FINANCIAL SERVICES AUTHORITY

St. Vincent & the Grenadines

ANNUAL

INSURANCE AND PENSION

REPORT

FOR THE YEAR ENDED

DECEMBER 31, 2021

Purpose of the Report

Section 8 of the Act requires the Supervisor of Insurance to prepare and submit an annual report to the Minister of Finance on or before the last day of June or as soon as possible thereafter. However, due to the fact that the said Act permits insurance companies up to six (6) months after the end of their financial year to file their annual returns, the timing of the submission of this instant report necessarily takes into account this legislated timeframe.

The objectives of this report are:

- To report on the state of affairs of the insurance industry and pension plans;
- To report on compliance issues in relation to the Act;
- Provide information on the financial status and operating performance of the insurance industry; and
- Provide information on pension fund plans operating in the State.

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1. Financial Highlights

1.1 In 2021, Gross Premium Income in the insurance industry totaled $108.2m. This represented 4.5 percent of Gross Domestic Product at market prices, and an increase of 7.2 percent in the gross premium income of $101.0m reported in 2020. The increase in gross premium income was primarily noted in the short-term segment of the market.

1.2 British American Insurance Company Limited and CLICO International Life Insurance Company Limited remained under Judicial Management during the period under review.

1.3 There was an increase of 23.8 percent in the total claims paid in the short-term insurance sub-sector compared to the previous year. Claims continue to be a significant component of insurers' expenditure amounting to 71.7 percent of total underwriting expenses for the short-term insurance sub-sector.

1.3.1 Policyholder Benefits (which includes claims, annuity payments, policy surrenders etc.) in the long-term insurance sub-sector, for the period under review, amounted to $24.6, which represented 61.7 percent of the total expenses. There was a decrease in claims expense of 21.9 percent compared with the previous year, and an increase in Annuity and Deposit Administration Fund provisions of 35.7% when compared with the previous year.

1.4 For the short-term insurance sector, the loss ratio decreased by 2.5 percentage points while the loss ratio of the long-term insurance sector decreased by 4.9 percentage points.

1.5 Reinsurance expense for long-term insurance companies amounted to $1.2m representing a retention ratio of 96.2 percent. Two (2) companies had more than 10 percent of gross premiums ceded to reinsurers, three (3) companies had between 1 percent and 5 percent and one (1) company had less than 1 percent.

1.6 As at the end of 2021, total assets in the insurance industry amounted to $310.4m, total liabilities stood at $218.7m and equity at $91.9m.

1.7 The overall insurance penetration ratio (an indicator of the level of development of the insurance sector in the country) decreased slightly from 4.6 percent in 2020 to 4.5 percent in 2021. In the short-term insurance sector, the ratio remained constant at 3.2 percent in 2020 and 2021. However, in the long-term sector, it decreased from 1.4 percent in 2020 to 1.3 percent in 2021.

2. The Insurance Industry

2.1. Introduction and Overview

The domestic insurance industry is the largest component of the non-bank financial sector in St. Vincent and the Grenadines ("St. Vincent"). The industry comprises insurance companies and intermediaries, an Association of Underwriters, pension funds plans and the National Insurance Services. The focus of this report however, is on private insurance companies which offer services to individuals as protection against financial loss, Association of Underwriters, insurance intermediaries and pension fund plans.

Private insurance companies can be divided into two groups, namely; long-term insurance or life insurance and short-term insurance or motor and general insurance. The insurance industry in St. Vincent is comprised of two (2) types of insurers, namely:

1. Indigenous or domestically incorporated companies; and
2. Companies incorporated in CARICOM countries and operating through local agencies/branches.

The market is however dominated by branches/agencies of CARICOM-based insurance companies. As at December 31 2021, there remained twenty-four (24) companies registered under Section 8 of the Act, to conduct insurance business in St. Vincent. Of these companies, British American Life Insurance Company Limited ("BAICO") and CLICO International Life Insurance Company Limited ("CLICO") remained under Judicial Management.

There were fourteen (14) insurance companies registered to undertake short-term insurance business. Four (4) of these companies were locally incorporated while the other ten (10) were branches of CARICOM-based/foreign owned companies. Ten (10) companies were registered to undertake long-term insurance business. Of these ten (10), two (2) were registered to write life business only, while the other eight (8) were registered to conduct business in both segments of the market. No new insurance company was registered during the review year.

Table 1: Number of Companies Registered to Transact Insurance Business by Sector/Type of Business as at December 31, 2021

Insurance Class	Number of Companies
Life (only)	2
General	14
Life & General	8
Total	**24**

Source: Insurance Companies and Financial Services Authority

Table 2: Insurers by License Type 2021

Short -Term(only)	Long-Term(only)	Long & Short-Term/ Composite*
Locally Incorporated Metrocint General Insurance Company Ltd. St. Hill Insurance Company Ltd. St. Vincent Insurances Limited West Indian Insurances Ltd. ***Foreign Incorporated*** Beacon Insurance Company Limited Caribbean Alliance Insurance Company Ltd. Sun General Insurance Inc. G.T.M Fire Insurance Company Ltd. Guardian General Insurance Limited Gulf Insurance Limited Island Heritage Insurance Company Ltd. Massy United Insurance M & C General Insurance GK Insurance (Eastern Caribbean) Limited	Demerara Mutual Life Assurance Society Ltd. CUNA Caribbean Insurance Society (OECS) Ltd.	British American Insurance Company Limited** CLICO Int'l Life Insurance Company Limited** Sagicor Life Inc. Guardian Life of the Caribbean Pan American Life of the Eastern Caribbean G.T.M Life Insurance Company Ltd. Scotia Insurance Eastern Caribbean Limited Sagicor Life (EC) Inc.

*Composite include life and health insurance business (with health being considered short term)
**Under judicial management

2.2. Underwriters

Lloyd's Underwriters continue to be the only Association of Underwriters registered to transact reinsurance business in St. Vincent. Although Lloyd's is registered/licensed as an Association of Underwriters, it is regulated and supervised as a general insurance company.

2.3. Insurance Intermediaries

The number of insurance intermediaries registered as at the end of 2021 was one hundred and thirty-eight (138), compared with one hundred and forty-one (141) in 2020. This represented a 2.1 percent decrease in total registered intermediaries. The number of Sales Representatives decreased by 1.7 percent, moving from one hundred and sixteen (116) in 2020 to one hundred and fourteen (114). The number of Agents remained constant at fifteen (15). The number of registered Brokers moved from eight (8) in 2020 to six (6) in 2021. Two brokers namely Colvin Stephen Ollivierre and Risk Management Services Ltd., exited the market and, there was a name change for one broker, namely, Lynch Insurance Brokers (St. Vincent) Ltd. to Lynch Insurance Brokers (SVG) Ltd. The number of Insurance Adjusters increased from two (2) in 2020 to three in 2021 with the registration of The Islands Claims Consultancy Associates Inc. The information on intermediaries is summarized as follows: -

Table 3: List of Registered Intermediaries

Intermediaries	2021	2020	% Change
Sales Representatives	114	116	-1.7%
Agents	15	15	0.0%
Brokers	6	8	-25.0%
Adjusters	3	2	50.0%
Total	**138**	**141**	-2.1%

Source: Financial Services Authority

2.4. Pension Fund Plans

Part VIII of the Act makes provision for the registration of pension plans. Under the Act, all pension plans are required to be registered with the Authority. As at December 31, 2021 there were thirty (30) pension fund plans registered with the Authority. Of those, three (3) were operated by companies that are under Judicial Management, namely; CLICO International Life Insurance Company Ltd. and British American Insurance Company Ltd.

3. Regulation & Supervision of the Insurance Sector

The FSA is the Supervisor of Insurance, as defined by Schedule 6 (6) of the FSA, Act # 33 of 2011. Accordingly, the FSA has full regulatory and supervisory responsibility for the general administration of the Insurance Act.

3.1. Legislative Framework

The regulation of the domestic insurance industry is established under several laws, the principal laws and regulations being:

The Insurance Act Chapter 306 of the Laws of St. Vincent and the Grenadines, Revised Edition 2009 (the "Act");

Under Section 9 of the Act, no person may carry on insurance business in St. Vincent and the Grenadines, unless that person:

(a) is a company, or an association of underwriters, and registered under the Act; and has

(i) made the requisite deposit with the Supervisor of Insurance; and

(ii) filed with the Supervisor of Insurance the names and addresses of one or more persons resident in the state and authorized to accept on behalf of the company service of process in legal proceedings.

The Financial Services Authority Act No. 33 of 2011;

The Proceeds of Crime Act 2013 as amended, the Anti-Money Laundering and Terrorism Financing Regulations 2014 and the Anti-Money Laundering and Terrorism Financing (Amendment) Regulations 2017; and The Anti-Money Laundering and Terrorist Financing Code, 2017.

3.2. Regulatory & Supervisory Framework

The current supervisory framework for the insurance industry is divided into three broad categories; namely licensing, monitoring (offsite supervision and on-site inspection), and enforcement. The initial licensing process (review of application and supporting documentation as to legal compliance and sufficiency, due diligence assessment and issue of licence) is designed to limit entry into the market to fit and proper owners and managers. All domestically licensed entities have free access to the local insurance market without discrimination.

Offsite supervision activities encompass the conduct of prudential meetings and ongoing monitoring and analysis of business and strategic plans, quarterly returns, and annual audited financial statements. Offsite supervision covers both the parent institution and the licensee. It also includes communication with the insurer on a regular basis to discuss their operations, performance and future strategies, ensuring compliance with the various legislation and regulations. Accordingly, the Authority relies on the work of external auditors and actuaries to aid in its assessment.

On-site inspections involve the staff of the FSA visiting the offices of licensees, conducting interviews with senior management, reviewing and assessing the company's operations and risk management processes with respect to legal and regulatory compliance (including AML/CFT), presenting and discussing the inspection findings to the licensee during a planned exit meeting, preparing an internal inspection report, and issuing the final report/external letter indicating the corrective actions to be taken within a reasonable time. The process also includes discussions with the external auditors, members of the board of directors and other stakeholders as may be deemed necessary. The focus of AML/CFT regulation is primarily on ensuring that customer due diligence measures are undertaken, proper compliance functions exist and are effectively carried out and monitoring the level of reporting to the Financial Intelligence Unit. The inspection cycle depends on the nature of the institution's operations and the level of risk assigned based on the risk assessment. The on-site inspection process is used in conjunction with the regular offsite monitoring system that is carried out. As a result, consideration is given to whether there are any issues raised by the offsite monitoring system, which should be addressed during the on-site visit.

The Authority has adopted a risk-based approach to supervising insurance institutions which fall under its regulation. In this regard, a risk assessment matrix and report of each institution is completed annually and updated on a quarterly basis. Using the risk-based framework allows the Authority to detect problems at an early stage and take regulatory action on a timely basis. If an entity fails, the risk-based framework seeks to ensure that it either returns to compliance or it exits the market. This approach is efficient and flexible since it takes into consideration the nature of business activities and the extent of risks within each licensee. It seeks to profile the risks faced by licensees so that supervision can be better targeted at areas and institutions where overall risks are higher, that is, assessing the risk profiles of a regulated entity in order to develop supervisory activities and apply resources commensurate with that level of risk. Licensees rated as high-risk can expect increased monitoring from the Authority.

3.2.1 Prudential Guidelines

The FSA has also issued Guidelines to clarify how certain provisions of the Insurance Act are to be applied. All Guidelines, prior to implementation, are subject to an appropriate consultation process with the insurance sector, including the local Insurance Association, to ensure that supervisory objectives are understood by key stakeholders in the regulatory environment.

In 2021, Guidance Note No. 10 on Risk Management and Internal Controls for Insurance Companies were issued pursuant to Section 10 of the Financial Services Authority Act.

Below is a list of Guidelines that the FSA has issued to the insurance and pensions sector on relevant compliance matters.

1. Guidance Note No. 1 - Role of the Principal Representative- Issued December 1, 2014. Amended June 30, 2022.
2. Guidance Note No. 2 - Insurance Intermediaries - Issued December 1, 2014.
3. Guidance Note No. 3 - The Establishment and maintenance of Insurance Funds - Issued December 5, 2015.
4. Guidance Note No. 4 - Registration of a Private Pension Plan and a Pension Plan Amendment - Issued: September 12, 2016.
5. Guidance Note No. 5 - Reporting Requirements for Pension Fund Plan - Issued: September 12, 2016.
6. Competency Standard for insurance intermediaries - Issued: September 14, 2017.
7. Guidance Note No. 7 - Complaints Handling for Insurance Entities - Issued: September 14, 2017.
8. Guidance Note No. 8 - Business Continuity Management for Insurance Companies - Issued: December 11, 2019.
9. Guidance Note No. 9 - Reinsurance Arrangements and Sound Practices and Procedures - Issued: July 15, 2020.
10. Guidance Note No. 10 - On Risk Management and Internal Controls for Insurance Companies - Issued: October 7, 2021.

3.3. Prudential Regulatory Requirements of Insurers

3.3.1. Statutory Deposit

Section 22 of the Act states that no insurer shall be registered to carry on and may not carry on any class of insurance business unless the appropriate amount specified has been deposited with the Supervisor of Insurance. A deposit shall be in the form of cash or prescribed securities or partly in one and partly in the other. The appropriate deposits are as follows:

Long Term Insurance Business	$500,000.00
Motor Vehicle Insurance Business	$500,000.00 or an amount equal to thirty per centum of the gross premium income in respect of motor vehicle insurance business, whichever is greater.
General Insurance Business	$200,000.00 or an amount equal to thirty per centum of gross premium income in respect of general insurance business, whichever is greater.

Listed hereunder are the deposits held by the Authority on behalf of insurance companies as at December 31, 2021.

Table 4: Statutory Deposit held by the Authority

Deposit Rquirement at Fiscal Year End	Actual Deposit as at Report Date			Deposit Excess (Deficiency)
	Government Securities	Cash	Total Deposit	
15,729,556	16,263,382	22,298,404	38,561,786	22,832,229
9,794,734	4,096,280	8,752,676	12,848,955	3,054,221
25,524,290	20,359,661	31,051,080	51,410,741	25,886,451

Source: Insurance Companies and Financial Services Authority

From the table above, it can be seen that total assets pledged to the Authority exceeded the deposit requirement of the insurance industry as a whole, as at the end of December 2021. In certain instances, some companies have increased their statutory deposit beyond the required amount in order to satisfy their Insurance Fund (“the Fund”) requirement.

3.3.2. Insurance Fund

Section 29 of the Act states that every company shall in respect of each class of business being transacted, establish an Insurance Fund equal to its liabilities and contingency reserves in respect of policies in the State in that class of business as established by the revenue account of the company, less the amount held on deposit with the Supervisor. Within four months (4) months of the end of each financial year, a company shall place in trust the assets of its long-term Insurance Fund and of its motor vehicle Insurance Fund, as the case may be.

The Insurance Fund provides access to assets in the event of a company's demise and is used as regulatory capital to provide a buffer for insurance liabilities and to support the overall quality of assets on the insurers' balance sheet.

As at December 31, 2021, total liabilities and contingency reserves of all insurance companies (excluding those under judicial management) amounted to approximately EC$118.0m. Total assets pledged or identified by those companies for inclusion in their Insurance Fund as at December 31, 2021 was approximately $126.5m or 107.2 percent of insurance liabilities. The FSA continues to work with all insurance companies to ensure that they satisfy this statutory requirement with respect to their Insurance Fund as well as that of the Statutory Deposit. Accordingly, where shortfalls exist, companies are required to satisfy the deficiency within the shortest possible timeframe and this is closely monitored by the Authority.

In addition, the Insurance Fund and statutory deposits are monitored quarterly using the quarterly returns.

3.4. Supervision

As part of its statutory functions, the FSA monitors the insurance companies to ascertain the safety and soundness of their operations. In addition to meeting the requirements for registration, the application screening process requires analysis of the company's capital structure, premiums written, cost of insurance benefits and burden of losses. All companies' statutory returns are also monitored for solvency, to ensure financial soundness of the sector.

During 2021, the FSA continued the application of a risk-based supervisory framework. The framework provides a structured approach for understanding and assessing key risks inherent in an institution's activities, whether its risk management processes (i.e., identification, assessment, measurement, monitoring, control, mitigation and reporting of risks) are adequate in the context of the key risks and whether its earnings, capital and liquidity are sufficient to enable it to support its risk profile and withstand unexpected shocks. The FSA has a supervisory framework for offsite or desk monitoring and on-site examinations. Insurance companies are subject to an annual offsite risk assessment based on the annual returns and audited financial statements for the year end. Accordingly, as at the end of December 2021, four (4) risk assessments reports and matrices were prepared, no on-site examination were conducted due to the continued restrictions of Covid-19, however three (3) prudential meeting with insurers were conducted to ensure that required actions arising out of the previous examinations were addressed/implemented and to ensure ongoing regulatory compliance. The prudential meetings are used as an alternative to on-site examinations where companies are rated as low risk, based on internal assessments.

The FSA will continue to enhance its supervisory and regulatory regime by identifying and responding to new and emerging risks through integration of a macro-prudential framework in conjunction with the current risk-based supervisory approach. In addition, the FSA will also continue to work with all insurance companies to strengthen their corporate governance and risk management practices, capital and internal controls and compliance with regulatory requirements.

3.4.1 Impact of the COVID-19 pandemic and explosive eruptions of La Soufrière volcano

The impact of the COVID-19 pandemic and explosive eruptions of the La Soufrière volcano was not as significant for the insurance sector as for deposit taking institutions. Notwithstanding, as a result of persons being laid off from work (particularly in the tourism/hospitality sector) some companies reported cancelation of insurance policies, delinquency in premium payments resulting in a slight increase in lapse rate, particularly with over-the-counter mode of payment. In addition, there were requests from customers for payment plans.

In terms of the volcanic eruptions, although the island was severely impacted by ashfall, the damage to infrastructure was not widespread or significant. Most of the affected infrastructure was in the Red Zone, i.e., the north eastern and north western extremities of the island. Historically, many houses in those areas are built with sweat equity and have no mortgage indebtedness, which requires mandatory property insurance. Thus, many of those houses are uninsured.

The negligible increase in claims as a result of the volcanic eruption, is directly correlated to the low insurance penetration ratio for property insurance as a whole in St. Vincent and the Grenadines. With an average national penetration ratio of approximately 3.2% in the general/property and casualty insurance market, it can also be concluded that the majority of properties in those areas are uninsured.

3.5. Capital Adequacy & Solvency

Solvency, both as an economic requirement in the market and as a regulatory and supervisory tool, is critical to the insurance sector and underpins the prospect for insurers to contribute effectively to financial sector development. One of the principal aims of insurance supervision is the protection of the interest of the policyholders through a properly managed and financially sound insurance sector. Consequently, it is necessary that insurance companies have appropriate capital adequacy and solvency regimes in place so that the benefits of the claimants and policyholders are secured.

The solvency standards as outlined in the Act state that a company is insolvent if for:

Long Term Insurance Business	the value of its liabilities exceeds its assets;
Short-term Insurance Business	the excess of assets over liabilities is less than the greater of five hundred thousand dollars or twenty percent of its premium income in its last financial year;
Long-term and short-term Insurance Business	its total assets over its total liabilities is less than five hundred thousand dollars or twenty percent of its premium income with respect to its short-term business in its last financial year.

The FSA monitors the solvency position of each company quarterly and annually based on the returns for the same periods. As at December 31, 2021, all companies satisfied the solvency standards as outlined above. The capital of each company was adequate as most companies' capital tend to be permanent and include share capital.

4. Long-Term Insurance Business

BAICO and CLICO continued under Judicial Management and did not conduct any new business during the year under review. Accordingly, data as at the reporting period was not available for these two companies. The table below illustrates the types of businesses transacted by long-term insurance companies during 2021: -

Table 5: Long-term Insurance Companies by Class of Business

Companies	Type of Business				
	Ordinary Life	Group Life	Annuities & Pensions	Accident & Sickness	Others
Pan- American Life Insurance Co.	*	-	-	*	*
British American Life Insurance Co.	*	*	*	*	*
CLICO International Life	*	*	*	-	-
Demerara Mutual Life Insurance Co.	*	-	-	-	-
Guardian Life of the C'bean	*	*	-	*	-
GTM Life Insurance Co.	*	*	-	*	-
Sagicor Life EC	*	*	*	-	-
Sagicor Life Inc.	*	*	*	-	-
Scotia Life of the Eastern Caribbean	*	-	-	*	*
CUNA Caribbean Insurance OECS Ltd	*	-	-	-	-

* Business Written
** Others are small amounts of premiums that do not fall under the other major categories for example industrial life insurance etc. The amount of premiums under this section tends to be very small.

4.1. Analysis of Revenue Account

Table 6: Long-term Insurance Companies- Summary of Revenue Account

INCOME STATEMENTS	2021	2020	2019	2018	2017
Net Premiums written	29,208,000	28,305,000	36,921,000	21,943,000	21,658,000
Investment Income	6,750,000	6,762,000	7,584,000	3,983,000	6,692,000
Reinsurance commissions	144,000	291,000	325,000	340,000	305,000
Other Revenue	839,000	756,000	762,000	572,000	409,000
Total Revenue	**36,941,000**	**36,114,000**	**45,592,000**	**26,838,000**	**29,064,000**
Claims	6,234,000	7,984,000	4,327,000	3,520,000	3,631,000
Annuity Payments	2,152,000	2,659,000	1,978,000	1,937,000	1,580,000
Policy surrenders	5,987,000	5,549,000	5,015,000	5,507,000	4,873,000
Change in insurance, annuity and deposit administration fund provisions	8,085,000	5,956,000	15,406,000	1,709,000	505,000
Interest on policy holder amounts	970,000	887,000	794,000	938,000	938,000
Other policy holder benefits	1,145,000	364,000	573,000	381,000	541,000
Total Policy Holder benefits	**24,573,000**	**23,399,000**	**28,093,000**	**13,992,000**	**12,068,000**
Commission Expense	4,176,000	4,134,000	3,673,000	3,829,000	3,986,000
Management expenses	9,771,000	9,270,000	9,433,000	7,588,000	7,618,000
Other Expenses	1,318,000	1,086,000	1,543,000	1,029,000	939,000
Total expenses	**39,838,000**	**37,889,000**	**42,742,000**	**26,438,000**	**24,611,000**
Net Income before tax	**(2,897,000)**	**(1,775,000)**	**2,850,000**	**400,000**	**4,453,000**
Tax	174,000	162,000	232,000	114,000	120,000
Net Income after tax	**(3,071,000)**	**(1,937,000)**	**2,618,000**	**286,000**	**4,333,000**

Source: Insurance Companies and Financial Services Authority

4.1.1. Premium Income

In this segment of the market, net premium income generated in 2021 amounted to $29.2m. There was an increase of approximately $0.9m or 3.2 percent, when compared with the previous year. Of this amount, premiums for individual life accounted for 80.0 percent while group life and annuities accounted for 6.8 and 6.3 percent respectively.

Figure 1: Net Premium - Long-term Insurance Companies 2021

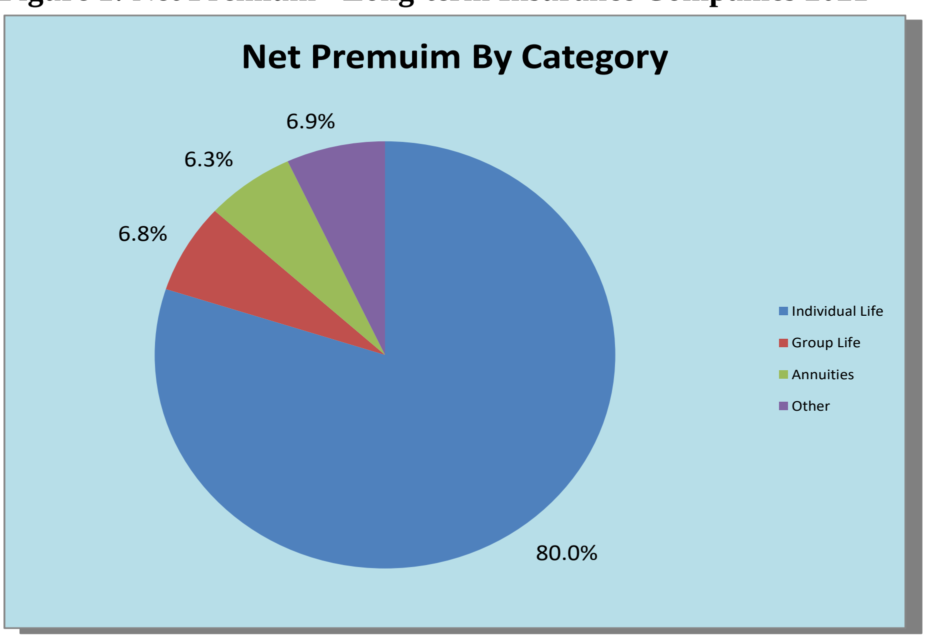


Table 7: Long-term Insurance Companies - Net Premium by Category (EC$)

Years	Individual Life	Group Life	Annuities	Other	Total
2021	23,362,000	1,982,000	1,836,000	2,028,000	29,208,000
2020	22,803,000	1,657,000	2,657,000	1,188,000	28,305,000
2019	22,828,000	1,488,000	11,568,000	1,037,000	36,921,000
2018	17,195,000	2,304,000	1,734,000	710,000	21,943,000
2017	15,800,000	1,787,000	3,232,000	839,000	18,475,000

Source: Insurance Companies and Financial Services Authority

4.1.2. Expenses of Life Insurers

Total expenditure for life insurers amounted to $39.8m in 2021, increasing by 5.1 percent compared with $37.9m in the previous year. A major expense item for life insurers is policyholders' benefit, which accounted for 61.7 percent of total expenditure, followed by management expenses and commission expenses with 24.5 and 10.5 percent respectively.

4.1.3. Policyholder Benefits

Policyholder Benefits for the period under review amounted to $24.6m, and represented 61.7 percent of total expenses or an increase of 5.0 percent compared with the previous year. Of mention is the significant increase of 35.7 percent in annuity and deposit administration fund provisions when compared with the previous year. The table below shows the breakdown of policyholder's benefits: -

Table 8: Policyholder Benefits - Long-term Insurance Companies 2020-2021 (EC$)

Total Policy Holder benefits	2021	2020
Claims	6,234,000	7,984,000
Annuity Payments	2,152,000	2,659,000
Policy surrenders	5,987,000	5,549,000
Change in insurance, annuity and deposit administration fund provisions	8,085,000	5,956,000
Interest on policy holder amounts	970,000	887,000
Other policy holder benefits	1,145,000	364,000
Total Policy Holder benefits	**24,573,000**	**23,399,000**
Total Expenses	**39,838,000**	**37,889,000**

Source: Insurance Companies and Financial Services Authority

4.1.4. Reinsurance

Life insurance companies traditionally reinsure only a small portion of their insurance business. Table 9 shows the extent of reinsurance within the long-term insurance segment. In 2021, of the total premiums collected, $1.2m was ceded to reinsurers, representing a retention ratio of 96.2 percent compared with 92.8 percent in 2020.

Table 9: Retention Ratio- Long-term Insurance Companies 2021

Years	Gross Premium	Ceded Premium	Net Premium	Retention Ratio
2021	30,363,000	1,155,000	29,208,000	96.2%
2020	30,497,000	2,192,000	28,305,000	92.8%
2019	39,213,000	2,292,000	36,921,000	94.2%
2018	24,227,000	2,284,000	21,943,000	90.6%
2017	23,965,000	2,307,000	21,658,000	90.4%

Source: Insurance Companies and Financial Services Authority

Table 10 shows the percentage of premiums reinsured by number of companies. As can be seen, only two (2) companies reinsured more than 10% of their life business.

Table 10: Reinsurance - Long-term Insurance Companies 2021

	Long-term Insurance		
Percentage Reinsurance	No. of Companies	Reinsurance Amount	Market Share %
More than 10%	2	411,000	41.5%
From 6%-10%	0		0.0%
From 1%-5%	3	567,000	57.3%
Less than 1%	1	12,000	1.2%
Zero %	1	0	0.0%

Source: Insurance Companies and Financial Services Authority

4.2. Analysis of Balance Sheet

4.2.1. Financial Position of Long-term Companies

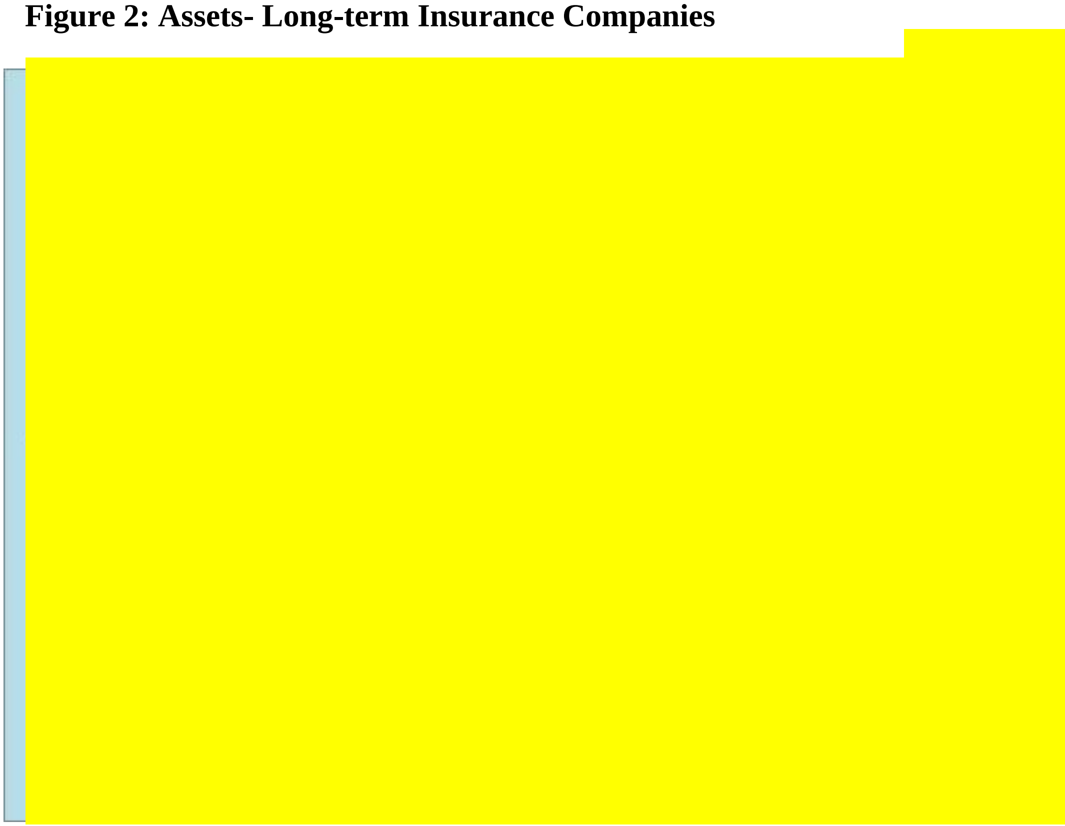
As at December 31, 2021, the total assets, including statutory deposits for companies registered to conduct long-term insurance business stood at $195.0m, up from $184.2m, at the end of 2020 or an increase of 5.8 percent. Government securities accounted for 42.9 percent of total assets, (up from the previous year’s 40.7 percent) while cash and deposits accounted for 23.7 percent (slightly down from the previous year’s 24.7 percent).

Table 11: Financial Position of Long-term Companies (EC$)

Year	Assets	Liabilities	Equity
2021	194,957,000	149,095,000	45,859,000
2020	184,241,000	140,655,000	43,586,000
2019	168,165,000	126,060,000	42,105,000
2018	139,400,000	114,610,000	24,787,000
2017	127,314,000	103,478,000	23,838,000

Source: Insurance Companies and Financial Services Authority

Figure 2: Assets- Long-term Insurance Companies



Liabilities increased to $149.1m in 2021, up from $140.7m in 2020. Life Insurance and Annuity Provisions was the largest component of liabilities, accounting for 62.2 percent of the total, followed by Deposit Administration Fund representing 19.1 percent.

Equity increased by 5.2 percent to $43.6m in 2021, up from $43.6m in 2020. The category of Head Office Account was the largest component of equity accounting for 48.7 percent of the total capital, followed by Reserves representing 41.0 percent, while Retained Earnings represented 10.3 percent.

4.2.2. Investments

Total Cash and Investments held by long-term insurance companies as at December 31, 2021 amounted to $165.7m, an increase of 8.2 percent compared with $153.2m in 2020. Shares recorded the largest increase of 31.9 percent, while Government Securities, Policy Loans and Cash and Deposits increased by 12.2 percent, 2.4 percent and 2.3 percent respectively. Company bonds and debentures and other investments decreased by 100 percent and 50 percent respectively. The investment portfolio for Long-term Companies remained conservative, with the majority of investments held in Government Securities (50.5 percent) and Cash and deposits (27.9 percent). Details of investments are given below.

Table 12: Details of Investment- Long-term Insurance Companies 2021 (EC$)

Type of Investments	2021	2020	% change
Cash and Deposits	46,296,000	45,240,000	2.3%
Government Securites	83,667,000	74,587,000	12.2%
Company Bonds and Debentures	-	572,000	-100.0%
Secured Loans	5,979,000	6,015,000	-0.6%
Shares	13,986,000	10,602,000	31.9%
Investments in Related Parties	1,008,000	1,008,000	-
Policy Loans	14,072,000	13,744,000	2.4%
Other Investments	700,000	1,400,000	-50.0%
Total Cash and Investments	**165,708,000**	**153,168,000**	**8.2%**
Total Assets	**194,957,000**	**184,241,000**	**5.8%**

Source: Insurance Companies and Financial Services Authority

5. General Insurance Business

The table below illustrates the types of business transacted during 2021 by companies registered to conduct general insurance business in St. Vincent and the Grenadines.

Table 13: General Insurance Companies by Class of Business

Companies	**Type of Business**				
	Motor	**Property**	**Marine Transport & Aviation**	**Employers Liability**	**Others**
Locally owned					
Metrocint General Insurance Co. Ltd	*	*	*	*	*
St. Hill Insurance Co. Ltd.	*	*	*	*	*
St. Vincent Insurances Ltd.	*	*	*	*	*
West Indian Insurances Ltd.	*	*	-	-	*
Foreign-owned					
The Beacon Insurance Company Limited	*	*	*	*	*
Caribbean Alliance Insurance Co Ltd.	*	*	*	*	*
Sun General Insurance	*	*	*	*	*
G.T.M Fire Insurance Company Limited	*	*	-	-	-
Gulf Insurance Limited	*	*	*	*	*
Massy United Insurance	*	*	*	*	*
Island Heritage Insurance Company	-	*	-	*	*
Guardian General Insurance Ltd.	*	*	*	*	*
M & C General Insurance Co. Ltd.	*	*	*	*	*
Pan- American Life Insurance Company of the Eastern Caribbean Ltd.	-	-	-	-	*
British American Insurance Company Limited	-	-	-	-	* -
Guardian Life of the Caribbean Limited	-	-	-	-	*
CLICO International Life Insurance	-	-	-	-	*
Sagicor Life Inc.	-	-	-	-	*
GTM Life Insurance Company	-	-	-	-	*
Scotia Insurance Eastern Caribbean Limited	-	-	-	-	*
GK Insurance (Eastern Caribbean) Limited	*	*	*	*	*
Sagicor Life Eastern Caribbean Inc..	-	-	-	-	*

Source: Insurance Companies and Financial Services Authority

**Other is small amounts of premium that does not fall under the other major category such as pecuniary loss etc. The amount of premium under this section tends to be very small.

5.1. Analysis of Revenue Account

Total income in the short-term insurance sector amounted to $36.2m in 2021, an overall increase of 12.4 percent compared to the previous year. Gross premium income increased by 10.4 percent while reinsurance ceded decreased by 5.1 percent. Other income decreased by over 400 percent moving from $1.1 m in 2020 to $-4.0m in 2021.

Table 14: Income of Short-term Insurance Companies 2017-2021 (EC$)

	2021	2020	2019	2018	2017
INCOME	$	$	$	$	$
Gross Premium	77,809,684	70,455,701	68,329,395	65,469,974	59,655,826
Less: Reinsurance/Ref	37,452,732	39,480,492	36,856,237	33,160,648	30,609,377
Net Premium	**40,356,952**	**30,975,209**	**31,473,158**	**32,309,326**	**29,046,449**
Change in Reserves	(182,163)	147,948	(30,668)	(2,047,210)	(927,950)
Other Income	(3,976,766)	1,071,412	2,165,684	679,182	1,439,546
Total Income	**36,198,023**	**32,194,569**	**33,608,174**	**30,941,298**	**29,558,045**

Source: Insurance Companies and Financial Services Authority

5.1.1. Gross Premium

Gross premium income for this segment of the market totaled $77.8m in 2021, an increase of 10.4 percent when compared with the 2020 figure of $70.5m. Massy United Insurance continued to be the market leader in general insurance with a 21.8 percentage market share, increasing from the 15.9 percentage market share held in 2020. St. Vincent Insurances Ltd., followed with 10.6 percent and Caribbean Alliance with 8.1 percent. The table below provides details.

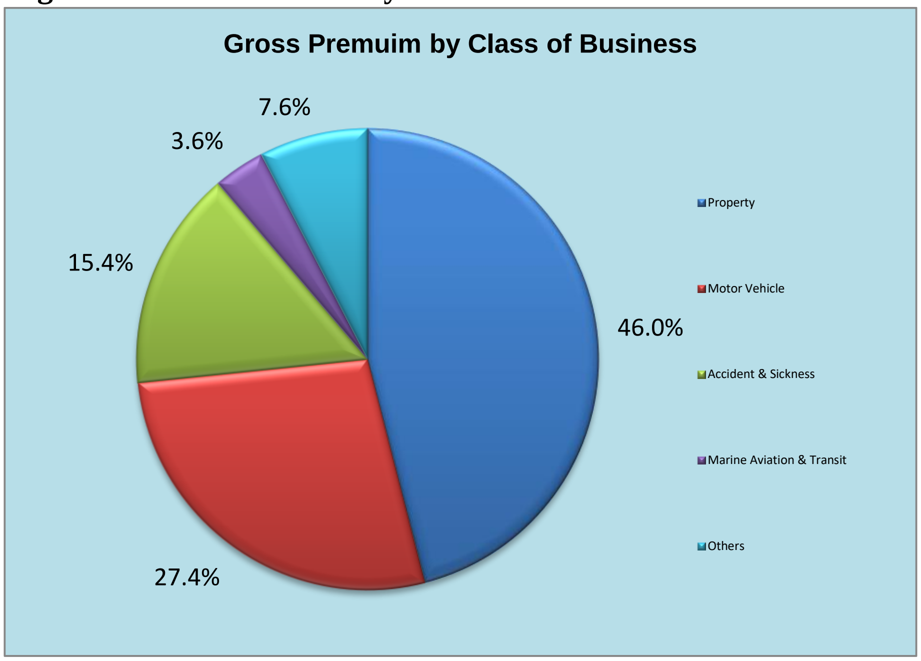
Table 15: Gross Premium Written - Short-term Insurance Business 2020-2021 (EC$)

	2021	2020
Short-Term Insurance Companies	**Market Share**	**Market Share**
Massy United Insurance	21.75%	15.9%
St. Vincent Insurances	10.62%	11.4%
Caribbean Alliance	8.08%	9.4%
Metrocint General	7.86%	8.6%
Beacon Insurances	7.11%	7.3%
St. Hill Insurance Co. Ltd	5.90%	6.8%
Guardian General	7.61%	6.8%
Sun Gen. Ins.	3.76%	5.8%
West Indian Insurances	5.47%	6.9%
M & C General	4.62%	5.0%
Sagicor Life EC	8.23%	8.7%
Sagicor Life Inc	0.00%	0.0%
Guardian Life of the Caribbean	2.85%	2.2%
G.T.M Fire & General	2.35%	2.1%
Island Heritage Insurance	1.02%	0.1%
Pan-American life	1.11%	1.1%
Gulf Insurance	0.80%	0.9%
GTM Life	0.36%	0.5%
GK Insurance	0.50%	0.6%
Total	**100.0%**	**100.0%**

Source: Insurance Companies and Financial Services Authority

The largest component of the short-term insurance gross premium was the property portfolio, which accounted for 46.0 percent, followed by motor vehicle 27.4 percent and the Accident & Sickness with 15.4 percent.

Figure 3: Gross Premium by Class of Business 2021



5.1.2. Reinsurance

Reinsurance plays a crucial role in preserving the financial soundness of general insurers and forms a vital part of their risk transfer strategy. It is also an important risk management tool which can be used to reduce insurance risks and the volatility of financial results, stabilize solvency, make more efficient use of capital, better withstand catastrophic events and increase underwriting capacity. Table 16 shows the extent of reinsurance within the short-term insurance segment. In 2021, $37.5m was ceded to reinsurers in the short-term segment, representing a retention ratio of 51.9 percent compared with 44.0 percent in 2020.

Table 16: Retention Ratio- Short-term Insurance Companies 2021 (EC$)

Years	Gross Premium	Ceded Premium	Net Premium	Retention Ratio
2021	77,809,684	37,455,732	40,353,952	51.9%
2020	70,455,701	39,480,492	30,975,209	44.0%
2019	68,329,395	36,856,237	31,473,158	46.1%
2018	65,469,974	33,160,648	32,309,326	49.3%
2017	59,655,826	30,609,377	29,046,449	48.7%

Source: Insurance Companies and Financial Services Authority

5.2. Analysis of Balance Sheet

5.2.1. Financial Position of Short-term Companies

As at December 31, 2021, total assets for companies registered to conduct motor and general insurance business only, stood at $115.5m, an increase of 4.0 percent over the 2020 figure of $111.0m. Liabilities increased by 12.4 percent, while equity decreased by 6.6 percent. All of the companies recorded positive equity. Eleven (11) of the fourteen (14) companies recorded equity greater than $1.0 million.

Table 17: Financial Position of Short-term Companies in St. Vincent & the Grenadines

	Assets	Liabilities	Equity
Years	EC$	EC$	EC$
2021	115,460,478	69,372,160	46,089,317
2020	111,027,998	61,699,532	49,327,466
2019	112,794,838	58,035,655	54,761,183
2018	105,517,789	54,883,633	50,631,156
2017	104,816,093	49,246,030	55,570,063

Source: Insurance Companies and Financial Services Authority

6. Specific Insurance Market Indicators

6.1 Insurance Penetration

The insurance industry is an important source of financing in many economies, including St. Vincent, and insurance companies invest in significant amounts of long-term bonds and other securities. Insurance penetration ratios measure the level of insurance market development relative to the size of the economy. The table below demonstrates that there was an improvement in the insurance penetration ratio in the short-term sector, while the long-term segment of the market saw a slight decrease in 2021. The overall ratio also decreased by 0.1 percent during 2021. A decreasing insurance penetration ratio indicates that the growth in insurance premiums was lower than the growth in national GDP. Lower insurance penetration ratios are characteristic of lower levels of economic development, which may have resulted in a lower demand for insurance cover.

Table 18: Insurance Companies Premium to GDP

	2021	2020	2019	2018	2017
GDP at market prices (EC$M)	2,411	2,197	2,283	2,191	2,124
Insurance Market					
Gross Premiums (EC$M)	108.2	101.0	107.5	89.7	83.6
Gross Premium/GDP ratio (%)	4.5	4.6	4.7	4.1	3.9
Long-Term Insurance					
Gross Premiums (EC$M)	30.4	30.5	39.2	24.2	24.0
Gross Premium/GDP ratio (%)	1.3	1.4	1.7	1.1	1.1
Short-Term Insurance					
Gross Premiums (EC$M)	77.8	70.5	68.3	65.5	59.7
Gross Premium/GDP ratio (%)	3.2	3.2	3.0	3.0	2.8

Source: Insurance Companies and Financial Services Authority

6.2 Loss/Claims Ratio

In the insurance industry, claims have historically been the largest component of insurance expenditure. The claims ratio is a very reliable indicator of underwriting performance particularly for general insurers. The claims/loss ratio represents, as a percentage, the proportion of annual claims paid by an insurer in comparison to the premiums received. While there is no set standard of acceptable range, lower loss ratios indicate better underwriting performance.

In the short-term insurance segment of the industry, the claims/loss ratios are typically higher given the nature of the business and the levels of claims. The loss ratio has fluctuated over the review period. However, the ratio has been gradually declining from its highest of 57.3 percent in 2019, to 47.1% in 2021, which is indicative of an improvement in the performance of the sector. The table below provides details for a five-year period.

Table 19: Loss Ratio-Short-term Insurance 2021 (%)

Year	Net Premuim Earned	Net Claims	Claims Ratio
2021	40,539,115	19,111,590	47.1
2020	31,123,157	15,442,818	49.6
2019	31,442,490	18,028,671	57.3
2018	30,262,116	16,474,926	54.4
2017	28,118,499	15,611,940	55.5

Source: Insurance Companies and Financial Services Authority

The loss ratio for the long-term insurance sector has also fluctuated over the past 5 years ranging from as low as 11.0 percent in 2019 and increasing to as high as 26.2 percent in 2020. The ratio currently stands at 21.3 percent, decreasing 4.9 percentage points from the previous year. The table below summarizes this information.

Table 20: Loss Ratio- Long-term Insurance 2021 (%)

Year	Net Premium	Net Claims	Loss Ratio
2021	29,208,000	6,234,000	21.3
2020	30,497,000	7,984,000	26.2
2019	39,213,000	4,327,000	11.0
2018	24,227,000	3,520,000	14.5
2017	23,965,000	3,631,000	15.2

Source: Insurance Companies and Financial Services Authority

7. Pension Fund Plans

The legislative framework governing the regulation and supervision of pension funds in St. Vincent is outlined in Part VIII of the Insurance Act. This provides for the registration of private pensions and regulatory submissions of annual accounts and triennial actuarial valuations. Accordingly, the FSA has been involved in the registration process, collection of fees and maintenance of a registration database. Currently, the offsite supervision is limited to the review of financial statements and actuarial reports.

The regulation and supervision of pension fund plans continue to be an important part of building public confidence in a funded-pension system. In a continued effort to strengthen the supervision of the pension sector, follow-ups on the areas of concerns and deficiencies identified during prudential meetings held with each individual pension plan were conducted during the year. Additionally, the FSA continues to implore upon the trustees, the importance of the timely submission of the audited financial statements in order to enhance the supervisory methodology for the registered plans.

This sector will continuously be assessed to ensure effective supervision and compliance with applicable legislation and guidelines.

7.1. Registered Entities

As at the end of December 2021, there were thirty (30) private pension plans registered with the FSA. One plan was wound up during the year.

7.2. Reporting Requirements

Sections 180 and 181 outline the reporting requirements for pension plans. Pursuant to Section 180, trustees of registered plans are required to submit to the supervisory authority, the audited balance sheet and statement of accounts for each accounting year, in the format set out in Schedule 5 of the Act. The accounts are to be submitted within six (6) months of the expiration of the accounting year. In addition, pension plans are required to submit actuarial reports every three years.

8. Concluding Remarks

The FSA will continue its supervision of the insurance and pensions sectors, as mandated by governing legislation under both the Insurance Act and the FSA Act, and in keeping with international standards and best practices. Such supervision will include but will not be limited to the off-site and on-site surveillance of the sectors through the review of annual and quarterly returns, actuarial reports, preparation of risk assessment reports and the conduct of on-site examinations. In addition, the FSA continues to provide guidance to the insurance and pensions sectors through issued guidelines to promote and maintain high standards of conduct and management in the provision of insurance and pension services. During the year, guidance notes on Risk Management and Internal Controls for Insurance was issued to the sector.

The FSA continues to enhance its supervisory and regulatory regime by identifying and responding to new and emerging risks through a macro-prudential approach to regulation in conjunction with the current risk-based supervisory approach. The FSA will also continue to work with all insurance companies to strengthen their corporate governance and risk management practices, capital adequacy and internal controls and compliance with regulatory requirements. The FSA recognizes that the overall effectiveness of its function heavily hinges on the collaboration and cooperation with the regulated entities. To this end, the FSA is committed to continually improving communication with licensees to achieve its stated objectives.

The ongoing overall objective of the regulation and supervision of these sectors is to promote sound and prudential management, compliance with legislative requirements and best practices, as well as financial stability at both the micro and macro level, in the best interest of all policy holders, subscribers and the public of St. Vincent and the Grenadines.