



The Premium

VOLUME 4 – 2020

An in-depth look at the insurance industry in Trinidad and Tobago



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Caveat

The annual EY Premium report is based on data collected from the Insurance Act Annual Statements submitted to the Central Bank of Trinidad and by the members of the Association of Trinidad and Tobago Insurance Companies ("ATTIC") listed in Appendix E.

This year's report includes data for TRINRE (for all years up to and including 2019), which was not submitted for inclusion in last year's report, and includes for the first time, General Accident (formerly Motor One) for the 2019 year only. This has resulted in the restatement of data that would impact the metrics reported in previous publications and therefore may not be considered exactly comparable from one year to the next.

This publication is intended to provide an analysis and overview of key historical financial ratios and performance in the Trinidad and Tobago insurance sector. It is therefore not a comprehensive analysis of the industry or the players that have contributed to this publication. Ernst & Young Services Limited ("EY") wishes to emphasize that the data used in this publication is based solely on information provided. EY did not verify the accuracy, reliability or completeness of the information provided and have no responsibility for doing so.

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Director

ATTIC's year in review

Written by Paul Traboulay, President – ATTIC



The Insurance Industry remained buoyant during the 2019 period, notwithstanding a slight contraction in the local economy. The property and casualty (P&C)

sector posted an increase of 1.3% in

gross written premiums compared with the previous year. This increase was largely driven by growth in gross written premiums of the general accident and other classes of business which grew by 20%. Risk retention remained consistent at 47% while improved underwriting and operating efficiencies were reflected in an improvement in both the loss ratio and combined ratio by 6%.

For the long-term sector, all life insurance product categories showed growth, with an overall increase in gross written premiums of 12% over 2018. Investment yields remained

relatively flat at approximately 4% consistent with the experience of the preceding 4 years. The capital position of those companies with products offering long term guaranteed returns continues to be negatively impacted by a low yield investment environment. Further, asset liability management with limited permissible and available assets will continue to be a challenge that becomes

highlighted with the capital adequacy provisions of the new Insurance Act and the implementation of IFRS 17 from 1 January 2023.

Legislation updates

► The Insurance Act 2018 (as

amended) in its latest Proclamation Notice issued, the Ministry of Legal Affairs has indicated that this Act will be proclaimed on 1 January 2021.

The operationalization of this Act has been facilitated by the passage of the Finance Act No. 23 of 2019 (assented to on 17 December 2019) which addresses an alternative basis for taxation of Life Insurance Companies, in accordance with the Corporation Tax Act, Chap. 75:02.

► **The Mutual Administrative Assistance in Tax Matters Act, the Tax Information Exchange Agreement Act 2018 and the Income Tax Amendment Act** were assented to on 26 March 2020 and are currently awaiting proclamation. This is necessary for compliance with the Global Forum on Transparency and Exchange of Information for Tax Purposes.

► **The Motor Vehicles and Road Traffic (Amendment) Act 2019** was enacted and partially proclaimed. In light of these developments, ATTIC has recommended to the Transport Commission that consideration be given to the issuance of electronic motor certificates.

► **The Motor Vehicles (Third Party Risk) Insurance Act** – This Act contains certain provisions which run counter to generally acceptable and established reserving and pricing methodologies, as well as established principles of insurance law and practice. The matter of registration and regulation of private cars for hire is an issue which must be addressed with urgency.

FATCA

We are pleased to note that Trinidad and Tobago was removed from FATCA's grey list (effective February 2020). The removal from this list mitigates the potential for de-risking by correspondent banks and is very encouraging for the financial services sector.

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The COVID-19 pandemic has forced greater reliance on digital platforms to execute day to day operational activities.

ATTIC's year in review

Accounting standards

Insurers are currently examining the relationship between IFRS 9 and sovereign outlooks in their operating domiciles. This standard and IFRS 17 (which is set to be implemented in 2023) present significant financial, operational and administrative challenges and insurers are required to invest time and capital in systems, processes and controls to successfully address them.

We continue to engage with key stakeholders to assure that there is an appreciation for the implications of the proposed standard and to facilitate a degree of convergence in regulatory, financial and tax reporting standards in the future.

Foreign exchange

The paucity of foreign exchange presents a significant challenge to insurers meeting their reinsurance payments obligations. ATTIC continues to lobby for an appropriate treatment of insurers in accessing foreign exchange given the role of the industry in our national risk management.

Risk exposures

There was a general decrease in the incidences of flooding, bushfires and earthquakes during the 2019 period and a concomitant decrease in the number of claims received by insurers.

Flooding remains a major issue. ATTIC is supportive of a Public Authority push to implement long term initiatives to build community safety and resilience with both public and private sectors improving risk awareness.

The use of appropriate flood mapping will assist insurers to accurately price risk and set premiums to signal the level of hazard associated with habitation in certain areas. This will introduce greater certainty and may support the prioritisation of infrastructural investment which promotes the gradual reduction of flood events.

The insurance industry must continuously re-evaluate underwriting measures, operations and its role in addressing such natural disasters.

Achievements for 2019

- ▶ Implementation of the Claims Bank Database initiative which is a significant tool in addressing motor insurance fraud.
- ▶ The commitment of several key member companies to the Dispute Adjudication and Settlement Project
- ▶ Public education in the areas of coverage in the event of losses experienced due to natural disasters, we remain committed to the promotion of financial literacy, anti-money laundering/combating the financing of terrorism and other programmes through Office of the Financial Services Ombudsman.

The COVID-19 pandemic has forced greater reliance on digital platforms to execute day to day operational activities. Remote working will enable companies to yield the benefits of improved operating efficiencies, but as new technologies are embraced, organisations may venture into more non-traditional products and markets, and continue to allow digitally based customer interfaces.



Macroeconomic overview

\$154.1b

FY19 GDP at market prices (down from \$161.2b in FY18)

-1.2%

FY18-FY19 GDP growth

5.9%

20-year treasury yield (up from 5.6% in FY18)

BBB-

TT credit rating as at May 2020, downgraded from BBB in July 2019

9.5%

TTSE index growth rate (down from 2.9% in FY18)

1USD = 6.78TTD

FY19 CBTT average exchange rate

0.02%

Change in USD/TTD (down from 0.03% in FY18)

1.1%

FY18-FY19 inflation rate representing a slight increase from 1.0% FY17-FY18

3.5%

Central Bank repo rate

486k

Local sales of cement (tonnes) representing an increase of 0.61% from FY18

21.5m bbls

FY19 oil production (compared to 23.2m bbls in FY18)

3.5m bbls

FY19 gas production (compared to 3.4m bbls in FY18)

13.4k

New motor vehicles sold representing a decrease of 2.9% from FY18

2019 was a challenging year for Trinidad and Tobago with GDP declining 1.2%, mirroring a decline in oil production of 7.3%, despite the start of operations at Heritage. Gas production, however, increased by 2.6%.

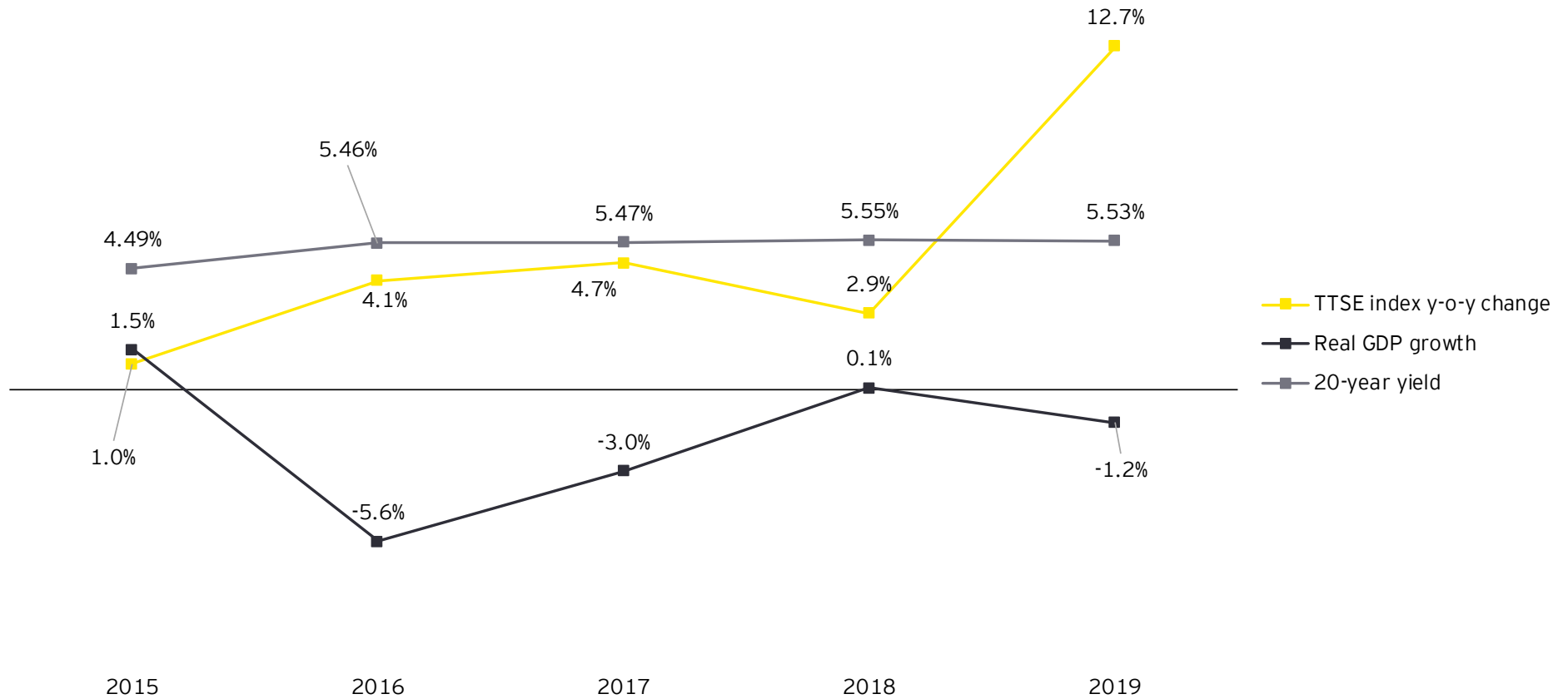
The Energy Commodity Price Index, which is an indicator of the average prices of T&T's energy exports, declined by 4.8% y-o-y from the end of 2018 to 2019.

Other sectors showed decline. Notably, new car sales which impacts the motor line of the general insurance segment fell by 2.9%. The general insurance segment would have also been negatively impacted by further declines in the US dollar exchange rate and in continued shortages of US dollars impacting their reinsurance programmes.

On the other hand, positive developments were seen in the stock market where the TTSE index grew by 9.5% (compared to 2.9% in 2018); and the yield on Trinidad and Tobago bonds showed a slight increase from 5.6% to 5.9%. Whilst these developments would have a positive impact on the investment returns of the long term insurance segment, the impact is not significant. Sustained low investment returns continues to impact this segment as well as the lack of access to suitable investment instruments to meet asset-liability matching.

In July 2019, S&P Global Ratings lowered its long-term foreign and local currency sovereign credit rating on Trinidad and Tobago to BBB from BBB+ and moved it from negative to stable outlook.

Macroeconomic overview



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Although there were some nominal improvements noted in the Caribbean investment arena during 2019, the challenges noted [in 2018] remained largely the same.

Guardian Holdings Limited 2019 annual report

Key industry* data

GWP	FY18-19 GWP growth	FY19 GWP/GDP
\$7.5b	1.9%	4.8%
Total industry		
\$4.1b	2.5%	2.7%
Life insurance and pensions**		
\$2.7b	1.3%	1.8%
General insurance		
\$0.7b	1.2%	0.4%
Health insurance		

-1.2%
FY18-FY19 GDP growth

6.0%
Insurance penetration US

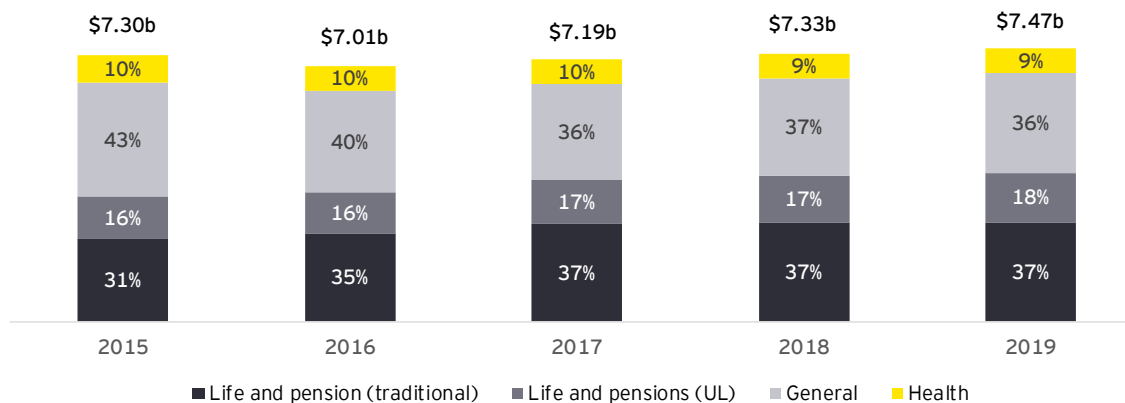
Industry developments

It is reassuring that against the backdrop of a decline in GDP, gross written premiums increased across all segments. However, low penetration rates would suggest that the industry has not yet reached capacity.

Market players may agree as there continues to be significant transaction activity as a few major players appear to be seeking regional scale – in 2019 Motor One Insurance was acquired by General Accident out of Jamaica; Trident Insurance, Barbados was acquired by Ansa McAl and in 2020, 51% of ICBL was bought by Paynes Bay. The region also welcomed a new entrant, Canopy Insurance in October 2019, when GraceKennedy and the Musson Group, out of Jamaica, launched a joint venture to provide life and health insurance.

Other developments include the announcement by Scotia and Sagikor, who mutually agreed not to proceed with their proposed partnership agreements.

GWP by Sector



*For the purposes of this publication, industry in the context of data analysis refers to those insurances companies that are members of ATTIC whose data was available for review.
 **Life insurance and pensions GWP includes unit linked products and excludes a \$400m increase in single premium annuities at one company.

Industry performance highlights

LIFE AND PENSIONS

19.5% Operating margin
vs. 19.3% in 2018

24.4% Expense ratio
vs. 25.0% in 2018

11.4% Commissions ratio
vs. 12.2% in 2018

5.2% ROI
vs. 4.8% n 2018

2.4% ROA
vs. 2.2% in 2018

GENERAL

8.9% Operating margin
vs. 4.8% in 2018

21.4% Expense ratio
vs. 21.4% in 2018

11.9% Commissions ratio
vs. 11.3% in 2018

76.9% Combined ratio
vs. 81.7% n 2018

6.2% ROA
vs. 3.5% in 2018

General insurance data and analysis



General insurance

OVERVIEW – 2019

The general insurance segment recovered in 2019 after experiencing unusually low profits in 2018 largely as a result of significantly lower loss ratios in both the property and motor lines of business. The inclusion of profits from General Accident (formerly Motor One) also contributed 12% of the increase.

GWP saw low single digit growth in 2019, similar to 2018, however NWP grew by 2.9% compared to a 2.2% decline in the previous year.

More significant, however, is that the shift in GWP has changed significantly at the bottom half of the market. While GGIL, TATIL and COLFIRE continue to hold the top three position by GWP, the rest of the market have jostled for market share with some such as Beacon, Maritime, NAGICO, Gulf and Presidential passing their competitors.

The property line of business saw the most significant reduction in loss ratios with nine out of the fourteen companies that offer property insurance, including the largest contributor, GGIL, seeing significant reduction in their loss ratios. This is not surprising for the Trinidad and Tobago business which saw no major losses. The motor line also experienced lower loss ratios, although the impact was smaller than the property line.

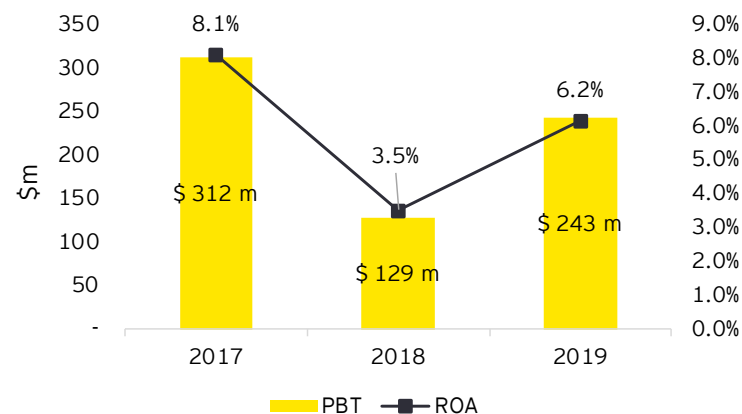
Reductions were also seen in the expenses line; however we are yet to see any significant changes in spending. Rather the reductions arose, as exceptionally high bad debt expenses experienced by two companies, in 2018 did not recur in 2019. Expenses may also have been affected by the introduction of IFRS16. One company reduced advertising expenses by \$4m.

OUTLOOK

Penetration of insurance remains low with only 1.8% of GDP being spent on general insurance premiums. As economic activity is expected to shrink in 2020, general growth and profitability are likely to be hit as gains from benign claims environment in select lines (e.g. motor) are likely to be negated by declines in economic activity and new business.

On the other hand, the pandemic is likely to elevate the importance of protection and sustainability discussions over the long term and has presented the opportunity for initiatives around digitisation and cost optimisation which can have a long term impact on the industry.

PROFIT BEFORE TAX AND RETURN ON ASSETS



GWP

FY18-19
GWP growth

FY19
GWP/GDP

\$2.7b

1.3%

1.8%

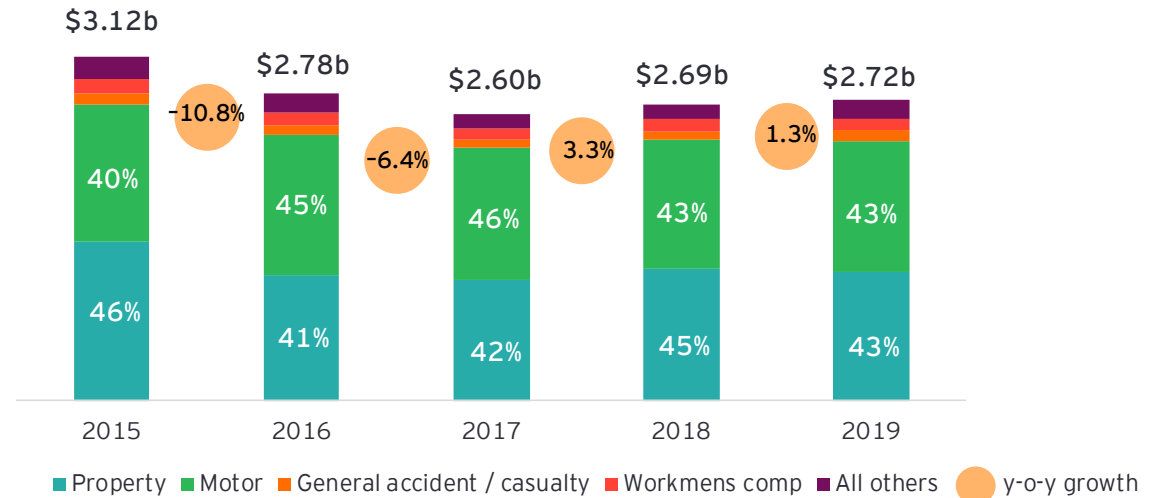
General

Note: General Accident's (formerly Motor One) data is not included for 2017-2018

General insurance

GWP in the general insurance segment grew only marginally in 2019 (1.3%).

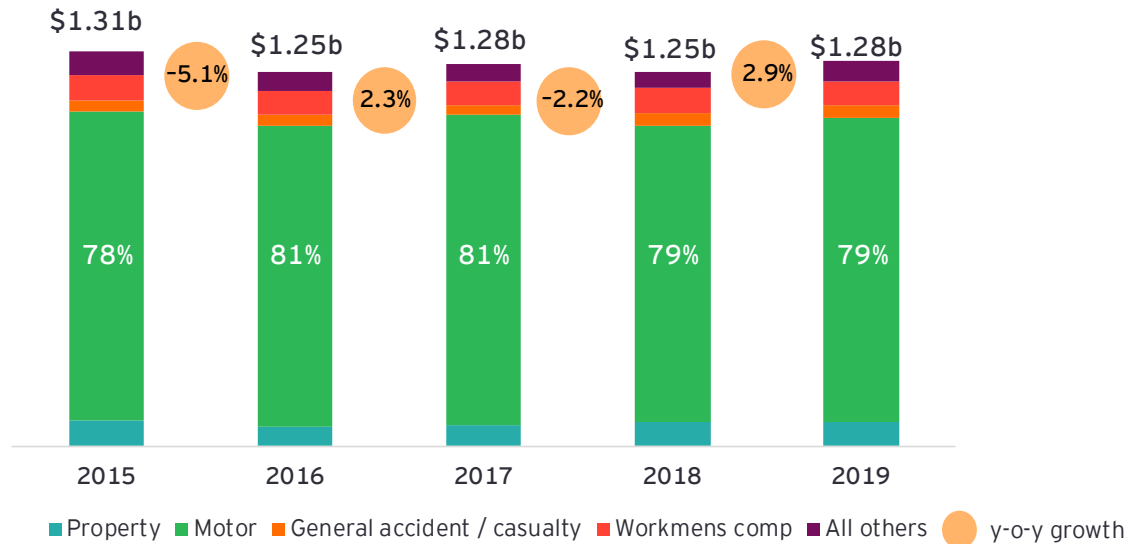
GROSS WRITTEN PREMIUMS



NET WRITTEN PREMIUMS

The general insurance segment saw marginal growth in net written premiums in 2019.

Not surprisingly, the motor line of business maintained the highest retention ratio of all the business lines at 86% in 2019 while the property line of business maintained the lowest retention ratio at 7%.

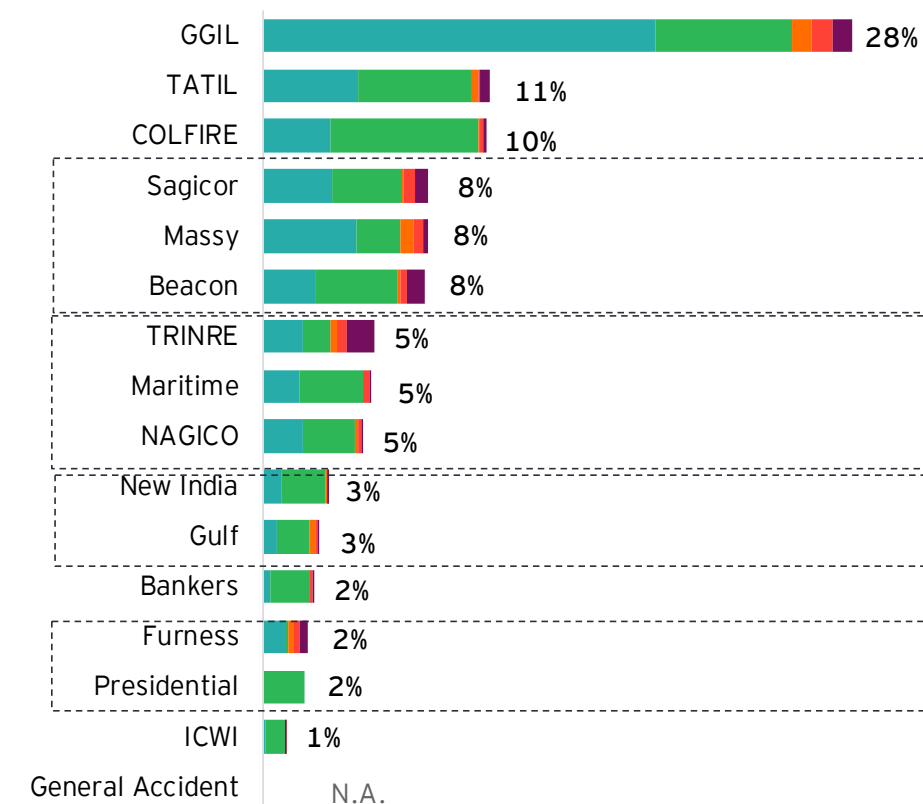


Note: General Accident's (formerly Motor One) data is not included for 2015-2018

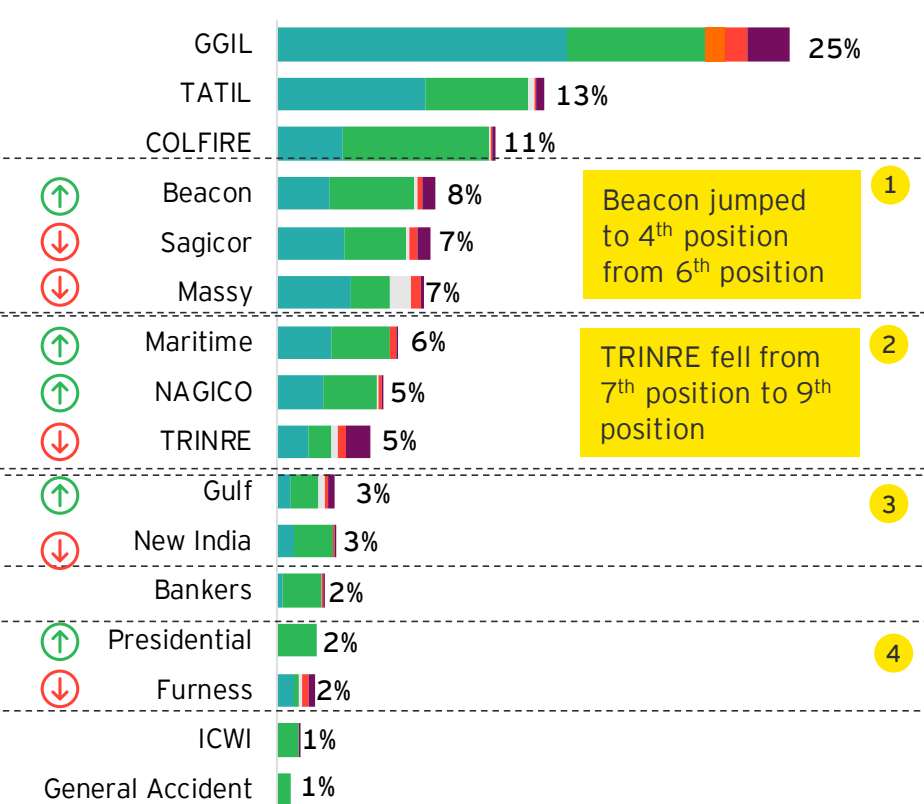
General insurance

GGIL, TATIL and COLFIRE have held the top three position by GWP, every year since 2013 and continue to do so, albeit it is noted that GGIL lost some property market share to TATIL in 2019.

2018 MARKET SHARE BY GWP



2019 MARKET SHARE BY GWP



■ Property ■ Motor ■ General Accident/Casualty ■ Workmen's Compensation ■ Other

While GGIL maintains the number one spot in total GWP, its share of the property market reduced from 41% in 2018 to 33% in 2019. TATIL, on the other hand, grew its property market share from 10% in 2018 to 17% in 2019.

Note: General Accident's (formerly Motor One) data is not included for 2018

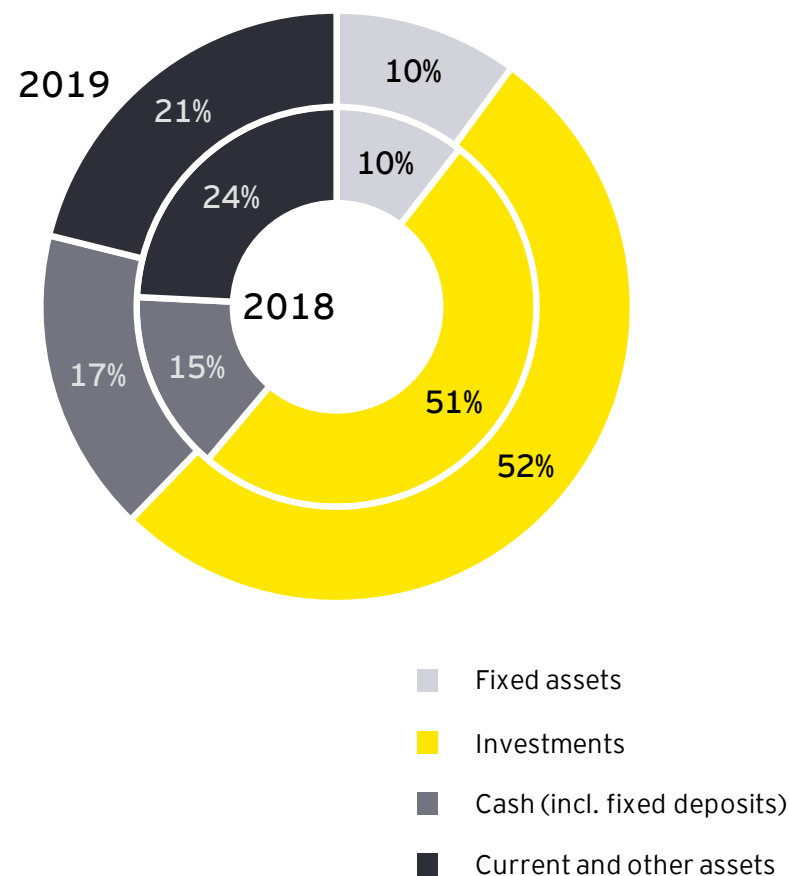
General insurance

There are some difference in size by total assets compared to GWP.

MARKET SIZE BY TOTAL ASSETS

2019 Rank	Company	Total assets TT\$m
1 st	GGIL	791
2 nd	TATIL	545
3 rd	Maritime	541
4 th	COLFIRE	309
5 th	Sagicor	278
6 th	Beacon	261
7 th	New India	238
8 th	NAGICO	163
9 th	Massy	144
10 th	General Accident	143
11 th	TRINRE	143
12 th	Gulf	102
13 th	Presidential	90
14 th	Furness	84
15 th	Bankers	70
16 th	ICWI	26

ASSET COMPOSITION

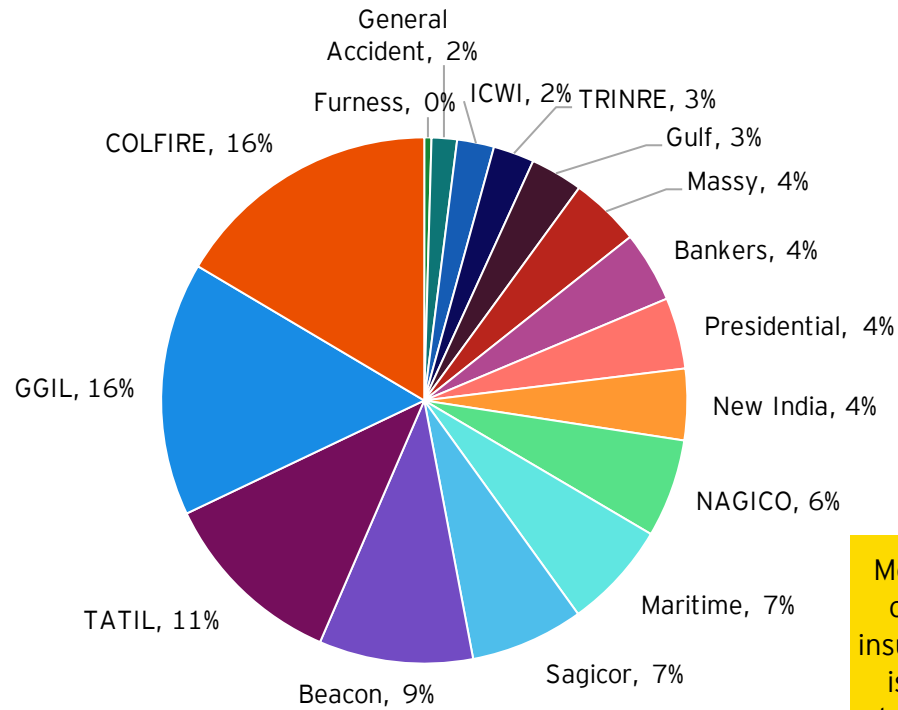


Note: General Accident's (formerly Motor One) data is not included for 2018

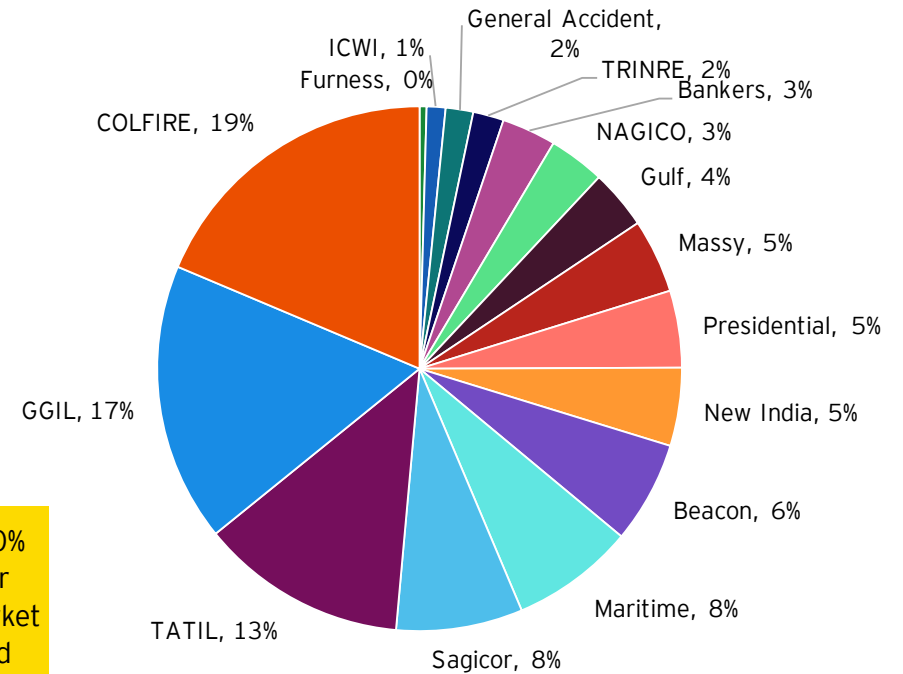
General insurance

The motor line of business experienced favourable development in loss ratios, which had a significant impact on the segment's PBT.

GROSS WRITTEN PREMIUM (MOTOR)

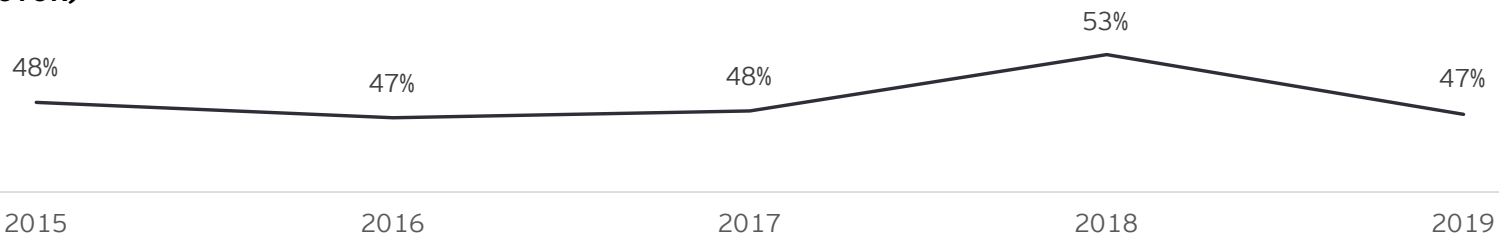


NET WRITTEN PREMIUM (MOTOR)



More than 50% of the motor insurance market is dominated by 4 of the 16 companies.

LOSS RATIO (MOTOR)

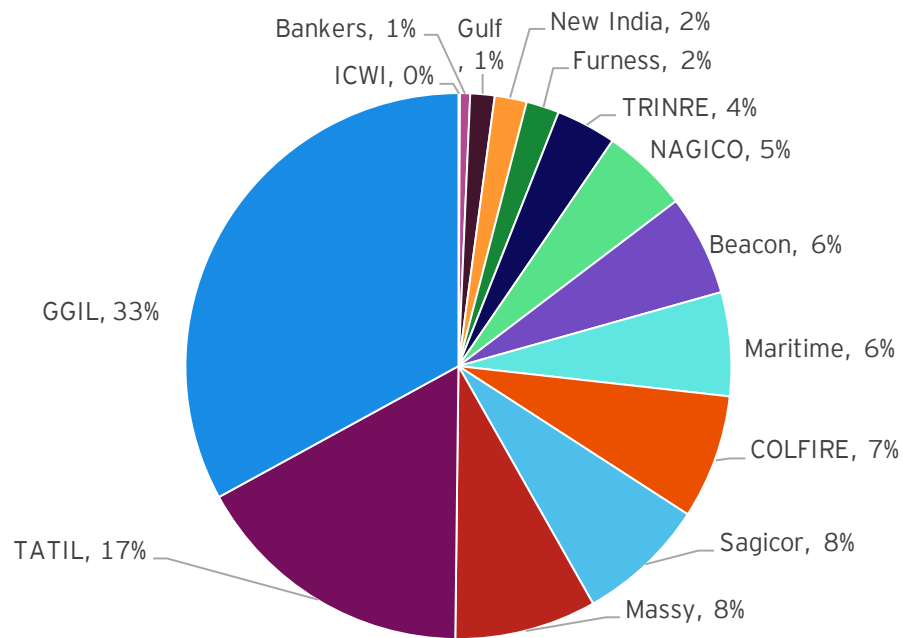


Note: General Accident's (formerly Motor One) data is not included for 2015-2018

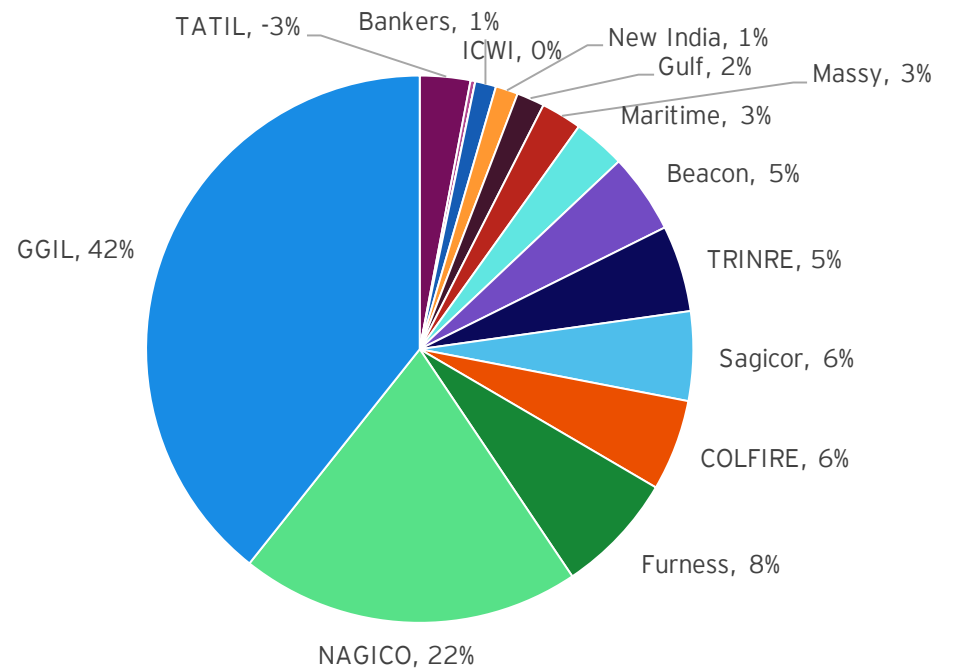
General insurance

The property line of business GWP vs NWP market share analysis suggests different approaches to reinsurance in the segment. The relationship of GWP vs NWP varies significantly with some companies dominating at the GWP level but not at the NWP level and vice versa.

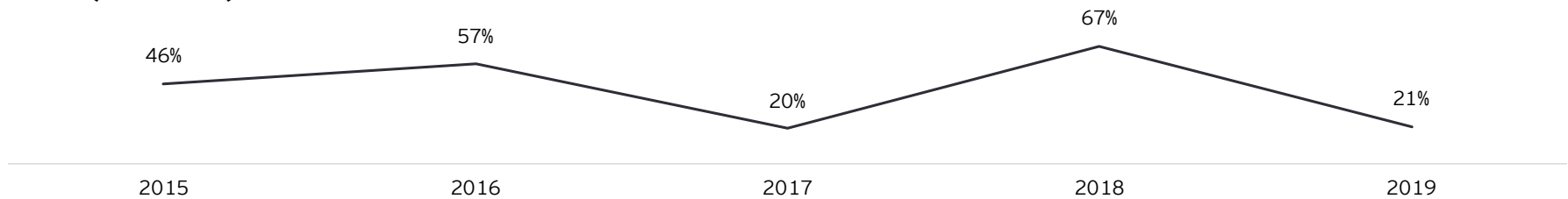
GROSS WRITTEN PREMIUM (PROPERTY)



NET WRITTEN PREMIUM (PROPERTY)



LOSS RATIO (PROPERTY)

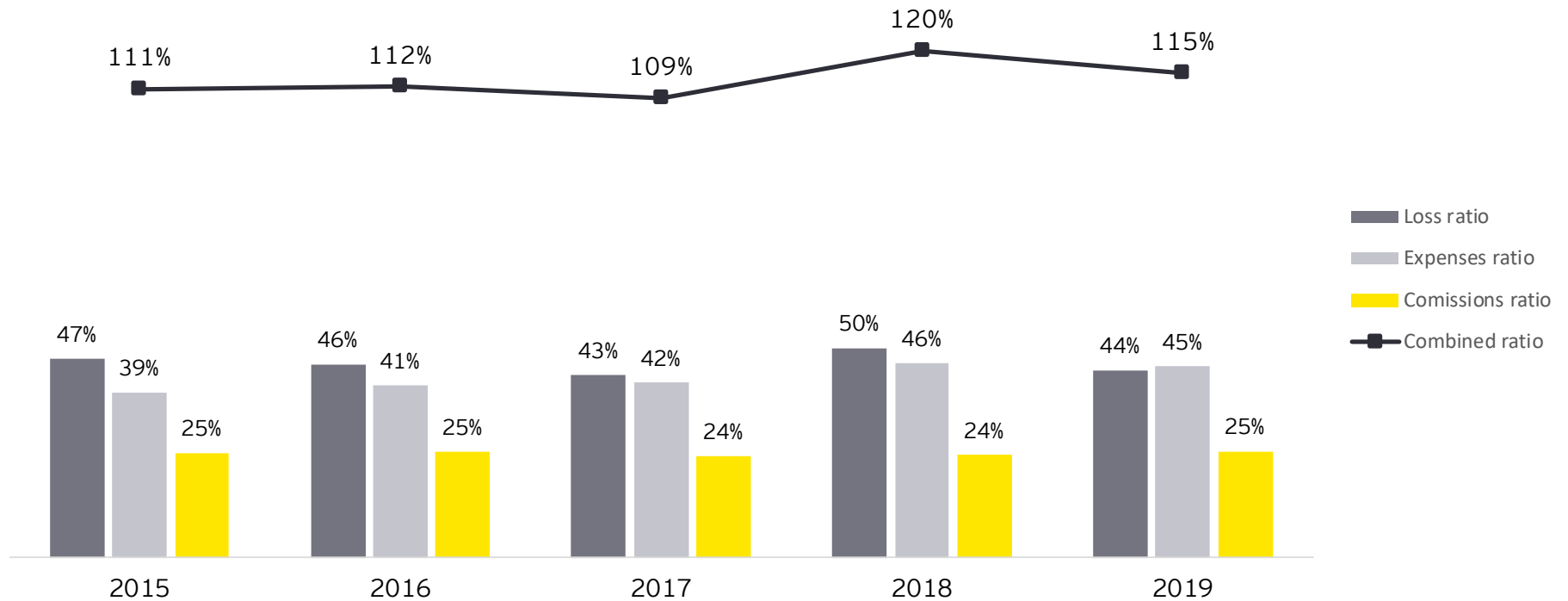


Note: General Accident's (formerly Motor One) data is not included for 2015-2018

General insurance

The combined ratio reduced in 2019 compared to 2018, largely due to the decrease in loss ratios of the major lines of business i.e. property and motor.

COMBINED RATIO

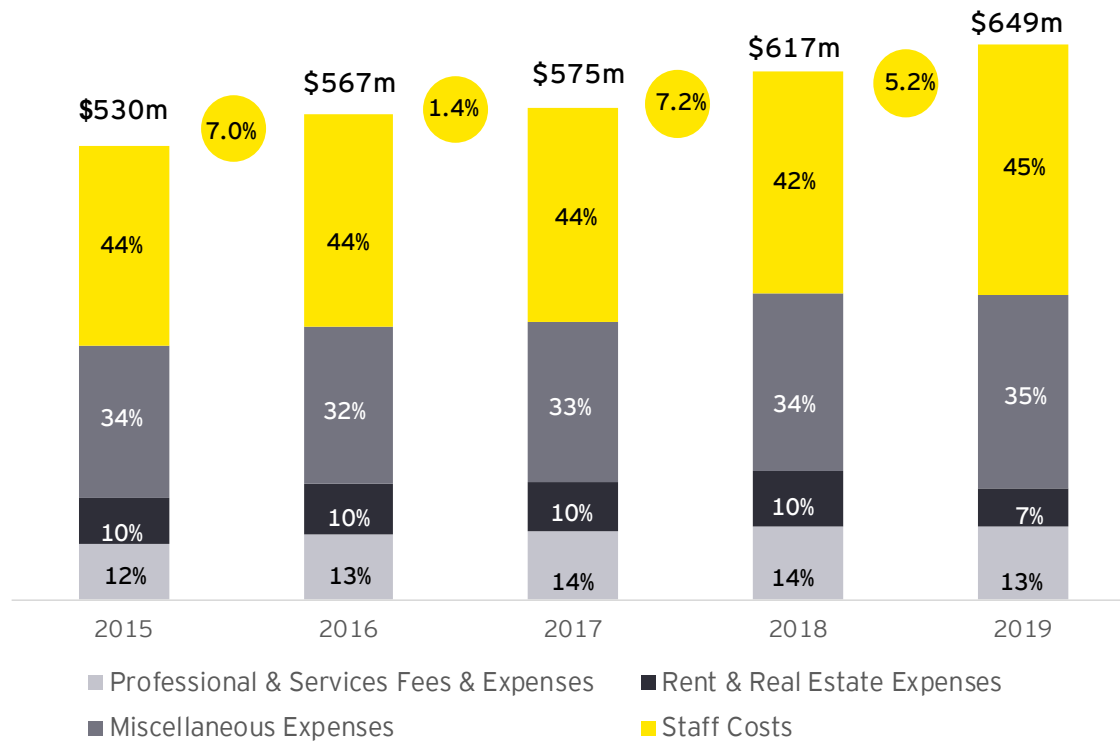


Note: General Accident's (formerly Motor One) data is not included for 2015-2018

General insurance

Expenses continue to grow at a faster rate than GWP (5.2% compared to 1.3%).

EXPENSES BY TYPE



TATIL, COLFIRE, Beacon, Massy, Maritime, Bankers and ICWI all experienced a reduction in their expense ratios. Some of this decline is as a result of unusually high bad debt expenses experienced in 2018 by two companies.

In addition, the adoption of IFRS 16 resulted in the reclassification of rent and real estate expenses, as IFRS 16 did not require the restatement of comparative figures.

Note: General Accident's (formerly Motor One) data is not included for 2015-2018

Life insurance and pensions data and analysis



Life insurance and pensions

OVERVIEW – 2019

The life insurance segment would have experienced 2.5% growth in GWP and unit linked premiums in 2019, except for a \$400m increase in single premium annuities at one company; including this single premium, growth was 12.5%. Further, excluding the unit linked funds, the increase in GWP was 15.3%.

Even taking into account this increase in single premium annuities, penetration of insurance remains low with only 2.9% of GDP being spent on life insurance and retirement planning protection (inclusive of unit-linked products and the large single premium noted).

The distribution of GWP also remained unchanged, with Guardian Life and Sagikor continuing to dominate the sector.

Overall returns were strong, however, even before the impact of the pandemic, declining investment return had the most significant impact on profitability. This was offset only slightly by reduced expense ratios.

OUTLOOK

The primary concern for life insurers is likely to come from falling equity markets and interest rates which will put pressure on balance sheets, stress product profitability and lower investment management fees related to insurers' savings products portfolio.

The sudden impact on economic activity may also impact premium levels and whilst Trinidad and Tobago was spared any significant level of spread, it may be too early, to assess any impact on claims.

On the other hand, the pandemic is likely to elevate the importance of life insurance, increasing demand for related products in medium to long term.

GWP

\$4.5b

GWP and unit linked products **including** the \$400m increase in single premium annuities.

\$4.1b

GWP and unit linked products **excluding** the \$400m increase in single premium annuities.

FY19 GWP/GDP

2.9%

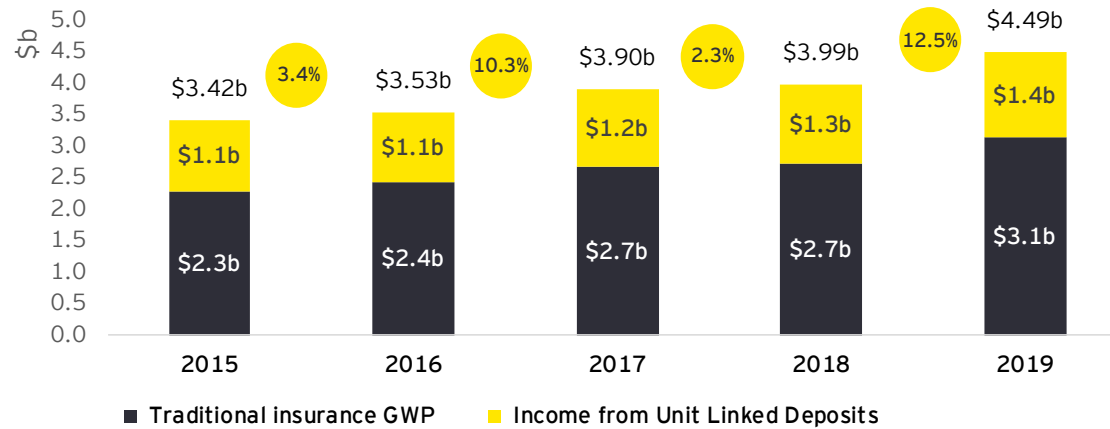
2.7%



Life insurance and pensions

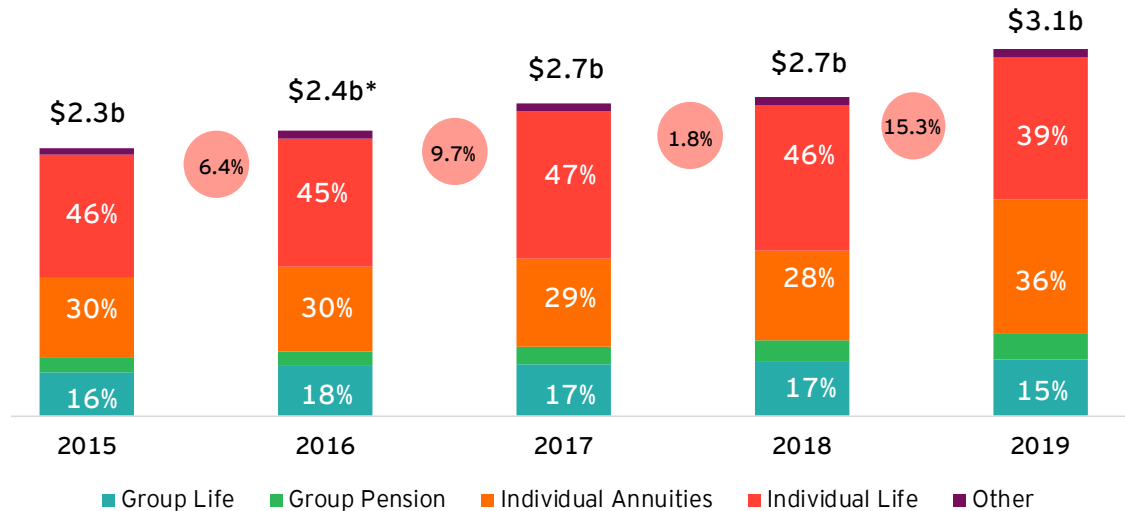
The life insurance and pensions industry continued its pattern of growth with a 15.3% increase in 2019.

GROSS WRITTEN PREMIUMS AND UNIT LINKED DEPOSITS



2019 GWP includes approximately \$400m in single premium annuities at one company; excluding the single premium, the growth in GWP and unit linked deposits was 2.5%.

GROSS WRITTEN PREMIUMS, EXCLUDING UNIT-LINKED DEPOSITS



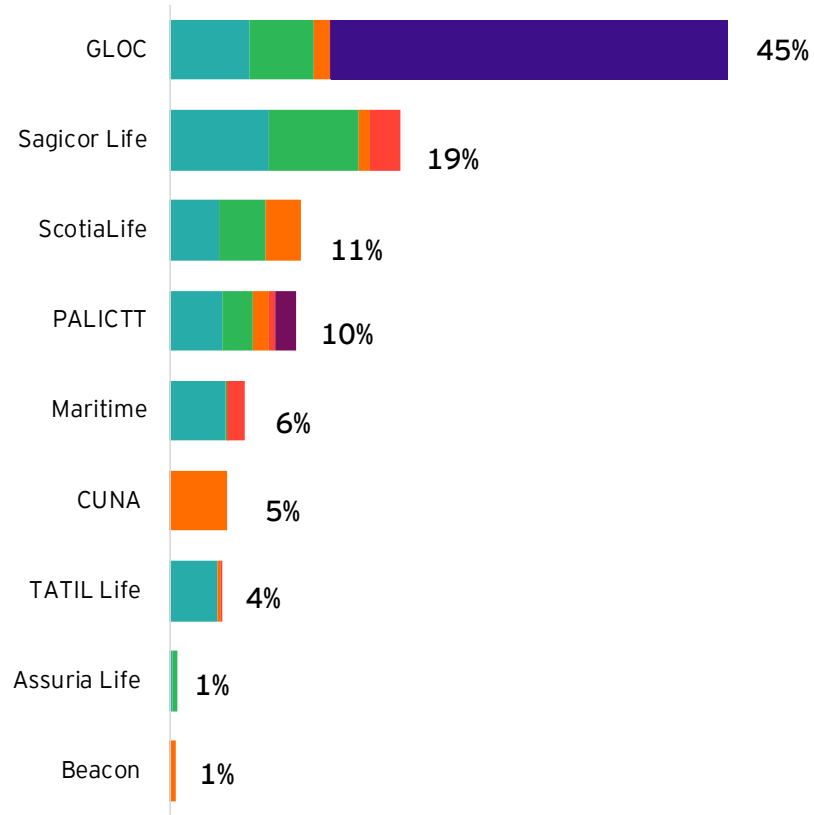
Excluding the single premium, the growth in GWP was 0.5%.

* 2016 GWP excludes approximately \$750m single premium deferred annuities purchased from the Mittal Steel Point Lisas Limited Employees Pension Fund Plan by Maritime and GLOC.

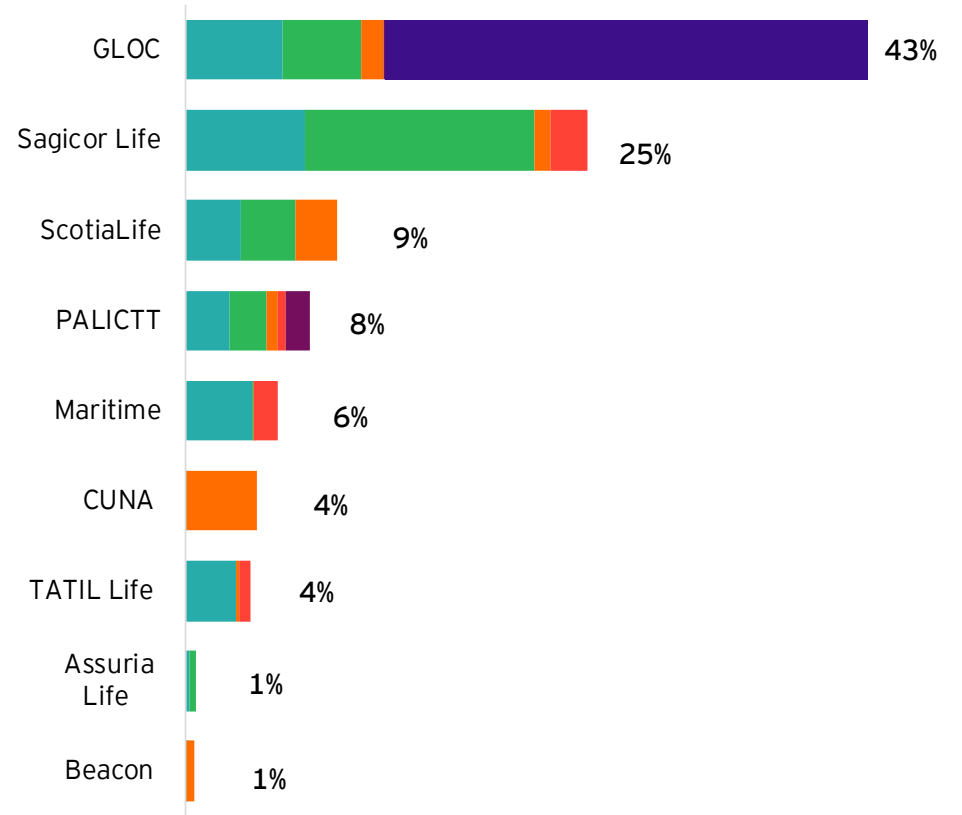
Life insurance and pensions

Each company maintained their position from the previous year.

2018 MARKET SHARE BY GWP



2019 MARKET SHARE BY GWP



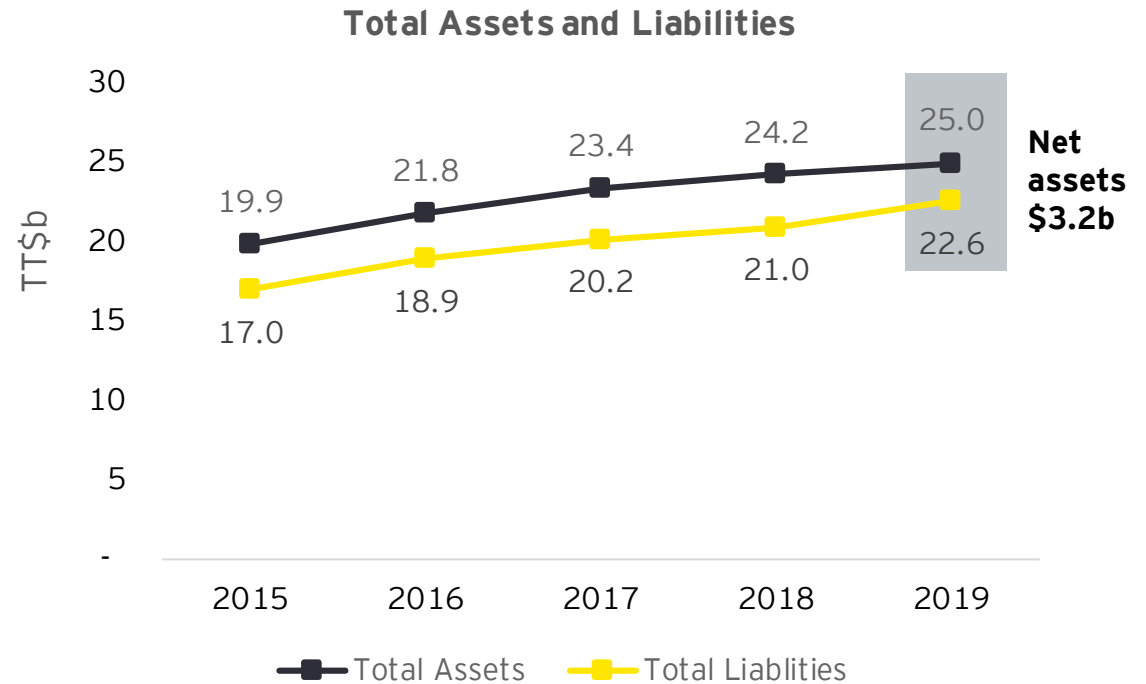
■ Individual Life
 ■ Individual Annuities
 ■ Group Life
 ■ Group Pension
 ■ Other
 ■ Unit linked funds

Life insurance and pensions

Net assets fell from \$3.2b in 2018 to \$2.4b in 2019, the lowest for the period 2015 to 2019.

MARKET SIZE BY TOTAL ASSETS

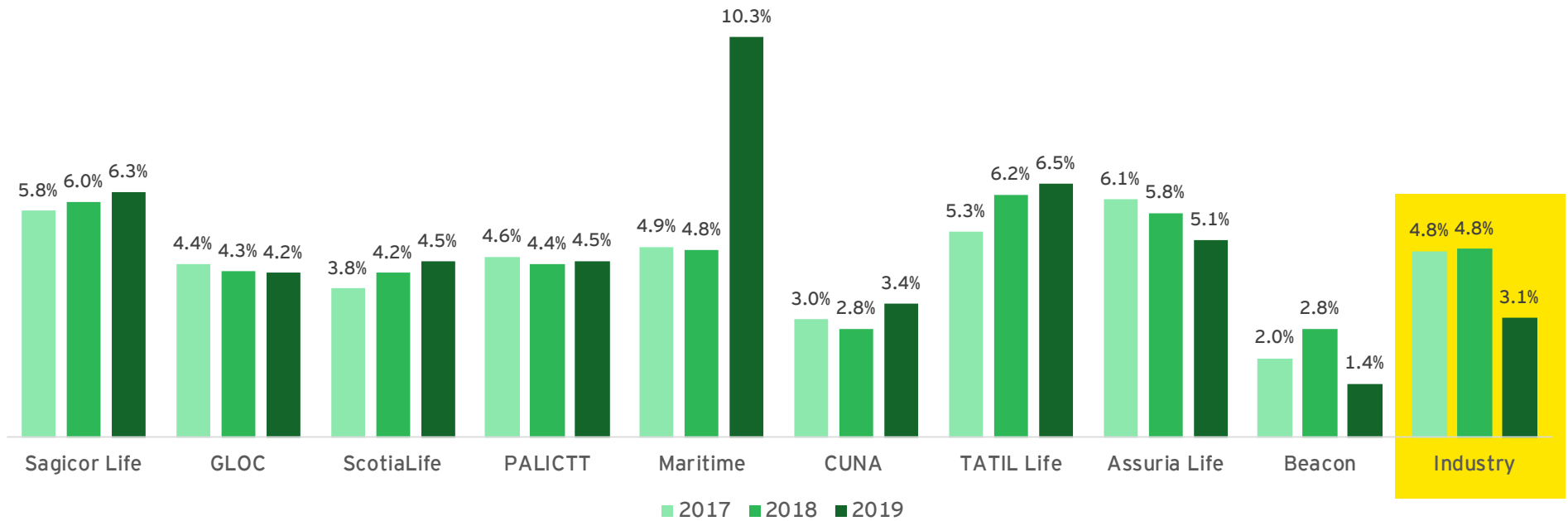
2019 Rank	Company	Total assets TT\$m
1 st	GLOC*	10,458
2 nd	Sagicor	5,219
3 rd	PALICTT	2,692
4 th	TATIL Life	2,431
5 th	Scotia Life	2,145
6 th	Maritime	2,049
7 th	CUNA	458
8 th	Assuria	290
9 th	Beacon	47



Life insurance and pensions

Declining interest rates had a significant impact on investments, as there was no significant change in asset mix.

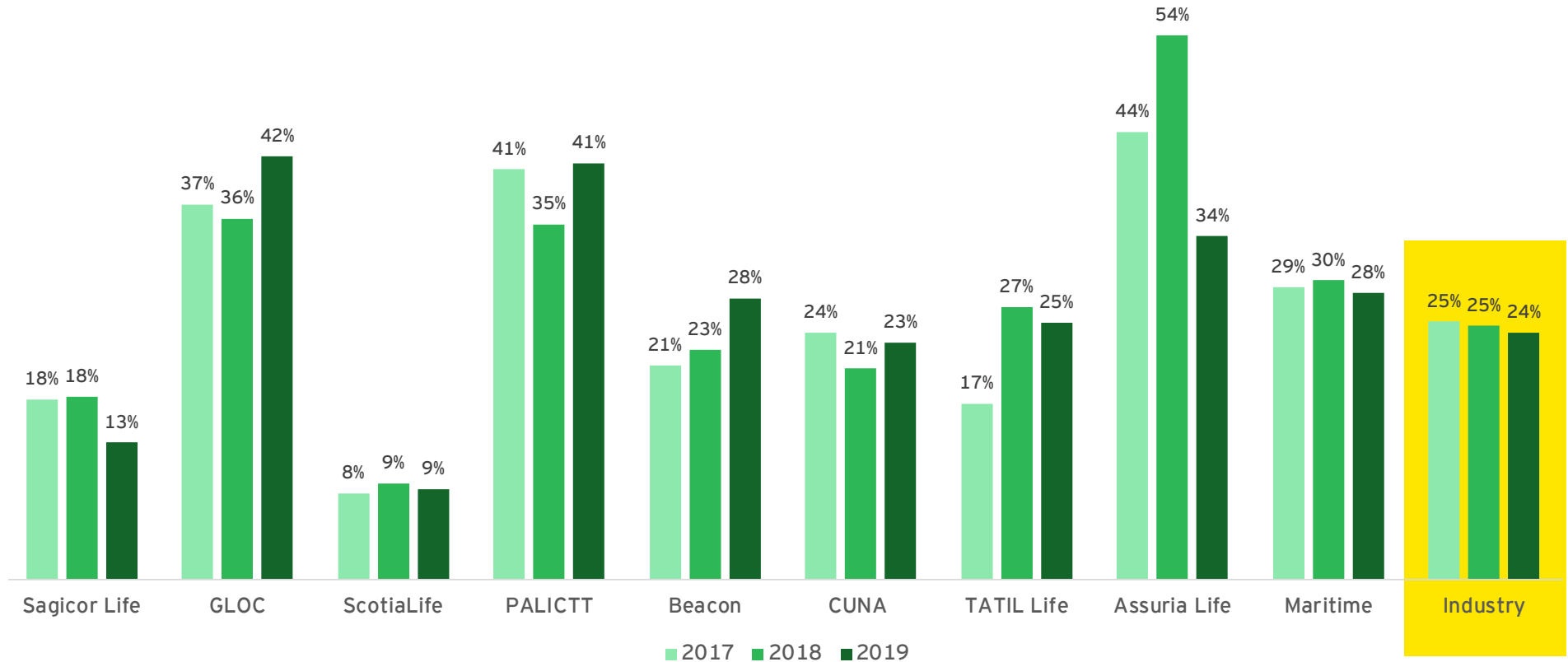
INVESTMENT YIELD



Life insurance and pensions

Albeit, expense ratios as a whole, declined slightly, the movement in expense ratios of individual companies varied widely.

EXPENSE RATIO



Note: GLOC's management expenses were calculated using GWP plus income from unit linked funds.

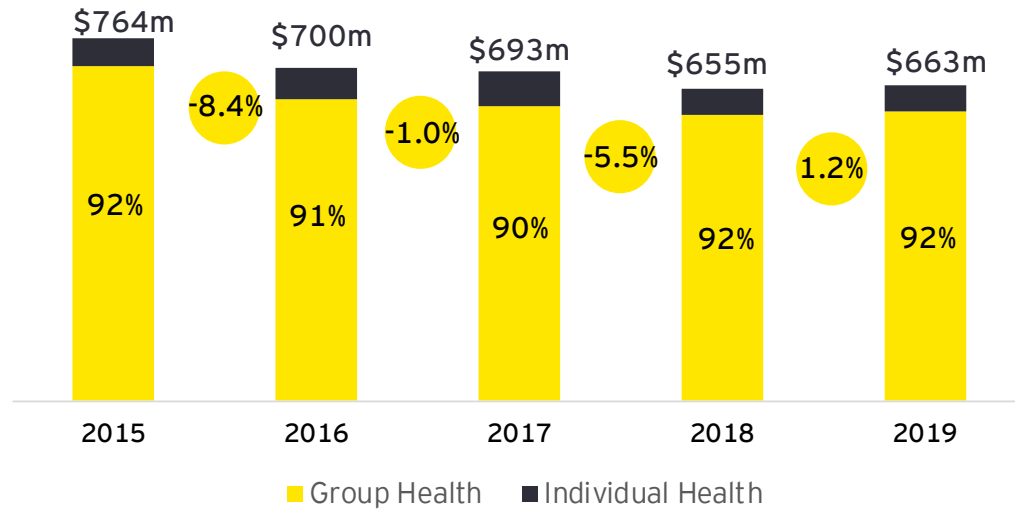
Health insurance data and analysis



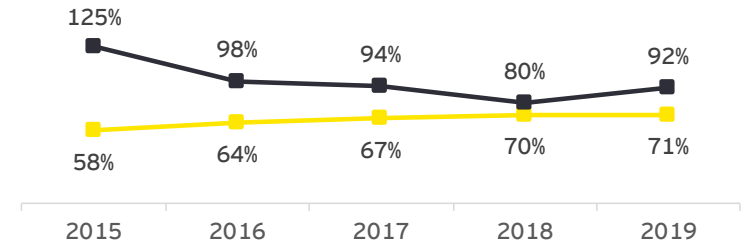
Health insurance

GLOC and Sagicor retained their top spots holding the two largest market share in 2019.

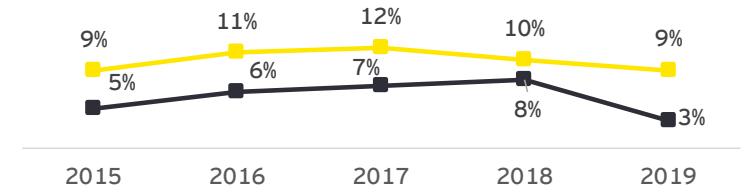
GROSS WRITTEN PREMIUMS



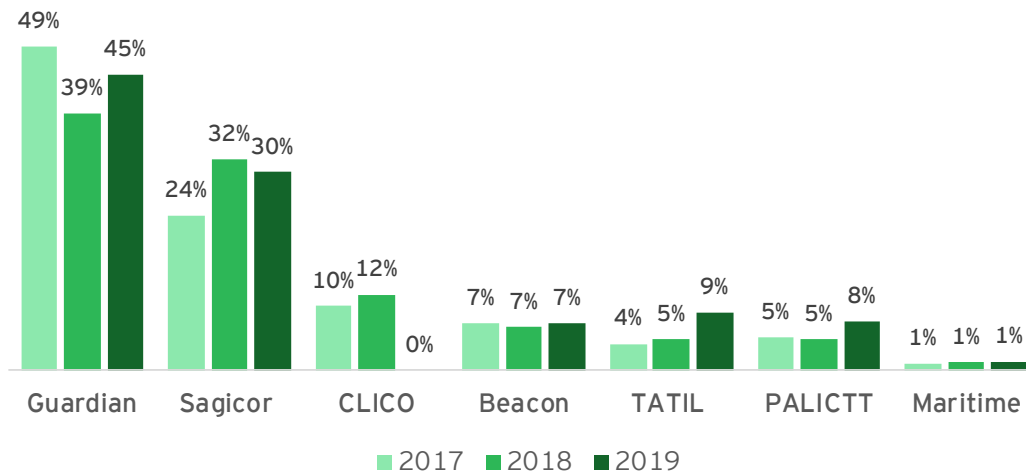
LOSS RATIO



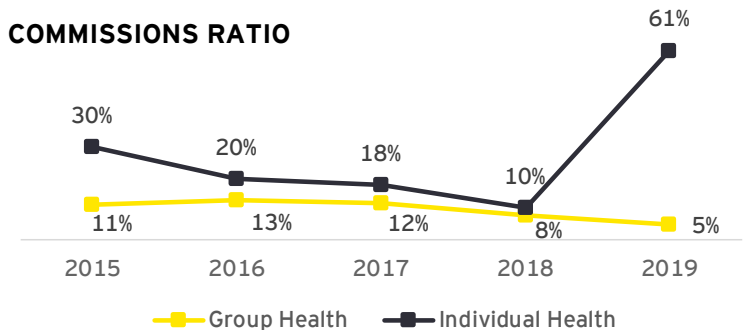
EXPENSES RATIO



MARKET SHARE BY GWP¹



COMMISSIONS RATIO



The sharp uptick in the commissions ratio for individual health is mostly due to one company's commission paid of \$30m in 2019 which increased over 880% compared to the previous year.

¹CLICO is not a member of ATTIC; hence its GWP is taken from its publicly available IFRS compliant financial statements for the production of this chart only.

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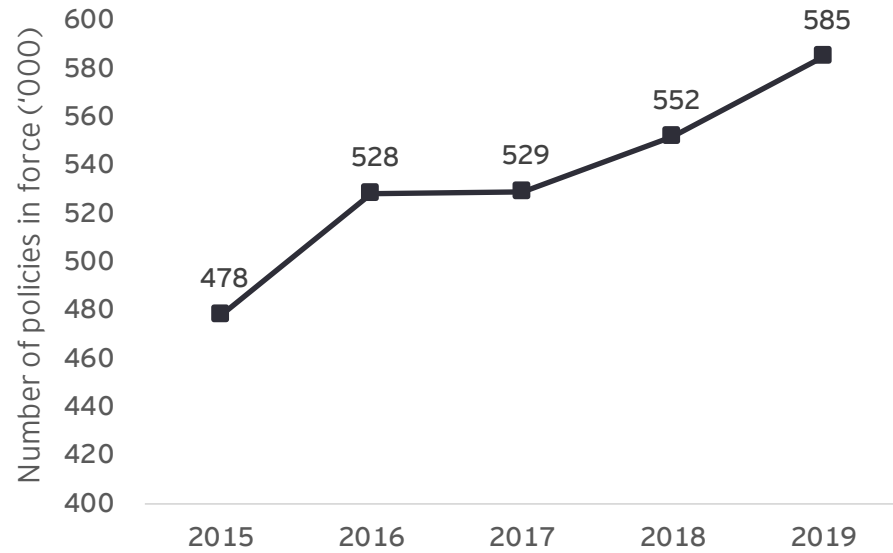
Appendices



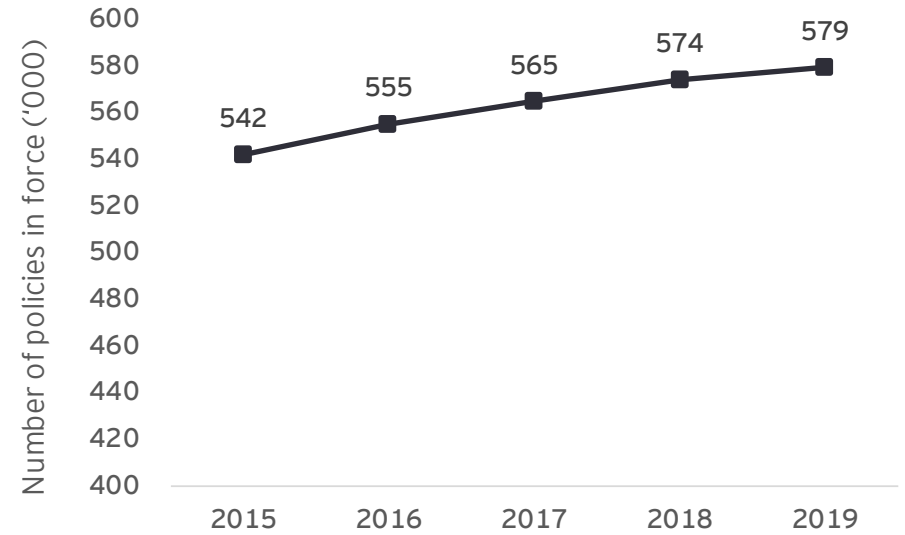
Appendix A

TOTAL POLICIES IN FORCE

GENERAL INSURANCE



LIFE INSURANCE AND PENSIONS



Appendix B

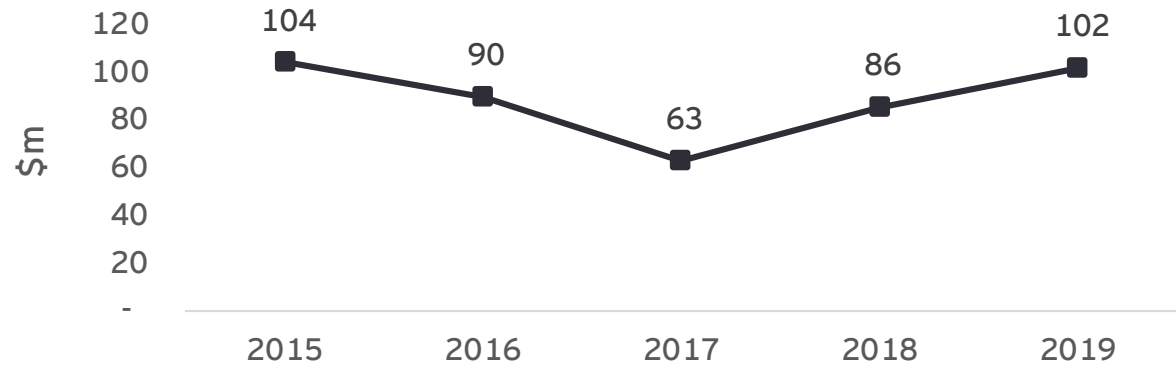
GENERAL ACCIDENT/CASUALTY PERFORMANCE MEASURES

General accident/casualty insurance generally covers unforeseen, accidental and sudden loss of or damage to property and injury/death to persons.

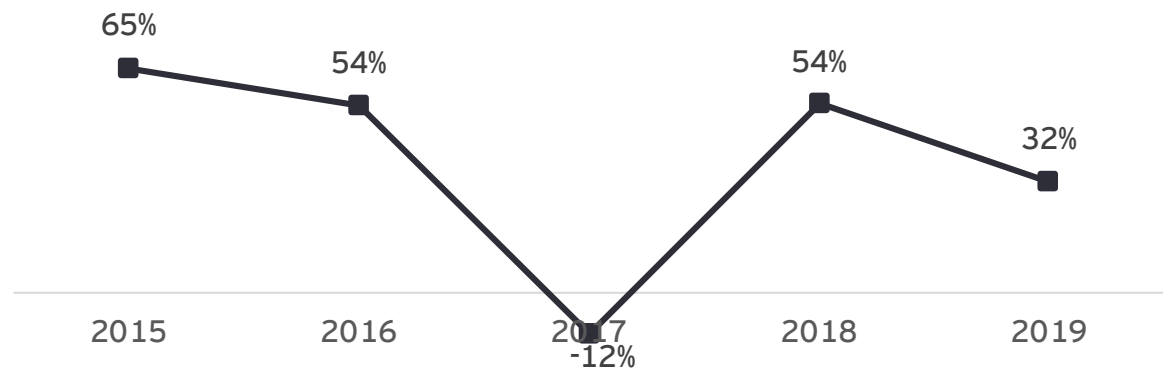
Four classes of general accident policies are insurance of the person, property insurance, pecuniary insurance, liability insurance.

In 2017, this line of business saw a release of \$14.4m in claims reserves (largely due to one company's release of \$20.1m) resulting in a negative loss ratio.

GROSS WRITTEN PREMIUM



LOSS RATIO

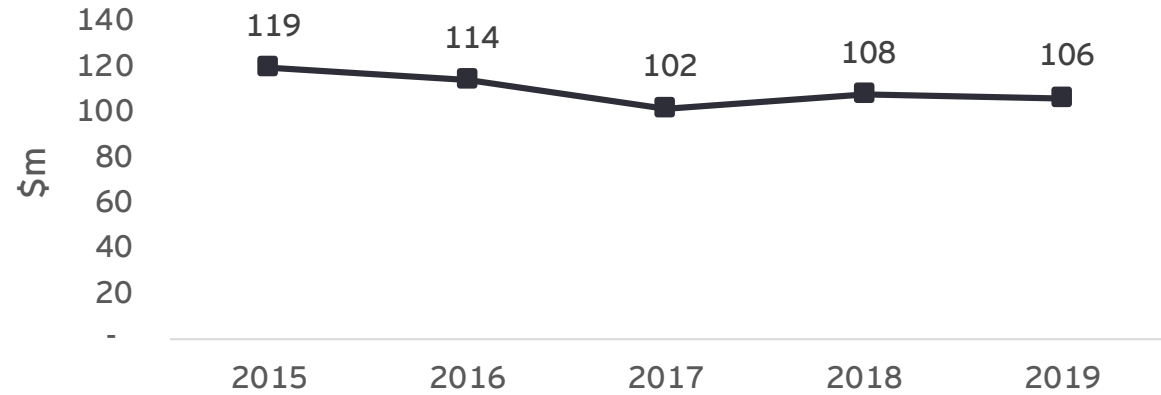


Appendix C

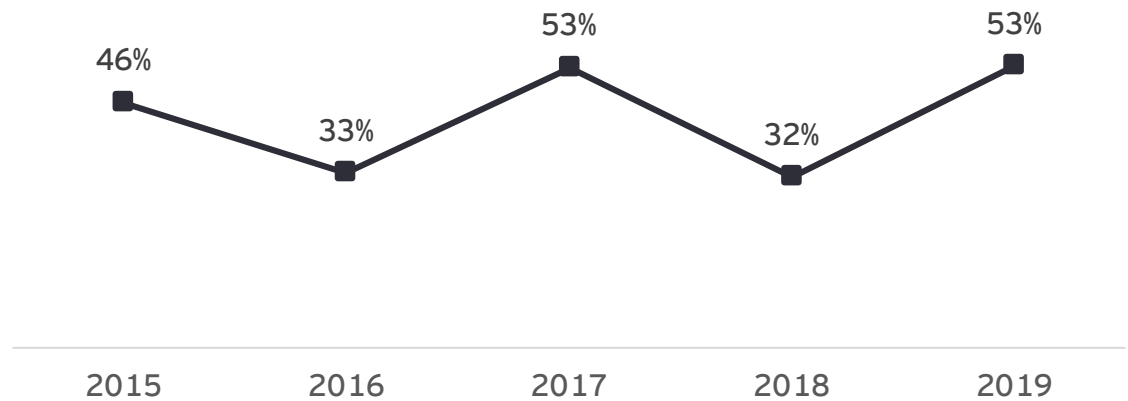
WORKMEN'S COMPENSATION PERFORMANCE MEASURES

Workmen's compensation insurance, protects a company from liabilities that arise when a worker is injured on the job.

GROSS WRITTEN PREMIUM



LOSS RATIO



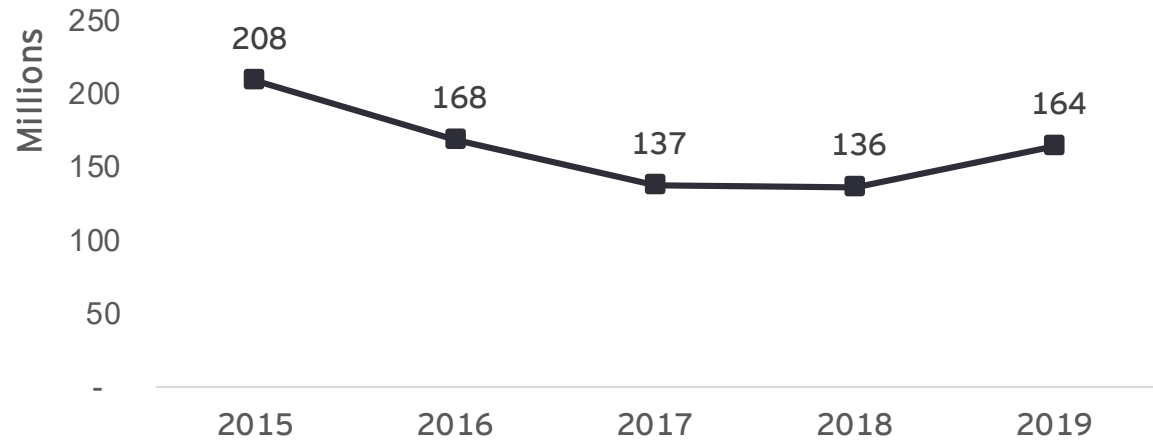
Appendix D

ALL OTHER GENERAL LINES OF BUSINESS PERFORMANCE MEASURES

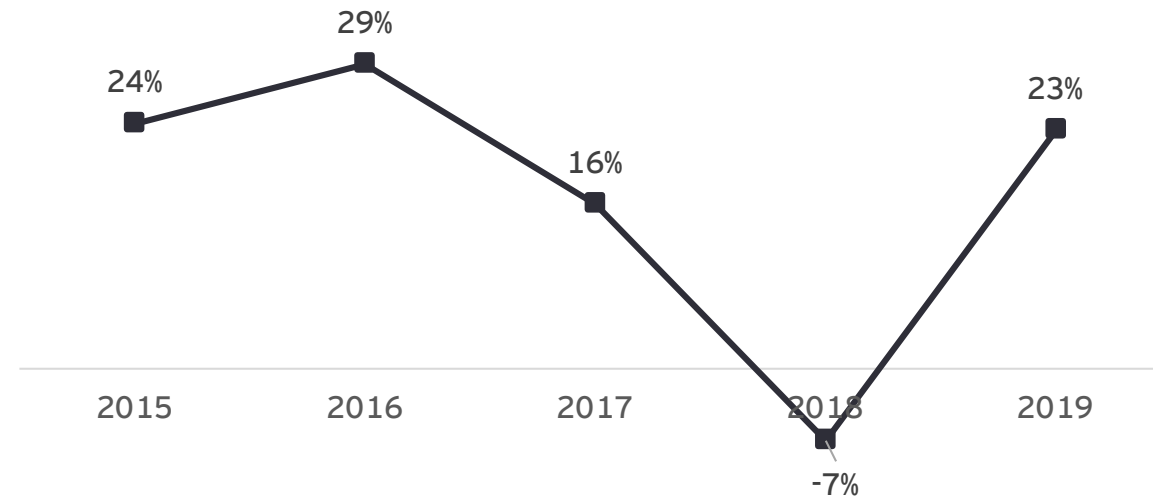
All others is a combination of the following insurance: marine hull; aviation hull; transport; pecuniary loss; personal accident and other types of business unique to different companies.

In 2018, this line of business saw a release of \$11.1m in claims reserves resulting in a negative loss ratio.

GROSS WRITTEN PREMIUM



LOSS RATIO



Appendix E

ATTIC MEMBER COMPANIES

General Insurance Company Listing	
Bankers	Bankers Insurance Company of Trinidad and Tobago Limited
Beacon	The Beacon Insurance Company Limited
COLFIRE	Colonial Fire and General Insurance Company Limited
Furness	Furness Anchorage General Insurance Limited
General Accident	General Accident Insurance Company (Trinidad and Tobago) Limited (formerly Motor One Insurance Company Limited)
GGIL	Guardian General Insurance Limited
Gulf	Gulf Insurance Company Limited
ICWI	The Insurance Company of the West Indies
Massy	Massy United Insurance Company Limited
Maritime	Maritime General Insurance Company Limited
NAGICO	Nagico Insurance (Trinidad and Tobago) Limited
New India	The New India Assurance Company (Trinidad and Tobago) Limited
Presidential	The Presidential Insurance Company Limited
Sagicor	Sagicor General Insurance Limited
TATIL	Trinidad and Tobago Insurance Limited
TRINRE	Trinre Insurance Company Limited
Life Insurance and Pension Company Listing	
Assuria	Assuria Life Trinidad and Tobago Limited
Beacon	The Beacon Insurance Company Limited
CUNA	CUNA Caribbean Insurance Society Limited
GLOC	Guardian Life of the Caribbean Limited
Maritime	Maritime General Insurance Company Limited
PALIG	Pan American Life Insurance Company of Trinidad and Tobago Limited
Sagicor	Sagicor Life Inc.
Scotia	ScotiaLife Trinidad and Tobago Limited
TATIL	Tatil Life Assurance Limited

Appendix F

CALCULATION FORMULAS

General/Life and Pensions/ Health	Ratio/calculation	Calculation
General/Health	Loss Ratio	Net Claims (plus change in claims reserves)/ NEP
General	Expenses Ratio	Management expenses/NEP
General	Commission Ratio	Commission paid/NEP
General/Life and pensions	Return on Assets	PBT/total assets
General	Combined Ratio	(Net claims + management expenses + commission paid)/NEP
General	PBT	B1 profit, less taxes, and IFRS 9 adjustments (where applicable)
Life and pensions	Investment yield	Gross investment income/(investments and cash (including fixed deposits))
Life and pensions/Health	Expenses Ratio	Management expenses/GWP
Health	Commission Ratio	Commission paid/GWP

Appendix G

ABBREVIATIONS

<i>Act Accounts</i>	The Insurance Act annual statements submitted to the Central Bank of Trinidad and Tobago
<i>b</i>	Billions
<i>CBTT</i>	The Central Bank of Trinidad and Tobago
<i>GDP</i>	Gross Domestic Product
<i>GWP</i>	Gross written premium
<i>m</i>	Millions
<i>NEP</i>	Net earned premium
<i>NWP</i>	Net written premium
<i>PBT</i>	Profit before tax
<i>TT\$/</i>	Trinidad and Tobago dollar
<i>TTSE</i>	Trinidad and Tobago Stock Exchange

Limitations

While every effort was made to ensure consistency among the companies, certain variations do exist which directly impact the comparability of the data from company to company. The following are some key areas where variations and/or gaps may exist and thus should be carefully considered before drawing any conclusions.

Accounting policies

While in most cases, International Accounting Standards (IFRS) are used for statutory financial reporting purposes, the companies may adopt different accounting policies which will not always be consistent with each other.

Companies have adopted different accounting policies with respect to the valuation of investments and the recognition of investment gains and losses in their financial statements.

The Act accounting policy is in compliance with the Insurance Act (1980) and will not be comparable to IFRS accounting policy. Therefore results from individual companies' annual reports and ratios may be different from that illustrated in this magazine.

Allocation methods

Insurance companies are required by the Insurance Act to report their expenses by line of business. Most insurance companies use varying allocation methods to assign the expenses at their discretion. As such, the allocated expense reported by each line of business may not be a true reflection of the actual cost incurred specifically to that line of business.

Valuation of liabilities

The Life insurance companies employ different actuarial methods for the valuation of insurance liabilities and there are also differences in the degree of conservatism and prudence used in the valuation assumptions. The same would apply to General insurers with respect to the establishment of reserves, where varying levels of conservatism result in significantly different results.

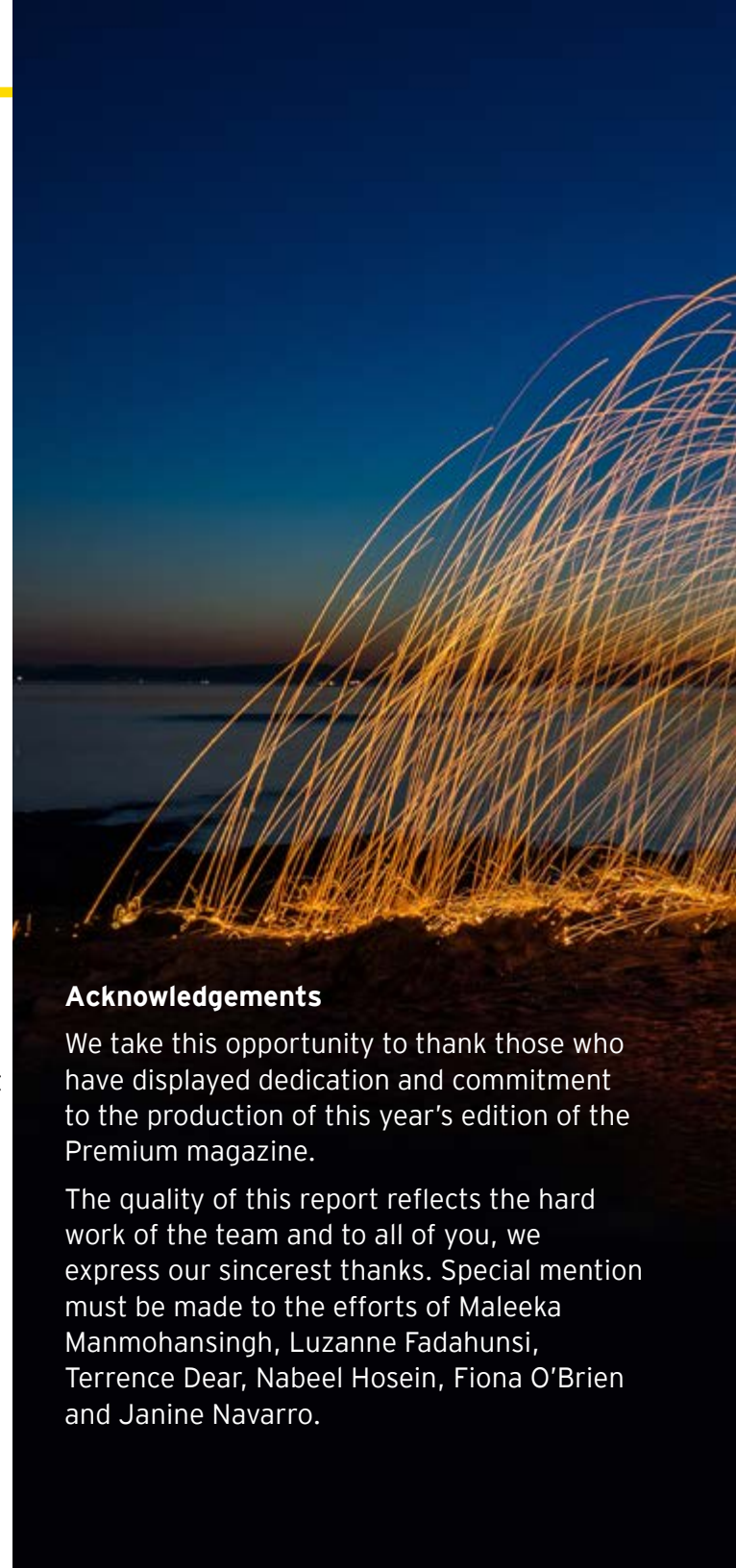
Use of estimates

The preparation of financial statements, used to produce the Insurance Act's accounts, in conformity with International Accounting Standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period.

Acknowledgements

We take this opportunity to thank those who have displayed dedication and commitment to the production of this year's edition of the Premium magazine.

The quality of this report reflects the hard work of the team and to all of you, we express our sincerest thanks. Special mention must be made to the efforts of Maleeka Manmohansingh, Luzanne Fadahunsi, Terrence Dear, Nabeel Hosein, Fiona O'Brien and Janine Navarro.



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