MCCSR score was above the 150 per cent benchmark.

Chart 31: Aggregate Policy Benefits, 2012-2014

As at	2012 A	2013 A	2014 P
POLICY BENEFITS			
Claims:	10,795.6	12,810.6	13,481.90
of Which:			
Sickness & Health	7,678.4	8,770.2	9,089.1
Death Claims	3,010.5	3,748.8	4,124.9
Disability Claims	16.1	19.2	18.6
Matured Endowments	90.6	272.4	249.3
Annuity Payments	3,271.3	3,858.6	4,357.9
Surrender Values	1,305.6	4,218.2	4,886.3
Other	496.7	576.4	610.8
Total Policy Benefits	**15,869.2**	**21,463.8**	**23,336.9**

Notes: A - Actual ; P - Preliminary

RISK ASSESSMENT:

Promoting sound financial health within the Insurance Industry.

The FSC has a supervisory framework for off-site and on-site examinations. Every insurance company is subject to an annual off-site examination. Based on the analysis of the annual and audited financial statement of a company for the year ended December 31, the company is assigned a risk rating.

Additionally, all companies are subject to quarterly risk assessments by which a company is ranked positive, negative or neutral. The off-site analysis includes the calculation of a set of early warning indicators. Deviations from the specified benchmarks may trigger additional review by the FSC. For both the annual and quarterly assessments, the CARAMELS framework assesses insurers' risk profile according to the following areas of exposure:

C -Capital,

A -Asset Quality,

R -Reinsurance,

A -Actuarial,

M -Management,

E -Earnings,

L -Liquidity, and

S -Subsidiaries.

As the 2014 risk assessments are on-going at the time of writing this report, Charts 32 & 33 display the last completed risk ratings for both general and life insurance companies. Based on the outlook from the quarterly assessment, the FSC expects that there will be no adverse deviations from the 2013 risk rating in 2014.

Chart 32: Risk Assessment for General Insurance Companies as at December 31, 2013.

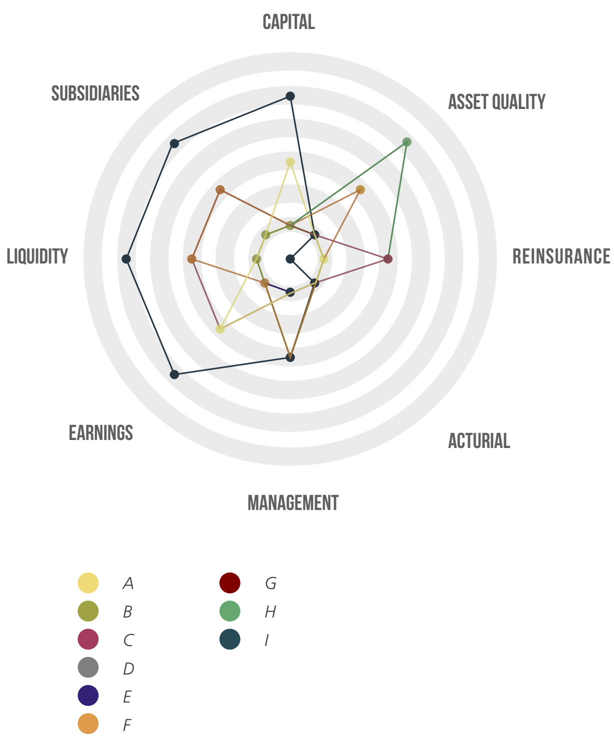
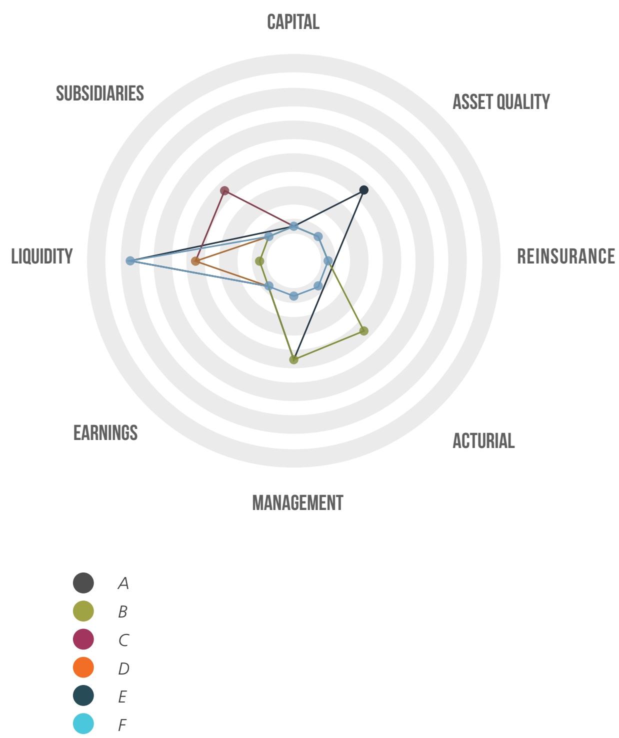


Chart 33: Risk Assessment for Life Insurance Companies as at December 31, 2013.



In both Charts 32 and 33, the letters represent the insurance companies that are operational in the life and general insurance sectors. Movements away from the centre of the diagram represent an increase in risks for each area of exposure under the CARAMELS framework.

Based on the risk rating assigned to each area of exposure, the companies are ranked on the FSC's supervisory ladder. The FSC utilizes a five-stage supervisory ladder as follows:

- **Stage zero or normal**, where there is no major risk identified;
- **Stage one**, where the company is exposed to risks that if left unattended, could escalate into major challenges;
- **Stage two**, where the company is exposed to significant risks to its financial viability or solvency;
- **Stage three**, where the company's financial viability is in serious doubt; and
- **Stage four,** where the company is viewed as not viable and may be placed into liquidation.

The results of the risk assessments were that all life insurance companies were rated Normal. Of the nine (9) active general insurance companies, eight (8) were rated Normal; while one company was rated Stage one. At the request of the FSC, the company submitted a Business Plan detailing how the prescribed capital requirement would be met. The Business Plan outlined strategic measures for specific areas of its operations, encompassing marketing, operating cost management, claims cost management, as well as improvements to be undertaken in its underwriting, capital, liquidity, profitability and MCT management. The measures undertaken by the company have been successful and the company has exceeded the statutory minimum of 250%.

Forward Looking

The FSC will be introducing a risk-based supervision framework for insurance entities in FY2015. The framework is to be completed in phases over the next three years and will allow for companies to identify key risk factors to which they are exposed, based on the risk profile of each company.