



FINANCIAL STABILITY REPORT 2018



FINANCIAL SERVICES
COMMISSION

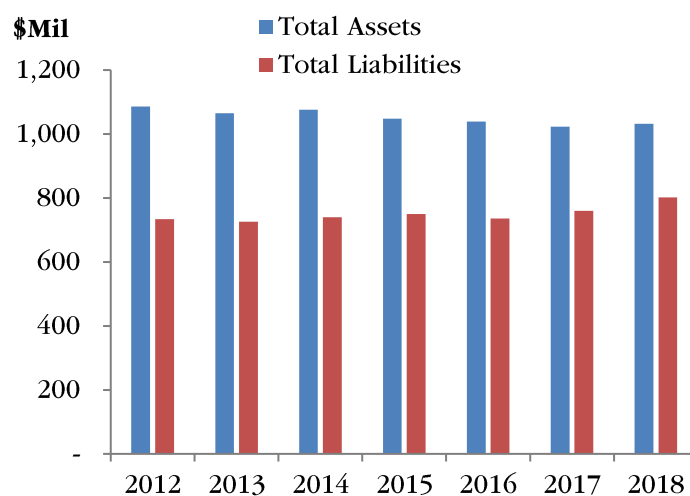
Insurance Companies

The combined assets for the sector were 10.1 percent higher than at December 2017. However, the performance of life and general segments continued to diverge, with the life insurance industry continuing to outperform general insurance as has been the case since 2015. The life insurance sub-sector accounted for over 75 percent of assets at year-end. The general insurance sector became slightly more concentrated as one of the smaller companies merged with a larger one.

The General Insurance Sector

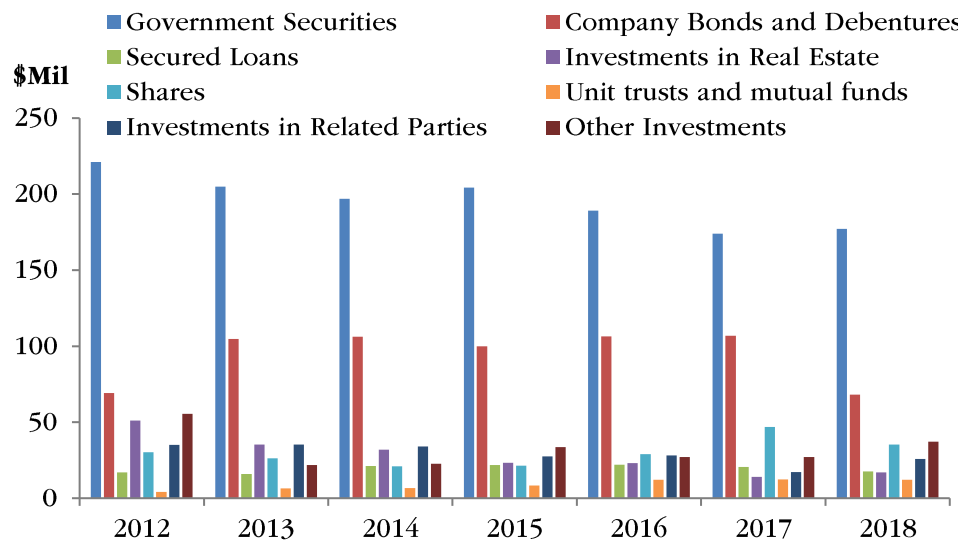
Total assets of the general insurers were only 0.9 percent higher than the assets as at December 2017 (**Figure 39**). Cash and cash equivalents held by the sector increased by 19.9 percent as the industry adjusted its portfolio in light of the restructuring of treasury bills. At the same time, there was a significant decline in the investments of the sector, which was down 6.8 percent over 2017. Corporate bonds and debentures declined by 36.3 percent while holdings of shares fell by 24.6 percent. Government securities increased marginally, the result of increased holdings of government debt from non-Barbadian jurisdictions (**Figure 40**).

Figure 1: Assets and Liabilities



Source: Financial Services Commission

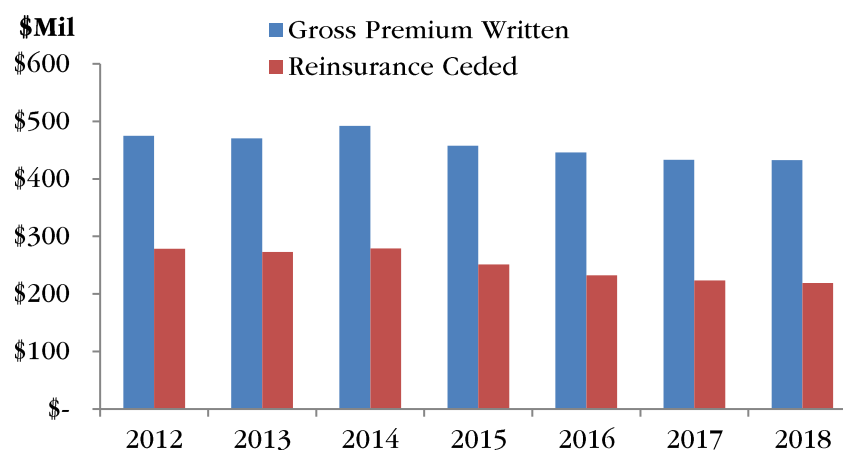
Figure 2: Classes of Investments for the General Insurance Sector



Source: Financial Services Commission

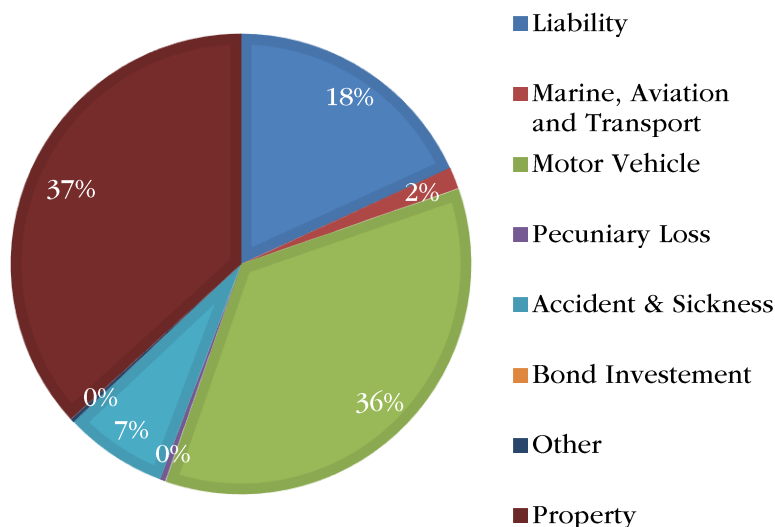
Gross premiums, which have declined continuously since 2014, fell by 2.5% in 2018, as the industry continued to grapple with weak underwriting growth (**Figure 41**). Property and Motor Vehicle continue to be the largest lines of business for the sector, accounting for 37 and 36 percent of premiums, respectively (**Figure 42**). However, reinsurance ceded for the sector was approximately 2.0 percent less than in 2017, resulting in a modest uptick in net premiums retained by the industry and a risk retention ratio of above 50 percent of the gross premiums written each year.

Figure 3: Gross Premiums Written vs Reinsurance Ceded for the General Insurance Sector



Source: Financial Services Commission

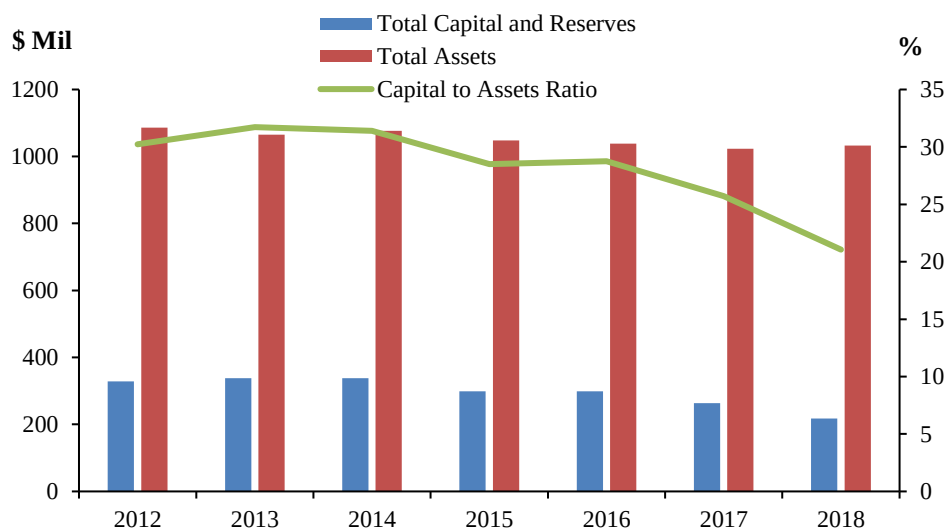
Figure 4: Gross Premiums Written 2018



Source: Financial Services Commission

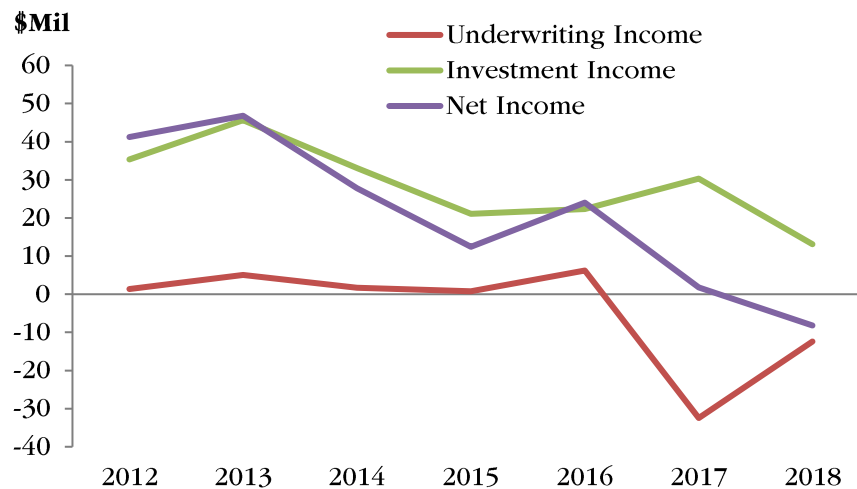
Net claims, were 30 percent lower than one year ago, the lowest figure in the last seven years. This resulted in a narrowing of losses in terms of industry's net underwriting income. However, this was insufficient to compensate for the significant fall in investment income, resulting in overall losses in the general insurance industry in 2018 (**Figure 43**). The decrease in retained earnings drove down the capital-to-asset ratio, which fell to 21.1 percent, the lowest figure since 2012 (**Figure 44**).

Figure 5: Capital to Asset Ratio of the General Insurance Sector



Source: Financial Services Commission

Figure 6: Profitability of the General Insurance Sector

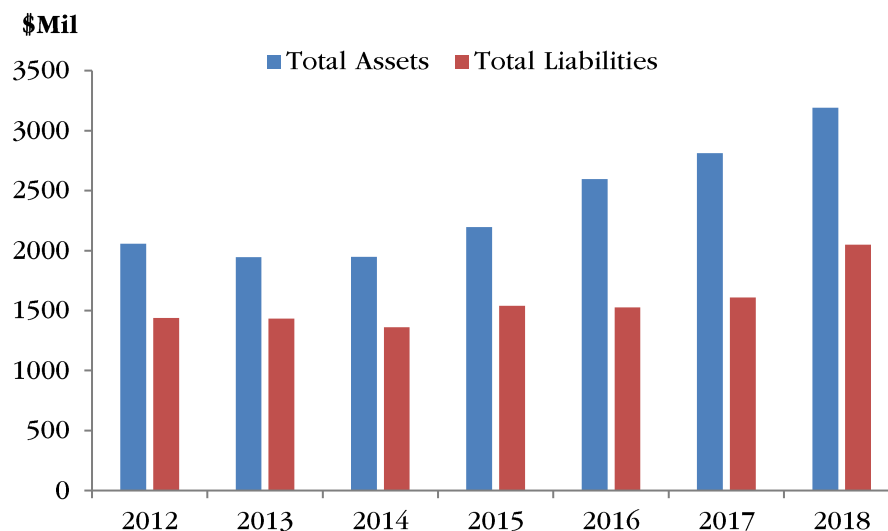


Source: Financial Services Commission

The Life Insurance Sector

Unlike the general insurance segment, the life insurance industry registered significant growth in assets, if not revenues, in 2018. Total assets for the life insurance sector grew by 13.4 per cent, evidenced by a 65 per cent increase in the non-domestic government investment portfolio (**Figure 45**).

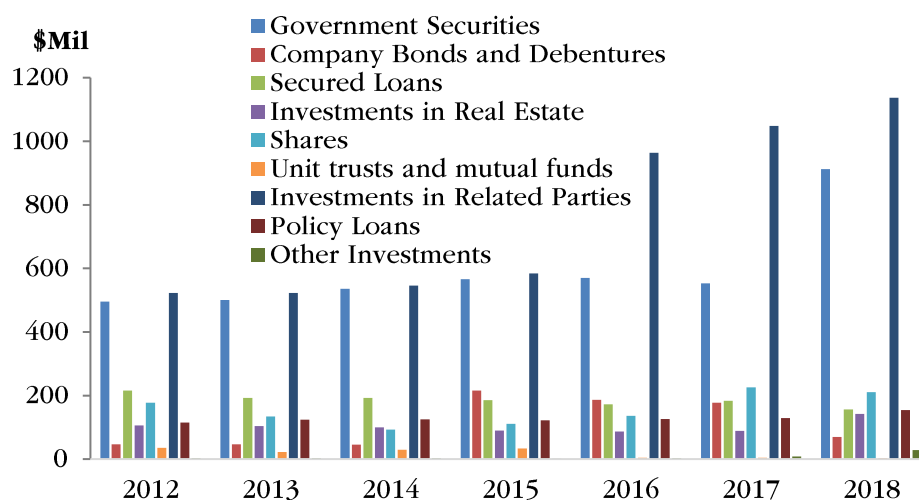
Figure 7: Total and Assets and Liabilities of the Life Insurance Sector



Source: Financial Services Commission

There was also significant growth in investments in real estate, related parties and policy loans. The sector did, however, record a decline in corporate bonds and debentures (Figure 46).

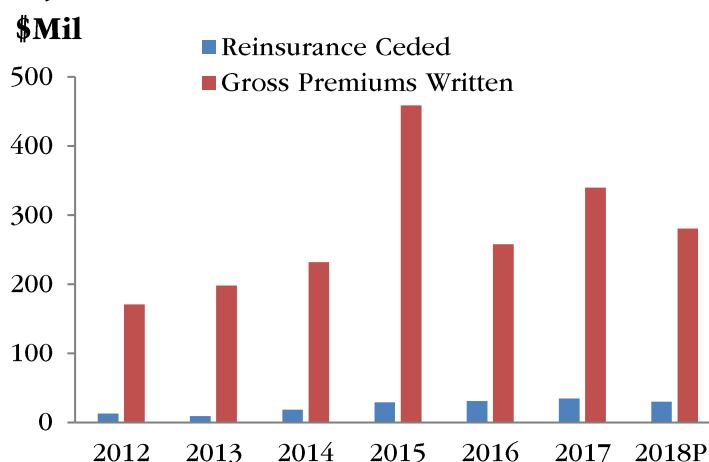
Figure 8: Classes of Investments for the Life Insurance Sector



Source: Financial Services Commission

Gross premiums for the life insurance sector experienced a decline of approximately 17.4 percent in 2018, as premium revenue returned to normal growth after the exceptional performance in 2017 (Figure 47). With premiums falling, reinsurance ceded also declined. Ordinary life premiums remained the major line of business for the life insurance sector but fell to 57 percent of total premiums written¹. Annuities assumed a greater importance relative to 2017 (Figure 48).

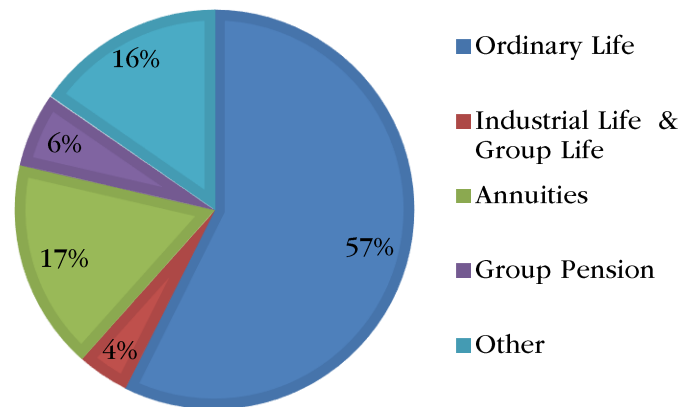
Figure 9: Gross Premiums Written vs Reinsurance Ceded



Source: Financial Services Commission

¹ The category “Other lines of business” accounted for 16 percent and is comprised of classes of business such as group and individual health, group life and creditor life and health.

Figure 10: Gross Premiums Written 2018 by Type



Source: Financial Services Commission

Profitability for the sector declined moderately relative to the exceptional performance of 2017. Total expenses for the period actually decreased, but the fall in revenue recorded by the sector, resulted in decreased net income. Despite the fall in profitability, the ROA of 4% in 2018, was on par with performance of industry between 2014 to 2016 (**Figure 49**). The life insurance sector remained well capitalised but the capital-to-asset ratio for the sector experienced a slight decline, falling to 40.4 percent at December 2018 (**Figure 50**).

Figure 11: Profitability

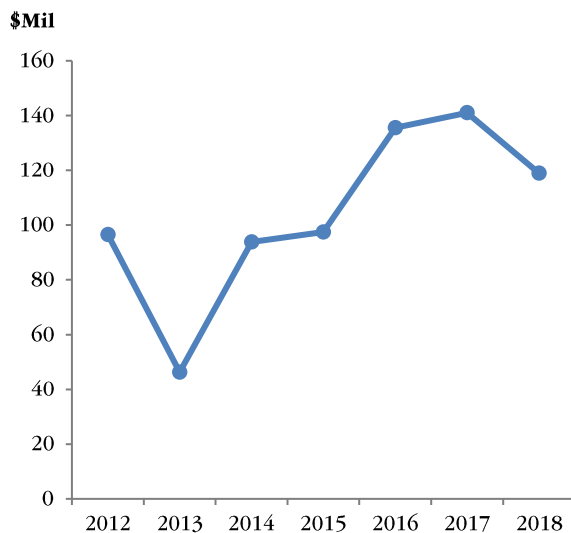
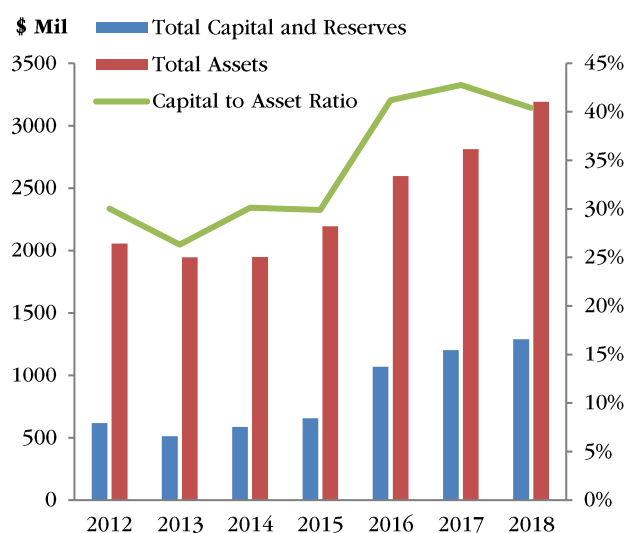


Figure 12: Capital to Asset Ratio



Source: Financial Services Commission



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