The Premium

VOLUME 3 – 2019

Trinidad and Tobago insurance trends and analysis

EY

Building a better working world

Contents

THE PREMIUM
VOLUME 3 – 2019

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

This publication is intended to provide an analysis and overview of key trends in the Trinidad and Tobago insurance industry. It is to provide insight into the industry and is not intended as an absolute measure of individual performance.

Ernst & Young Services Limited ("EY") wishes to emphasize that the data used in this publication is based solely on information provided by the participating members of ATTIC. EY did not verify the accuracy, reliability or completeness of the information provided and have no responsibility for doing so.

ATTIC's year in review

Written by Paul Traboulay
President – ATTIC

Gross written premiums (GWP) reported by the general insurance sector members increased by 3.2% in 2018. This growth was led by the property class of business which grew by 8.7% and was offset by a 1.0% decrease in motor and other classes of business. Generally competitive pricing and the direct placement of business in overseas markets would have negatively impacted premium growth. The general insurance sector's risk retention at 47.6% remained relatively consistent with the preceding 4 years, while the combined ratio at 82.1% translated into 6.6% adverse change over the corresponding period. This year's underwriting results were 3.5% of GWP which represents a significant decline from previous years (from 8.5% in 2017).

Growth in life and pensions GWP (excluding unit linked products) was 1.8% while health GWP declined by 5.5%. The protracted low-yield environment is negatively impacting the capital position of those companies with products offering long-term guaranteed returns. Matching the duration of investment portfolios with the duration of liabilities in a market with limited permissible and available assets will continue to be a challenge that will only be heightened moreso with the capital adequacy provisions of the new Insurance Act.

The local insurance market is concentrated on areas of risk which in the traditional present economy offers little or no opportunity for growth. Digital technologies may however present increased opportunities for both growth and greater efficiencies by supporting expansion into non-traditional areas of risk with new products, new ways of servicing customers on a more personal level and the seamless alignment of back and front office operations. However, the pace with which these changes must be accelerated must be recognized and embraced by all stakeholders and the ever evolving risk of cybersecurity cannot be ignored.

LEGISLATION

In the 2019/20 Budget presentation, the Minister of Finance stated that a methodology for taxing life companies had been determined and appropriate amendments will be made to the Corporation Tax Act. Life members were consulted by the Ministry of Finance on a replacement for the current basis of taxing and are generally in agreement with the suggested proposal which would allow for the proclamation of the Insurance Act 2018. However, we expect that work will still need to be done and stand ready to continue the collaboration with the Ministry of Finance.

It should be noted that IFRS 17 (insurance contracts), which takes effect from 1 January 2022, goes beyond financial reporting to encompass actuarial valuation, asset/liability management and risk management. This will present significant financial, operational and administrative challenges and insurers must invest time and capital in systems, processes and controls to successfully implement this new standard. ATTIC is currently engaged with the Regulator and other key stakeholders to assure that there is an appreciation of the implications of the proposed standard and to facilitate a degree of convergence in regulatory, financial and tax reporting standards in the future.

The Proceeds of Crime (Amendment) Act ("POCA") passed in December 2018 has inter-alia amended the definition of a financial institution in as far as it relates to insurers and brokers registered under the Insurance Act. Under the revised definition, certain insurers and intermediaries may no longer be obliged to maintain a formal compliance programme required by POCA and the Financial Obligation Regulations 2010. The Regulator has issued amended Guidelines based on this legislative change some of which General Insurance members are seeking to have clarified.

ATTIC proposes to lobby for amendments to certain provisions in the Motor Insurance (Third Party Risk) Act. A recent Court of Appeal's decision favoured third party litigants who sustained injuries while travelling in a private vehicle used for hire (which under the terms of the policy was effectively uninsured) and who brought action against one of our members.

This is of concern to the industry since it counters generally acceptable and established reserving and pricing methodologies as well as established principles of insurance law and practice. The industry is also of the view that the still to be implemented Motor Vehicles Accident Fund which was created to compensate third party victims of uninsured drivers/vehicles should not be allowed to languish further.

Trinidad and Tobago is still rated as non-compliant by the OECD as regards the Global Forum on Transparency and Exchange of Information for Tax Purposes. At the time of writing we understand that there are a number of Bills including the

Income Tax amendment Bill 2019, Mutual Administrative Assistance on Tax Matters Bill 2018, and Tax Information Exchange Agreement Bill 2018 which are under consideration by Parliament. We expect that enactment will enable the country to meet the expected standards required by the Global Forum, hopefully at the next review stage.

RISKS EXPOSURES

Trinidad and Tobago is not insulated from the impact of climate change and shifting weather patterns, and the Insurance industry must therefore re-assess its underwriting practices, its operational readiness and its socio-economic role. Flooding in particular, is more frequent and severe and can be attributable to changing climatic and weather patterns. However the direct impact of inadequate or ineffectual flood containment infrastructure, human activity, and the non-enforcement of planning rules are rendered obvious on an almost daily basis in the rainy season. In 2018, a survey of our general insurance members revealed that estimated claims arising from floods in October 2018 were in excess of $100m. For the year alone, motor flood claims incurred were approximately $300m. While there are no reported figures for overall economic losses, this could easily exceed $600m. In light of these statistics, we repeat our call for the implementation of recommendations made by various multi-disciplinary committees over the years to mitigate the effects of floods. In August 2018, the country experienced a 7.2 magnitude earthquake which although not resulting in extensive damage once again highlighted the need for the country to develop and implement cohesive and coordinated infrastructural and national disaster recovery plans.

A key ingredient of national recovery planning to deal with national disasters is the development of the country's infrastructure to mitigate the impact of these events. The Insurance industry will support long term funding arrangements, perhaps on a PPP basis to support these initiatives.

The incidence of fraudulent claims and fraudulent motor insurance certificates continue unabated and of particular concern are the third party victims of uninsured vehicles who are normally left without redress. The industry has embarked on a claims data base initiative and is committed to coordinating its IT and other resources with that of the Ministry of Works' Transport Division, and Trinidad and Tobago Police Service in order to arrest this issue.

ACHIEVEMENTS

During 2019 ATTIC recorded a number of milestone events:

- After over 50 years of existence, the purchase of a building which now hosts its head office and industry training centre.
- The commitment of several key member companies to a claims mediation and dispute resolution process and the official launch of the Claims Bank Database initiative.

The operationalization of the Insurance Act 2018 in particular will have a profound impact on insurers. Reporting requirements under the Act will demand greater co-operation between the actuarial, finance, operational, administrative and IT functions which by extension will change the manner in which functional teams currently interact with each other. These are indeed exciting times for the industry.

ATTIC's Board Members


Paul Traboulay
PRESIDENT


Jason Clarke
VICE PRESIDENT - GENERAL


Robert Soverall
VICE PRESIDENT - LIFE


Sean Jack
DIRECTOR


Ronald Milford
DIRECTOR


James Camacho
DIRECTOR


Baliram Sawh
DIRECTOR


Anand Pascal
DIRECTOR


Keston Howell
DIRECTOR


Maxim Marquez
DIRECTOR

Foreword

The first message from our insurance benchmarking is that it is clear that insurers are being adversely impacted by the economic downturn. Across the industry, access to foreign exchange and high yielding investment options remain major issues and efforts to cut expenses are becoming paramount.

In some corners we see insurers working hard to position their organizations to emerge stronger when recovery comes. But not all will succeed.

Sector overview — general insurance

In the general insurance sector, GGIL continues to own the lion share of gross written premium, on the back of its 43% market share in the property line of business.

At the net written premium level, however, where 80% of the business is in the motor line, the market remains fragmented with no one player dominating the the market. This has led to a highly competitive environment.

Total profit in the general insurance sector fell significantly to $88m in 2018 from $211m in 2017. Almost all of this decline was seen in the motor line, where sector profits fell from $179m to $44m.

The general accident, personal accident and pecuniary lines of business also experienced losses in FY18. Massy and GGIL both recorded significant losses in the general accident line of business. Massy also reported a large loss in personal accident whilst Furness and Nagico each recorded in excess of $4.0m in pecuniary losses.

"Weak energy markets translated into low single digit GDP growth, but with improved prospects in 2019

Sector overview — life, health and pensions

In the life and pensions sector, the top three companies held 61.6% of GWP in 2018.

While the life insurance sector experienced some relief with the issuance of the National Investment Fund, GWP growth was low (1.8%, excluding UL deposits and 2.3% including UL deposits).

Total profit in the life insurance sector stabilized at $523m (after a dip to $298m in 2017 from $415m in FY16). Almost all of this change was seen at GLOC which returned to profitability (after a loss in 2017).

Economic and regulatory overview

2018 proved to be a year of mixed fortunes for the oil and gas industry, with prices reaching levels that were more common pre-2014, before dipping in November. Natural gas output rose in 2018, reflecting the full year impact of bpTT's Juniper installation, while crude oil production continued to decline in line with the maturation of oil fields and the temporary closure of Petrotrin's exploration activities. It is yet to be seen whether improvements in the energy market in 2019 from the start-up of bpTT's new offshore platform, Angelin will translate into improved fortunes. While the rise in global energy prices boosted earnings from Trinidad and Tobago's main exports, increases in the US Federal Reserve rates adversely affected TTD/USD interest differentials. In response, the CBTT increased the Repo rate to 5.0% (an increase of 25 basis points) in June 2018.

Consequently inflation remained low, averaging just about 1.0% indicative of persistent declines in a number of sub-indices, notably of fruit and vegetables.

The launch of the $4.0b National Investment Fund shortly after the repo rate increase was a welcome opportunity for long term insurers to invest for the long-term. In 2019, the CBTT maintained the repo rate at 5% after the June 2018 increase.

Given the challenging economic climate experienced in 2018, insurers began executing their growth strategies by positioning their businesses to emerge stronger from the slowdown by way of strategic acquisitions and partnerships.

The largest deal in 2018, Alignvest's acquisition of Sagicor, was coupled with multiple regional deals undertaken by Sagicor.

November 2018 saw the announcement of Sagicor's proposed acquisition of ScotiaLife Trinidad and Tobago Limited (subject to the satisfaction of certain conditions precedent), pursuant to which Sagicor agreed to establish a 20-year distribution agreement for insurance products and solutions in Trinidad and Tobago.

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New investment opportunities, such as the issue of the National Investment Fund bond, favoured the sector.

Sagicor also completed its amalgamation with Harmony General Insurance Company Ltd and its acquisition of Advantage General Insurance Company Limited from NCB Capital Markets Limited (in partnership).

> **With the two of the largest insurers now in partnership with banks, is the bancassurance model being re-energized?**

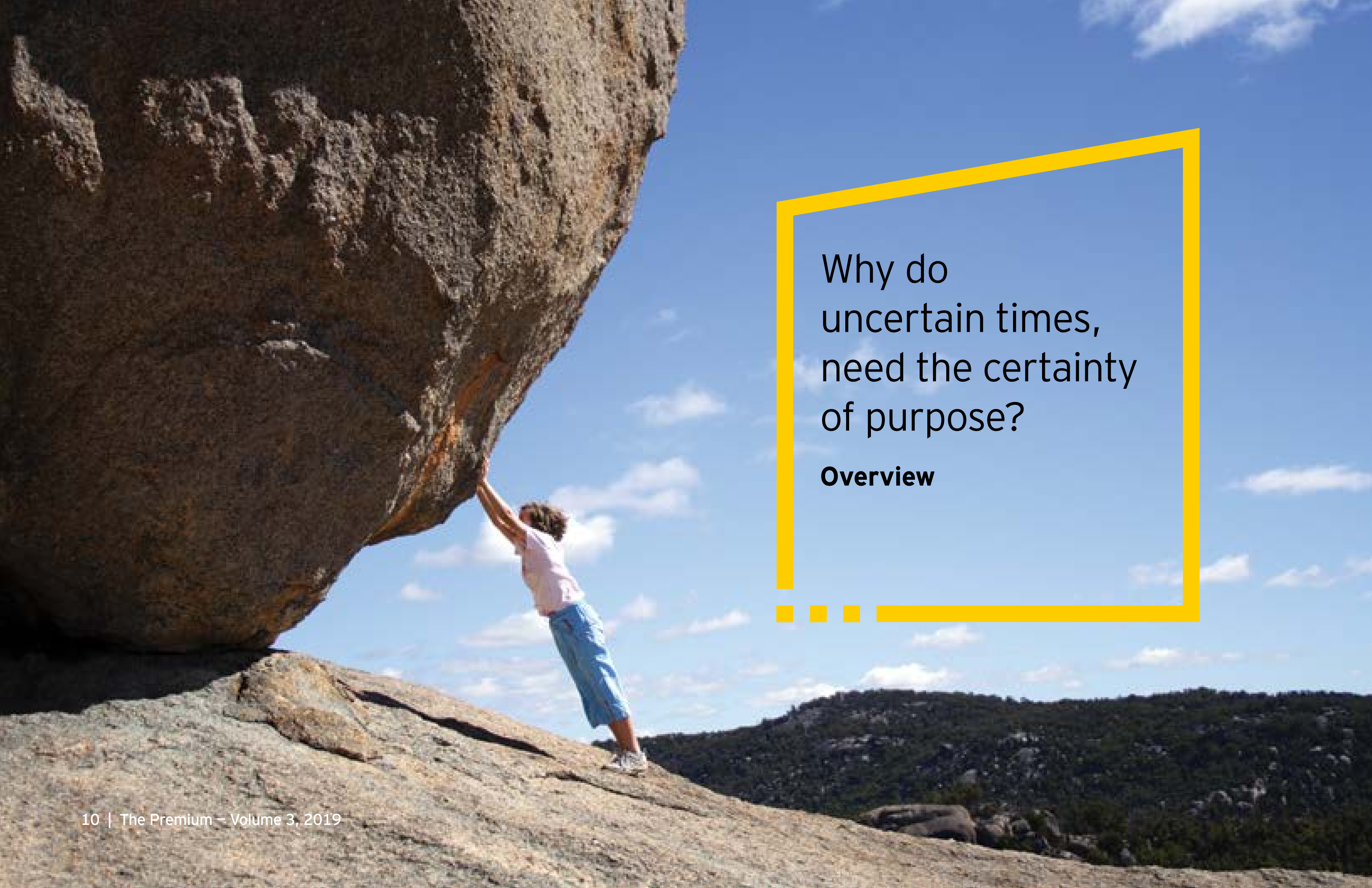
In May 2019, the Jamaican banking conglomerate, NCB Financial Group Ltd, and its subsidiary, NCB Global Holdings Ltd, completed its takeover of Trinidadian insurance giant, Guardian Holdings Limited, in a US$207m transaction. Traditionally a banking conglomerate, NCB Financial Group Ltd also owns NCB Insurance.

Other inter-regional capital flows included the Bermudian-based Colonial Group International's acquisition of a 40% minority interest in Beacon which Naz Farrow, Chief Executive Officer of Colonial, described as allowing Colonial to "extend its market reach while allowing it to combine Colonial-Beacon attributes to strengthen our products for the benefit of existing and new customers."

New and permanent changes in regulation and compliance are in train with the enactment of the Insurance Act, 2018, (yet to be proclaimed) and the adoption of IFRS 9. With the expected operationalization of the Insurance Act 2018 and the introduction of IFRS 17, it remains to be seen whether these changes will demonstrate that insurers are appropriately capitalized. These changes are driving companies to re-look their business models, their compliance infrastructure and the transformation of their internal engine. It is a time for reassessment of what is adding value and what is not as compliance costs continue to rise.

Also in 2019 the CLICO and BAT traditional portfolios were approved for sale.

> **Given several cross-border transactions, will regional regulators have to re-orient their supervision approach in closer collaboration with each other?**



Why do uncertain times, need the certainty of purpose?

Overview

Macroeconomic overview

Economy

- Weak energy markets translated into low single digit GDP growth.
- Several indicators monitored by the CBTT, notably in construction and distribution, remained relatively muted.
- Inflation and TTD/USD rates remained stagnant.

Regulatory & Legal

- The financial system remained strong and resilient with financial institutions generally in a healthy state.
- 2018/2019 saw insurers adopt IFRS 9 and prepare for transition to new accounting changes such as IFRS 17 and the new Insurance Act (yet to be proclaimed).

Deal Activity

- M&A deals became strategies for transformation, with two deals involving partnership agreements, two deals bringing together a bank and an insurance company and one deal involving a private equity investor.

Key macroeconomic data

Macroeconomic data

$161.2b

FY18 GDP at market prices

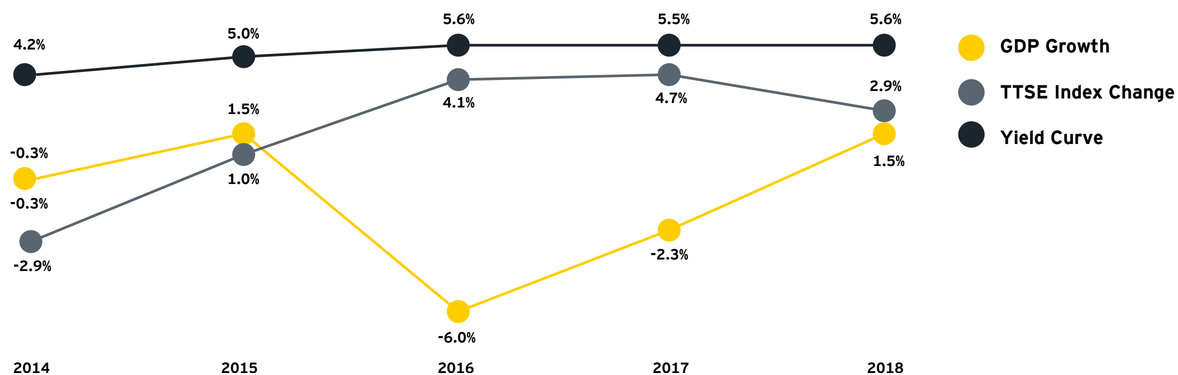
5.6% 20-Year Treasury Yield

2.9% TTSE Index Growth Rate

1.0% FY17-FY18 Inflation Rate

-0.6% Change in USD/TTD

1.5% **FY17-FY18 GDP growth**



Industry overview

Life, Health and Pensions

- After a positive 2017, life insurance GWP growth slowed significantly in 2018, demonstrating that the overall economic climate has limited both savings and consumption.
- New investment opportunities favoured the sector.
- Penetration as a % of GDP remains low implying a high protection gap.

General insurance

- Overall profitability of the sector remains under stress owing to high competitiveness and macro-economic pressures.
- Lower demand for motor vehicles and a possible shift from luxury vehicles has adversely impacted the sector.
- The real estate market decline and overall reduction in new construction has negatively impacted the Property line of business.
- Foreign exchange remains a major issue impacting the costs associated with vehicular repairs and the ability of insurers to maintain reinsurance programmes.

Key industry data

Industry*

$5.9b

Total GWP

3.8%

GWP as a % of GDP

$3.4b

Life, health & pensions GWP

$2.5b

General GWP

1.5%

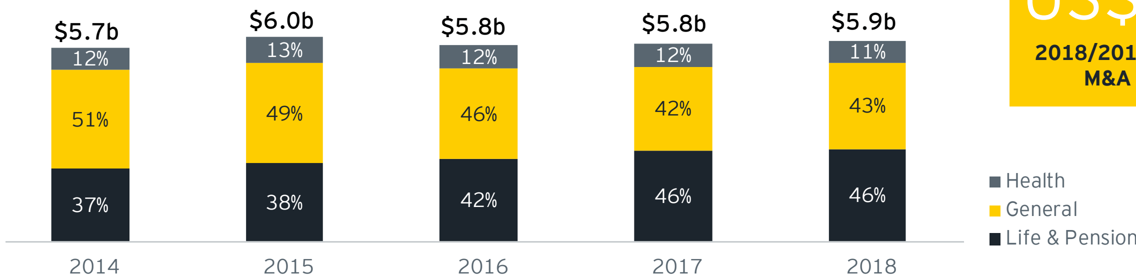
FY17-FY18 GWP growth

Deal size

US$1.0b

2018/2019 announced M&A activity

Total GWP



*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 provided to EY.

Industry performance highlights

Life and pensions

19.3%
Average operating margin vs 11.2% in FY17

25.0% Expenses/GWP vs 25.4% in FY17

4.8% ROI vs 4.8% in FY17

12.2% Commissions/GWP vs 12.3% in FY17

2.2% Average RoA vs 2.1% in FY17

General

3.5%
Average operating margin vs 8.5% in FY18

20.6% Expenses ratio vs 19.9% in FY17

82.1% Average combined ratio vs 74.8% in FY17

11.5% Commissions ratio vs 12.1% in FY17

2.4% Average RoA vs 5.5% in FY17

Basis of preparation

Annually, the members of ATTIC provide EY with copies of their Insurance Act Annual Statements, which EY uses to compile financial data and benchmarks for the participating members. The data included in this report relate to Trinidad and Tobago business only.

This year, we received submissions, from 23 of the 32 active insurance companies in Trinidad and Tobago.

The data excludes Trinre's data as they did not participate in the publication.

CLICO, (although not a member of ATTIC) is included in the health insurance analysis due to its significant market share in the sector. Publicly available IFRS compliant data was used.

We also carried out a survey of all 24 ATTIC members to which 13 responded.

It should be noted that due to different bases of preparation of the Act Accounts amongst member companies, comparability could be challenged. Where we could have amended the presentation of data, we have, and have noted accordingly.

In our analysis, we noticed that there was a lack of consistency in the preparation of the Act Accounts which reduces the reliability of direct comparisons. Where noted, we adjusted the submitted data.

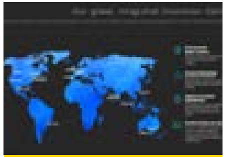
We look forward to the proposed statutory filings under the Insurance Act 2018, where standardization and greater clarity is expected to drive better uniformity of reporting.

EY's Wavespace™

Wavespace™ combines advanced facilitation capabilities with a technology suite of tools, global Subject matter experts and our network of sites to create an immersive, exciting but above all collaborative experience. We challenge your world view with insights from industry across the world; bring thoughtful insight to your circumstance and drive outcome-oriented actions. Thereby bringing a depth of thinking, accelerated timelines and consensus.

Unique Centers and onsite hubs designed to bring the right people together to drive consensus and pace around collaboratively designed solutions.

Innovating to bring an immersive process, environment and toolkit to enable out of box thinking to challenge traditional ways of working.



Technology enabled to seamlessly collaborate across geographies enabling organizations to accelerate thinking, innovate and build consensus.

Create an empowered, energized and engaged cadre of decision-makers that is committed to following through on the actions required to move an initiative forward.

An immersive experience using technology, graphic artistry tactile activity, space, movement and music combined to immerse, engage and enthuse.

Innovation challenge
A strategic team-building exercise aimed at resolving a specific challenges by breaking into teams to learn and apply core skills in a facilitated environment

Strategy
Facilitator-led development of an enterprise, department or functional strategy using EY's E2E thought leadership and suite of tools

Transformational launch
Launch of a transformation program with objectives such as team build (HPT), clarity of scope, project definition, roadmap development, benefits case alignment, etc.

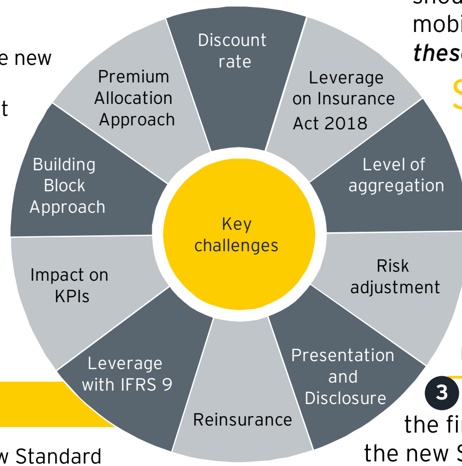
Project acceleration
A wealth of opportunity within traditional projects can benefit from an accelerated collaboration approach, from process design, implementation planning and preparation, to organization alignment.

IFRS 17 for Insurers

Are you ready?

IFRS 17 will become effective in 2022. Under the new standard, insurance contracts will need to be accounted for using three different measurement approaches:

1. The Building Block Approach (BBA) for long-term contracts
2. The Premium Allocation Approach (PAA) for short-term contracts
3. The Variable Fee Approach (VFA) for direct participating contracts



Key challenges for insurers

Insurers will need to interpret and apply the new Standard to their insurance contracts and features – a process involving significant time and effort.

Some insurers are further progressed than others and we have already been engaged to support a number of your peers with their assessment activities.

The major change program required will extend beyond finance and actuarial teams and the expected effects will need to be communicated to a broad range of internal and external stakeholders.

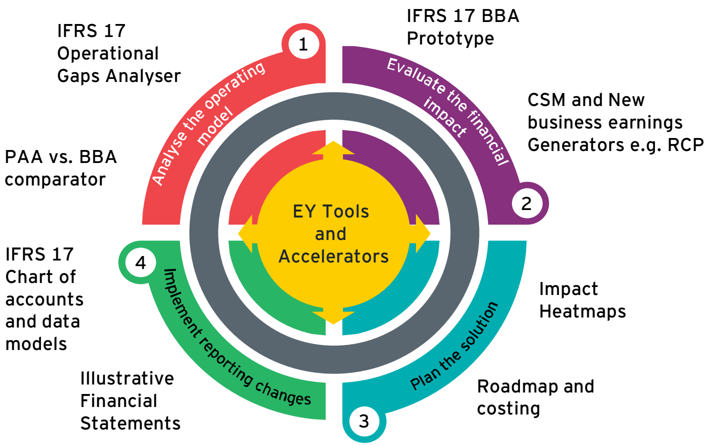
Given the anticipated scale of changes, and the complexity of the implementation task, insurers should start formally assessing impacts and mobilizing their organizations now – ***starting with these seven actions:***

Seven actions in six months

Kickstart your implementation program:

1. Conduct a gap analysis to understand key differences against current accounting/actuarial and reporting practices
2. Educate the executive and Board on the new requirements and implications
3. Understand interpretative issues and analyze the financial, operational and system implications of the new Standard on your organization
4. Draft budget and plan resourcing requirements
5. Consider interaction with other new accounting standards
6. Assess implications for other current or planned programs of activity in the next 2-3 years
7. Assess strategic and product implications

EY tools and accelerators



Questions you should be asking now ...

- Do you have an early view of the accounting model that would apply to your business? PAA/BBA/VFA or both?
- Are your systems compatible with IFRS 17 disclosure and unit of account requirements?
- What are the advantages and disadvantages of applying PAA/BBA/VFA for all contracts?
- Have you considered the financial and operational impacts of applying IFRS 17?
- Do you have the data required to comply with IFRS 17 requirements?
- Do you have the required resources and budget?

A few ways EY can help you

1 Initial diagnostic assessment	▶ Help with product studies, market insights, implementation timelines and project planning ▶ Provide trainings, webcasts and workshops
2 Operational impact assessment	▶ Evaluate eligibility of PAA/BAA/VFA ▶ Identify people, data, process, model, systems and governance gaps ▶ Determine data requirements to comply with the new disclosure requirements
3 Financial impact assessment	▶ Determine the financial impact of applying PAA/BBA/VFA ▶ Support in grouping contracts ▶ Analyse profit emergence patterns, estimate of CSM, risk adjustment and balance sheet on transition
4 Implementation roadmap	▶ Roadmap outlining the major work streams, indicative timings, cost estimates and assumptions for implementation ▶ Indicate implementation costs ▶ Assist with software vendor selection
5 On call support	▶ Provide industry views and scenario analysis on a real time basis ▶ Assist with the interpretation of complex requirements and their application to your business

Why wait for inspiration to strike when you can ignite the spark?

Opportunity through adversity

Survey results

Opportunity through adversity

"Far from being frozen into inactivity, insurers seem to be using the current market conditions to make major changes to the their core business, particularly in the areas of customer focus on the front end and IT development on the back end.

This year's survey entitled Opportunity through Adversity is inspired by similar surveys and analyses performed by the Global EY firm in 2009, following the events of the 2008 financial crisis.

Whereas the 2008 global financial crises mostly impacted banks and was driven more by a capital crisis in developing nations, many of the questions and responses are still relevant today, in the Trinidad and Tobago environment.

The findings from the survey inform the following assessment of the ways in which insurers are reshaping their businesses to take advantage of opportunities through adversity.

By any measure, the past year has been extremely difficult for our respondents: economic growth has remained low, consumer spending has fallen, access to foreign exchange is limited and investment returns have remained moderate.

It is clear that insurers have been impacted and this is evident by falling profits, especially in the general line of business. However respondents seemed to be prepared/unsurprised: less than half (43%) expressed surprise at the longevity of the economic downturn and only 35% were surprised at the severity.

On the other hand, we see no consensus in the expectations for recovery with 28.6% seeing growth returning to the insurance industry in 2020, 14.3% seeing growth return in the first half of 2021 and 35.7% seeing growth returning to the insurance industry in Q2 2021 or later. Some 21.4% described the economy as still buoyant.

Opportunity through adversity

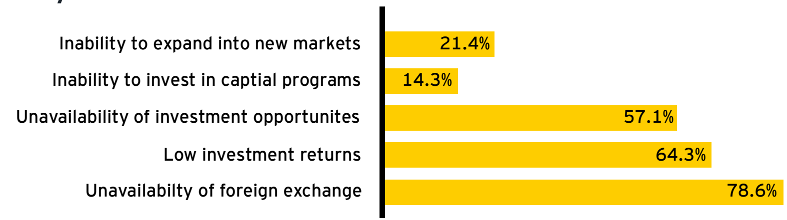
Permanent regulatory and accounting changes

The economy aside, 100% of respondents see a permanent change in regulatory oversight and 100% see a permanent change in risk management.

Our survey also revealed that respondents expect accounting and reporting changes to have a greater impact than regulatory and taxation changes. However, while 64.3% reported changes in accounting and reporting standards as having the greatest impact on the industry (compared to regulatory and taxation changes) only 57.1% reported such a concern for their own company.

Of the changes, technology and process changes topped the list, followed by reporting requirements. Notwithstanding, 85.7% of respondents agreed that new regulatory requirements provide an opportunity to improve their business. This sentiment, may explain why 64.3% of respondents focused on investment in IT systems rationalization/introducing new technology in the last year.

Which of the following have had the most adverse impact your business over the past year?



But highly visible programs can fail to deliver: only 35.7% reported success with IT systems rationalization/the introduction of new technology.

This has not deterred insurers: 64.3% still plan to undertake IT systems rationalization or to introduce new technology in the next 12 months. The challenge is that management must not only recognize the need for change, but must also effectively execute programs that improve performance and reshape the business.

Competition

The competitive environment continues to be extremely challenging and respondents see a permanent change in competitive intensity (78.6%).

Surprisingly, though most respondents saw price competition as the most pervasive change in the competitive environment over the past twelve months, only 42.98% expect price sensitivity to be a permanent change, perhaps implying that permanent competitive intensity will come from elsewhere.

This may explain why insurers are dramatically enhancing their commitment to the customer experience with 85.7% selecting increased focus on key accounts/relationships with customers and 64.3% selecting investment in front end customer systems and/or customer data analytics as the revenue generating areas where they most focused in the last year.

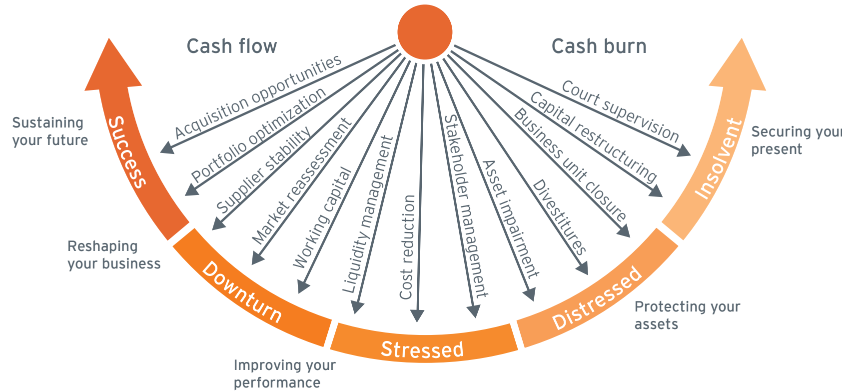
In addition, we see insurers placing emphasis on their brand and reputation (50.0% of respondents). This strategy appears to have paid off: according to respondents the focus on customers, customer systems and brand was successful.

It is not surprising, therefore that going forward, 85.7% of insurers intend to invest in front end customer systems and/or customer data analytics, 78.6% on key accounts/relationships with customers and 57.1% on brand, reputation and marketing.

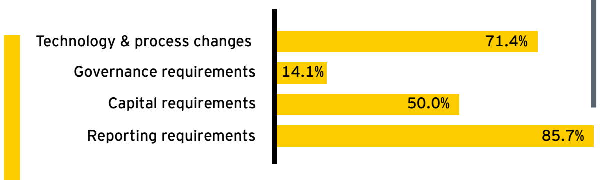
CONT'D ON PG 24

However, only 35.7% of insurers launched/developed new products and only 21.4% entered new market segments/lines. Going forward, only 50.0% plan to launch/develop new products and 42.9% plan to enter new market segments/lines. Our view is that this is a missed opportunity, and one which leaves a door open for disruption.

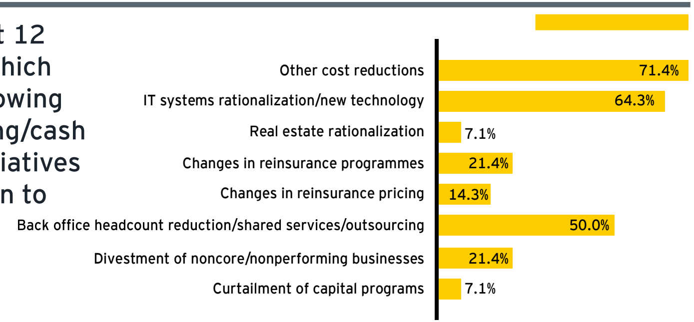
Through all this, 85.7% of respondents agreed or strongly agreed the downturn has provided an opportunity to examine the resilience of their business model. Half of respondents see investment opportunities and investment returns



What aspects of the Insurance Act and/or the introduction of IFRS 17 are most expected to impact your business over the next year?



In the next 12 months, which of the following cost cutting/cash saving initiatives do you plan to take?



improving in the next 12 months and 35.7% see the ability to expand into new markets improving in the next 12 months.

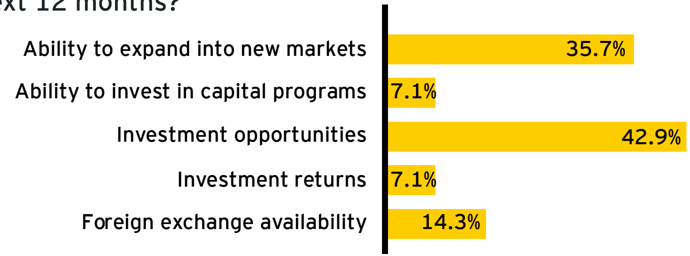
At EY we agree. The current market conditions, however unpredictable, are presenting unprecedented growth opportunities for entities that are cash or capital rich to take market share in profitable segments away from weakened competitors.

At EY, we have been using the stress pendulum, which focuses especially on the issue of cash. The primary, but not the only, driver of management action is around the issue of cash; how much a business has and how much it is generating. If a business is generating cash, its opportunities are many. However, while we have seen insurers seeking to gain market share through partnership and M&A activity, we are yet to see major changes in products offerings and are yet to see significant use of disruptive technology, which leads us to repeat the question raised last year "How are you going to change?" and to also ask "If not now, when?"

Capitalizing on opportunities through adversity is all about execution.

The winning organizations will be those that can execute a portfolio of initiatives to succeed. The need to act quickly and effectively has never been more apparent.

Which of the following do you see improving in the next 12 months?



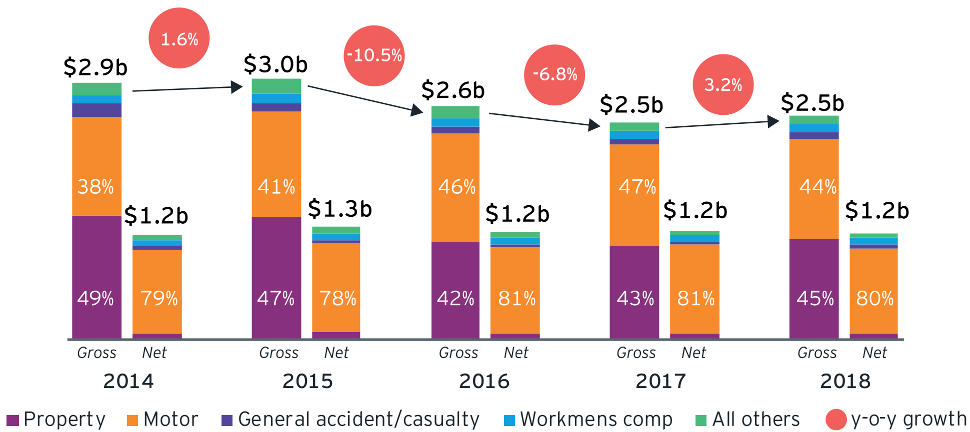
Collaborate?
Compete?

General Insurance
Data analysis

General Insurance

The non life insurance market continues to be a challenge.

GROSS AND NET WRITTEN PREMIUMS



RETENTION RATIO

2014	2015	2016	2017	2018
41.0%	43.5%	45.9%	50.4%	47.6%

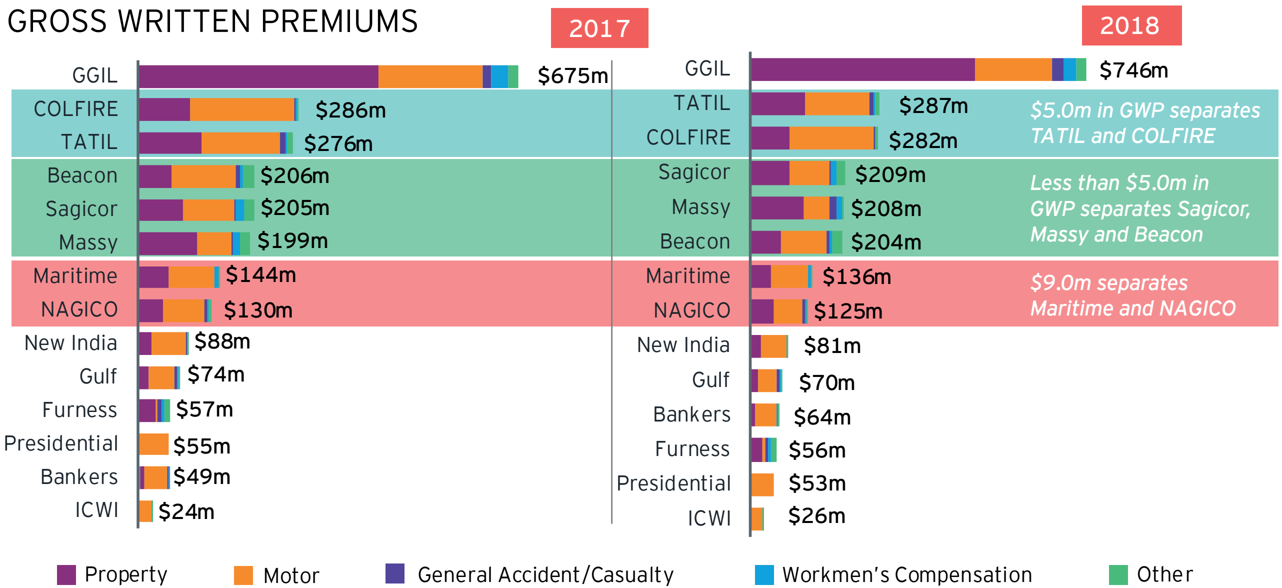
Non-life GWP increased marginally by 3.2% in 2018, as a result of increases in Property insurance GWP.

Motor GWP, on the other hand, continued its decline as insurers struggle with weak pricing and a decline in vehicle sales (see Appendix A).

General Insurance

GGIL continues to dominate the non life market, primarily on the back of its 43% share of the property line. While the top is completely claimed, there are a few battles for the next seven positions.

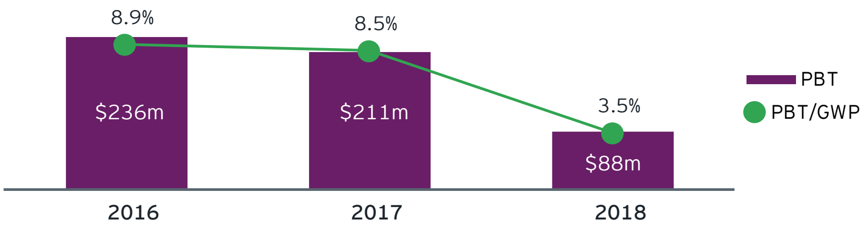
GROSS WRITTEN PREMIUMS



General Insurance

Profits declined significantly in 2018 largely due to a 75% decline in Motor profits.

PROFIT BEFORE TAX/GWP

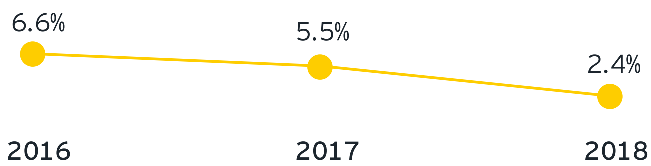


Total profit in the general insurance sector fell significantly to $88m 2018 from $211m in 2017.

Almost all of this decline was seen in the Motor line, where industry profits fell from $179m to $44m

Not surprisingly, ROA mirrors the trend of profit.

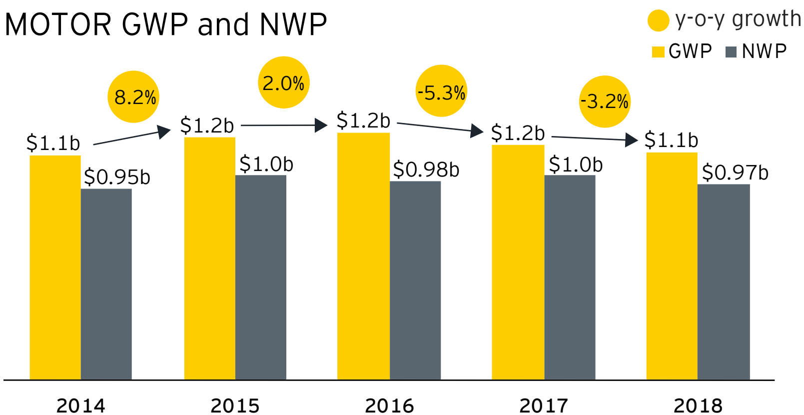
RETURN ON ASSETS



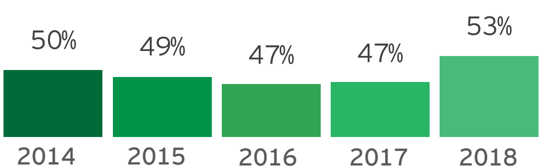
General Insurance

General insurers have consistently retained their motor business; which makes up approximately 80% of net premium.

MOTOR GWP and NWP



LOSS RATIO (MOTOR)



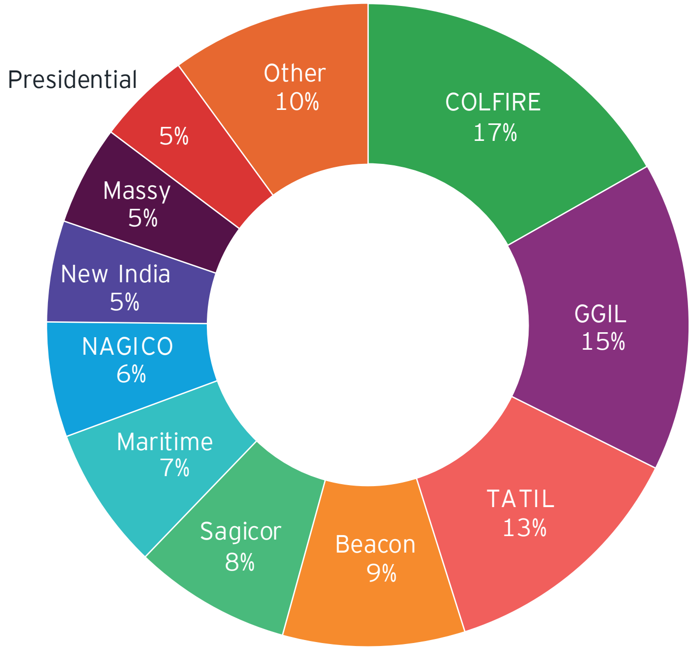
General insurance companies consistently retained approximately 83% of their Motor business, leaving them exposed to the highly competitive and costly motor line of business, where a 6% increase in loss ratios was seen in 2018.

Key factors impacting Motor losses include:

- Price competition
- A decline in the number of vehicles bought
- Increased costs associated with vehicular repairs

The motor insurance sector is highly fragmented with no one player dominating market share.

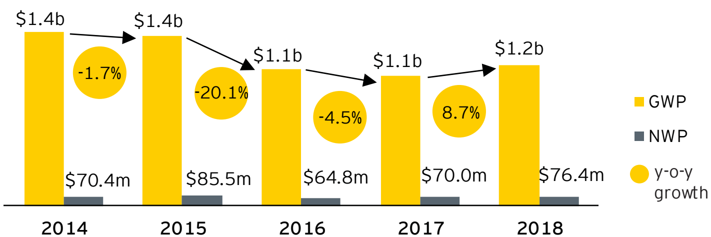
MOTOR MARKET SHARE BY GWP



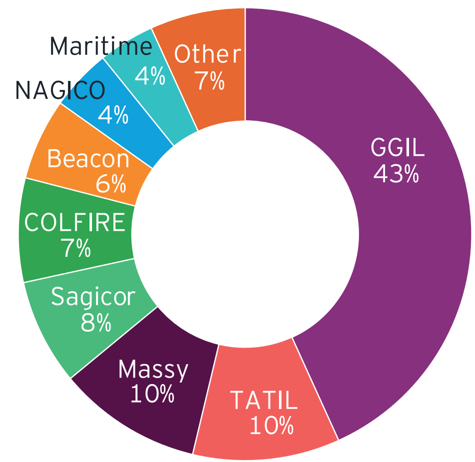
General Insurance

Despite Property making up 42%-49% of GWP, general insurers consistently focused on managing catastrophic losses with reinsurance (possibly also in an effort to manage capital adequacy).

PROPERTY GWP and NWP

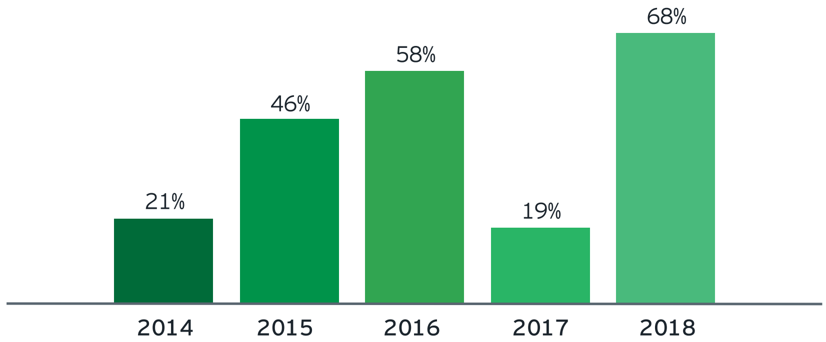


PROPERTY MARKET SHARE BY GWP



The strategy to reinsure much of the Property line of business appears justified, given the significant variability in property loss ratios.

LOSS RATIO (PROPERTY)

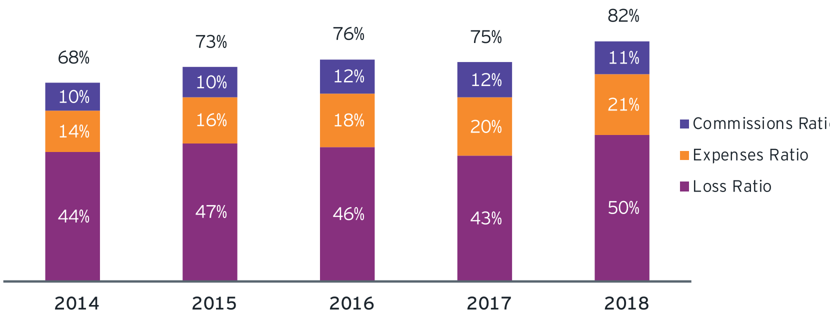


Loss ratios in 2018 increased to a high of 68% with Massy United, Sagicor and New India each reporting loss ratios in excess of 100% and COLFIRE and GGIL reporting loss ratios in excess of 70%.

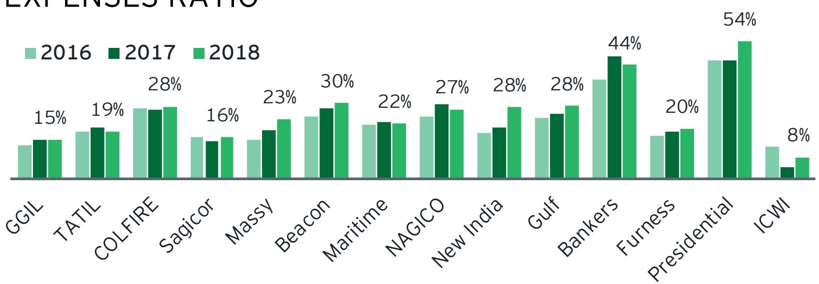
The increase is particularly exacerbated by the low loss ratio in 2017, which is partly attributed to TATIL, ICWI and Massy each reporting negative loss ratios (releases) which positively impacted the property loss ratio in that year.

Not surprisingly, total loss ratios mirror Motor loss ratios whilst commissions expenses and administration expenses remained flat in the past two years.

COMBINED RATIO



EXPENSES RATIO



Changes in loss ratios have had the greatest impact on insurers' profitability increasing by 7% over the past year.

Of greater concern is the consistent and growing increase in expense ratios.

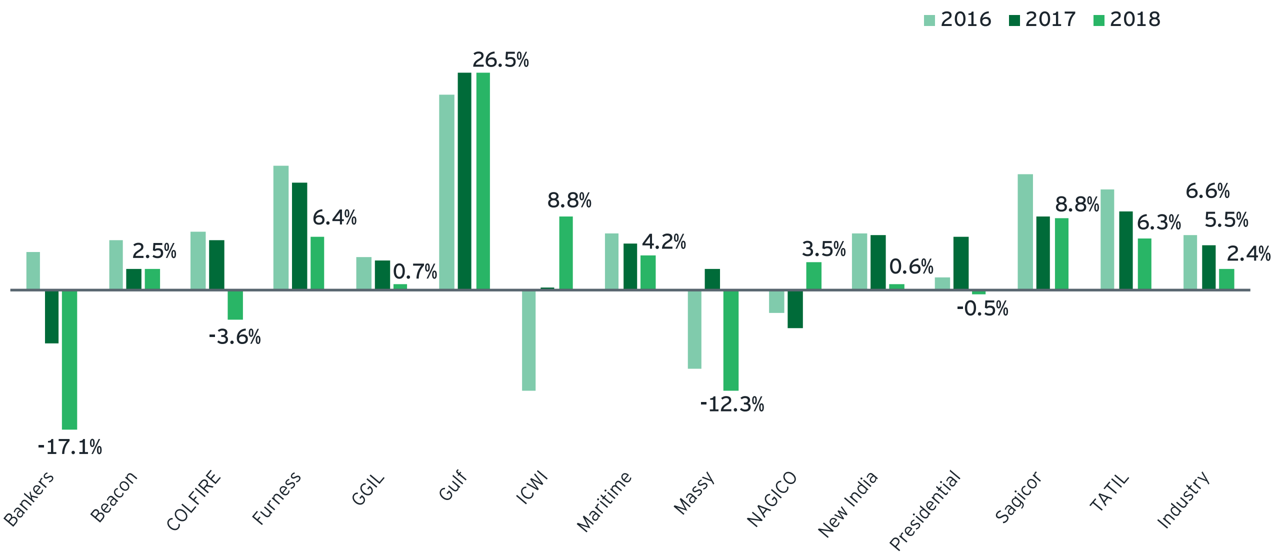
With no clear breakaway leader of the consumer-centric motor line of business, companies' expenses as a percentage of GWP are mostly in range of each other, except for the smaller players that have not reached to optimum scale such as Bankers and Presidential.

Given the likelihood of continued unfavourable loss ratios. Insurers who focus on their management expenses are likely to be the ones who succeed.

General Insurance

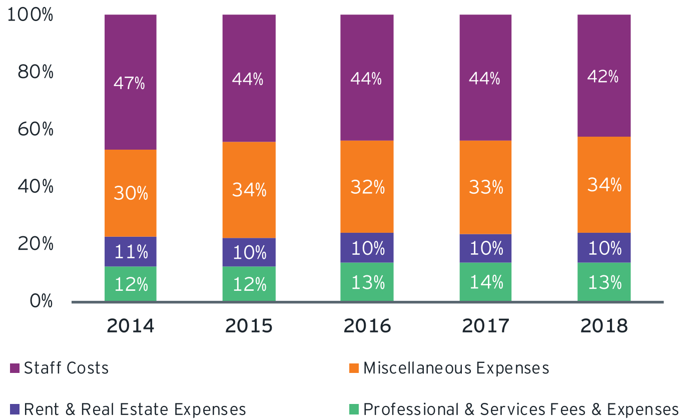
Returns are mostly suppressed across the industry due to expensive legacy systems, high loss ratios and increasing reinsurance costs.

RETURN ON ASSETS



The quality of reporting on expenses is sub-optimal with significant expenses being classed as "miscellaneous" and some inconsistency of reporting noted in expenses.

EXPENSES BY TYPE



** Note: B1 profit refers to the profit disclosed in the general insurers' general business revenue account; whereas C1 profit refers to the total company profit and loss account.*

The following inconsistencies in reporting expenses were noted:

- In both 2017 and 2018 Gulf's B1 profit was higher than its C1 profit. B1 profit excluded $20m ($18m in 2017) of expenses, charged in the C1; but not in the B1.
- COLFIRE's 2018 C1 profits included depreciation of $3.9m ($4.2m in 2017). This did not appear to be consistent with the rest of the industry

Miscellaneous expenses grew by $19.7m (11%) largely as a result of:

- An increase in software expenses, special projects costs and severance costs at GGIL, possibly due to the GHL Group embarking on "several projects to enhance... customers' experience[1]."
- An additional $4.7m increase in advertising, bad debts and other variances at GGIL;
- An increase in New India's miscellaneous expenses;
- An increase in Massy's bad debts and the introduction of management fees;
- Increased severance costs at Beacon.

---

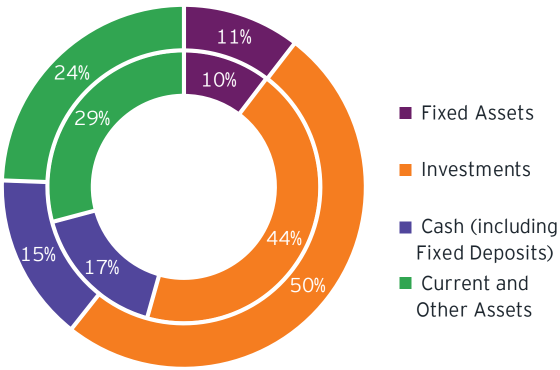
1 GHL 2018 Annual Report

Insurers are reinvesting capital rather than distributing, as the surplus assets continue to exceed regulatory requirements, illustrating a strong balance sheet for future growth.

TOTAL ASSETS RANK

2018 Rank	Company	Total assets TT$m	Admissible assets TT$m	Excess TT$m
1	GGIL	770	169	601
2	TATIL	579	159	420
3	Maritime	533	192	341
4	COLFIRE	309	148	161
5	Beacon	267	79	188
6	Sagicor	266	99	167
7	New India	243	53	190
8	NAGICO	167	95	72
9	Massy	155	62	93
10	Presidential	90	55	35
11	Gulf	88	38	50
12	Bankers	75	50	25
13	Furness	72	12	60
14	ICWI	26	14	12

ASSETS COMPOSITION

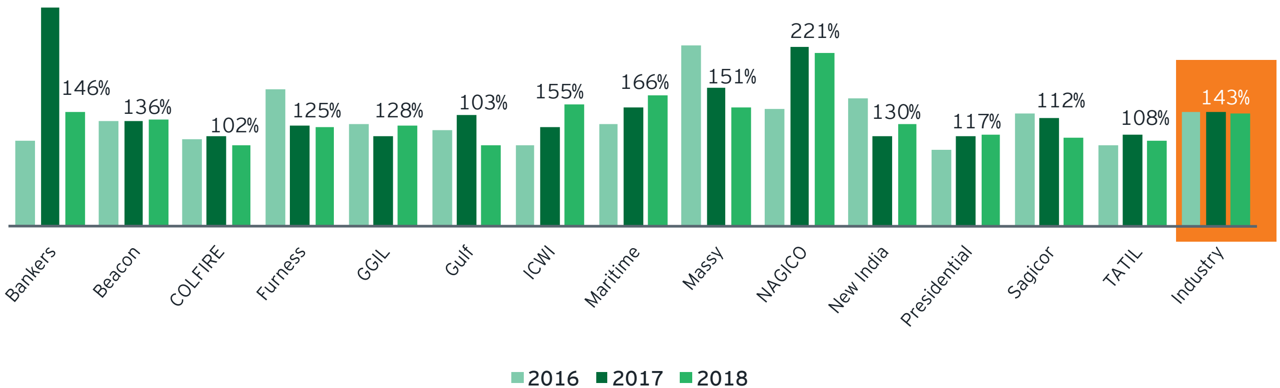


**Beacon's admissible assets are the same for both general and life and pension analysis as only one Act Account is submitted for all of Beacon's business. Given the information available, admissible asset cannot be separated by line of business*

General Insurance

Not surprisingly, given high levels of investments held, surpluses are significant.

ADMISSIBLE ASSETS/STATUTORY DEPOSIT REQUIREMENT



Given that the statutory deposit definition of capital will no longer apply, once the Insurance Act 2018 is proclaimed, it is yet to be seen, how well insurers will be capitalised under the new risk weighted regime. In addition, the possible increased use of appointed actuaries should result in more defined models.

If not now, when?

Written by Maria Daniel
Transactions Advisory Partner

Insurance was designed to protect downside risk, the value of this downside risk decreases in the minds of the insured as economic conditions worsen.

It does not make much sense, but in a country where there are few natural disasters and a culture that strongly believes that "God is a Trini", there is little hesitation to relook insurance spend in hard economic times. Consequently, the industry has suffered from compressed rates and a highly competitive market. The statistics in this magazine show a story line that points to the necessity to reshape the business models.

Each year the investment climate changes, the needs of the populace evolve and the cost of doing business goes up. Simultaneously revenue and market share decline.

The assumptions driving the hypothesis of what will be insured in the future will change drastically. The 'Z' generation does not see ownership of assets as a priority. They want flexibility, travel and experiences. If this generational thought continues and as more people indulge and buy in to the concept of shared economies, the question to the insurers is: ***how do you reinvent your product offering?***

I am not going to delve into all the reasons we need to convert digitally at a faster rate to ensure relevance, fight off disruption and protect profitability. Let's however walk a bit into the land of possibilities and where the big strategic giants are playing as the fight for the customer wallet continues.

What if Amazon decided to become the largest insurance company, managing risk across the world using the strength of a diversified, large, multi national, multi currency portfolio?

Offering cheap insurance at a reasonable cost that is so beneficial to the insured that regulators will have to listen. Amazon has all the buying patterns to profile its customers and could therefore offer pricing on their risk profile.

The death of the insurance companies will come as fast as Blackberry's demise. We all like to believe that this is impossible but who ever thought that, from the click of a mouse, one could order any possible item, in most cases, at a cheaper cost than a retail store at any time, anywhere in the world. Similar to the iPhone, which replaced 50 plus devices, it's only a matter of time.

Unfortunately history shows us that real change only occurs when there is little choice or not changing causes more inconvenience than the change itself.

The pie is shrinking, therefore the pie filling becomes even more important because you have to ensure your piece is better than the slice next to you. Eating market share is not a sustainable growth strategy so the alternative is to encourage the market to grow through innovation.

So what is the solution? Most countries that have reshaped their economies did so after going through a serious crash and burn. Industries have also seen the same result, some learn; some remain in blissful ignorance. Let's not wait to crash and burn before we react, before we innovate; the time is now!

The concept of intrapraneurship comes to mind, which is being entrepreneurial within your own company, finding innovative solutions to improve your internal performance. Doing business cheaper is the

only solution to fight downward trending markets and remain profitable.

That means delivering quality solutions to your customers in a less cost effective way. Sounds easy. Yet, the execution of this has been difficult because it involves a six letter word that very few like or can accept – ***CHANGE***.

Insurtech is an area that needs to be explored further and how this can provide new avenues and channels to the traditional ones that must continue to exist in the parallel world of digital.

The question on the front burner must be: "If we don't change, how long can we remain relevant?"

We are moving more towards a sharing economy, with the advent of the local UBER look-alikes and AirBnB, is there room for a new type of insurance product for these types of service providers?

Innovation is definitely the only solution. Risk models have to be based on data that support customized solutions that focus on the protection of what matters to the insured.

- If housing is not a priority, what is? And how can insurance companies make money from it?
- Are we utilizing affiliated services to generate revenue outside of the core insurance business?
- Can our operating models be more efficient so that the customer can benefit from cheaper insurance cost?
- Can new products bring life to the stagnant industry size?
- Can joint ventures and new affiliations broaden and diversify our revenue?

To build the indigenous insurance companies we had to be innovative. We need to imagine that we are starting over in a digital era. How would we operate if we ignored the restrictions of our legacy systems? What would be the next big trend? Our insurance companies are strong, resilient and ripe to embrace the digital revolution!

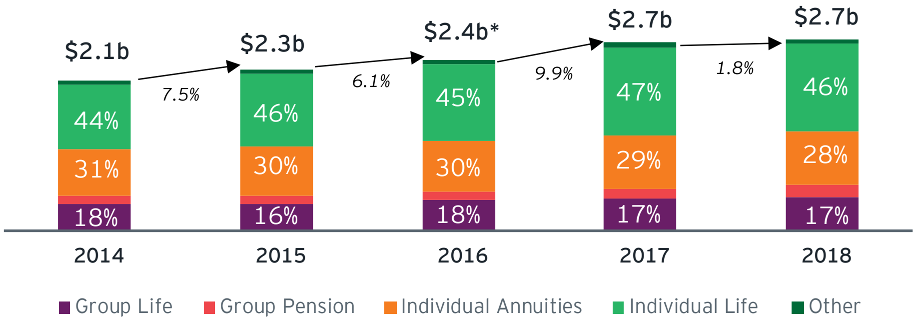
Protect your legacy? Break new ground?

Life Insurance
Data analysis

Life and pensions

After a positive 2017, GWP growth slowed significantly in 2018 as weak economic growth limited both savings and consumption.

GWP BY LINE OF BUSINESS



*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.

Without this one-off adjustment, GWP in 2016 would be $3.1b.

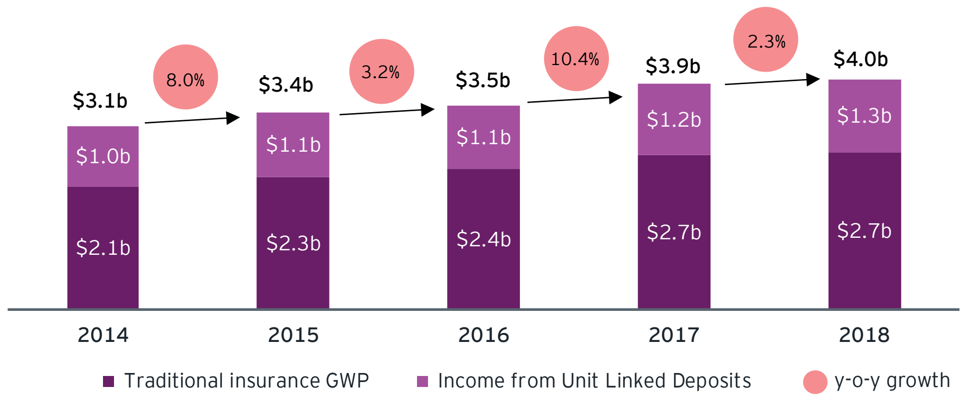
Given limited growth prospects especially in the non-energy sector in Trinidad and Tobago, without bold action now, long term insurers risk seeing more of the same in 2019 and beyond.

1.8%
2018 GWP growth

1.5%
2018 T&T GDP growth

Even after including UL deposits, growth rates are not much higher; but the sector appears boosted by almost 50%. However this does not consider the impact of withdrawals.

GWP AND UNIT LINKED DEPOSITS



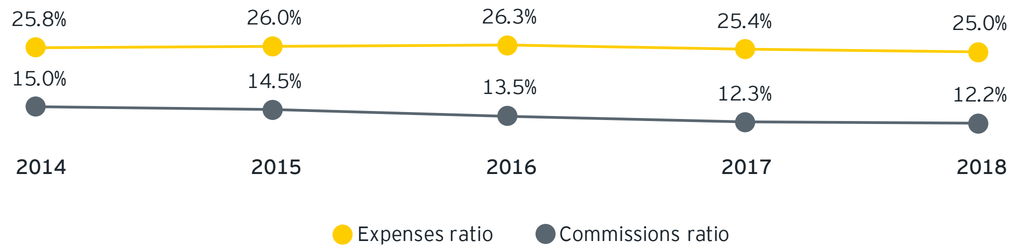
2.3%
2018 GWP and UL deposits growth

1.5%
2018 T&T GDP growth

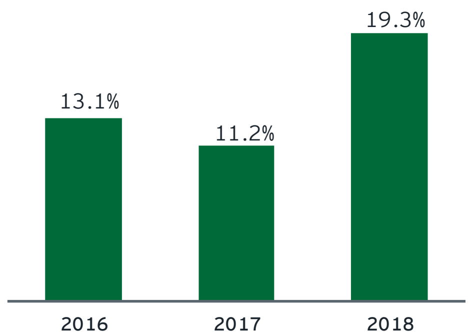
Life and pensions

Not all the news is bad. Eliminating inefficiencies from the value chain has long been on the agenda of every life insurance CEO and efforts have lowered expense ratios.

INDUSTRY EXPENSES



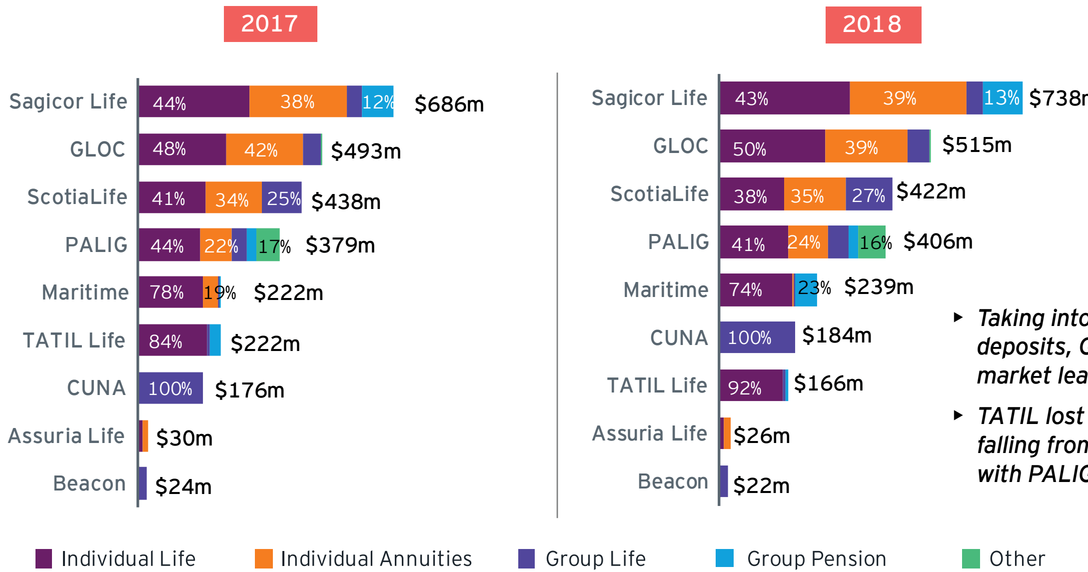
OPERATING MARGIN



Life and pensions

The top 4 companies by GWP represent 77% of the market in 2018 compared to 73% in 2017.

GROSS WRITTEN PREMIUMS



- *Taking into account UL deposits, GLoC is the market leader*
- *TATIL lost some ground falling from 7th place (tied with PALIG) to 5th place*

Is there an opportunity for the smaller players to consolidate to take on the giants of the industry?

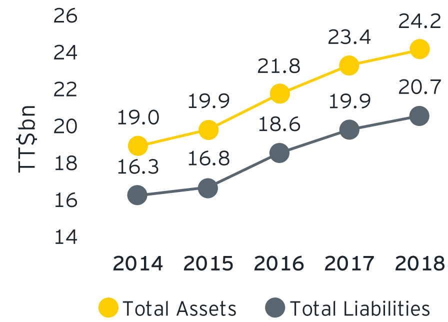
Sagicor and GLOC top the assets ranking.

TOTAL ASSETS RANK

2018 Rank	Company	Total assets TT$m	Admissible assets TT$m	Statutory Fund Requirement TT$m	Excess %
1	GLOC*	9,990	9,258	8,892	104
2	Sagicor	4,548	3,957	3,943	100
3	Maritime	2,254	1,684	1,581	107
4	TATIL Life	2,243	1,630	1,427	114
5	PALIG	2,242	1,889	1,835	103
6	ScotiaLife	2,206	1,891	1,685	112
7	CUNA	408	300	274	110
8	Assuria	289	245	245	100
9	Beacon**	40	79	58	136

** Includes $5.4b investments in UL funds*

*** Beacon's admissible assets are the same for both general and life and pension analysis as only one Act Account is submitted for all of Beacon's business. Given the information available, admissible asset cannot be separated by line of business.*

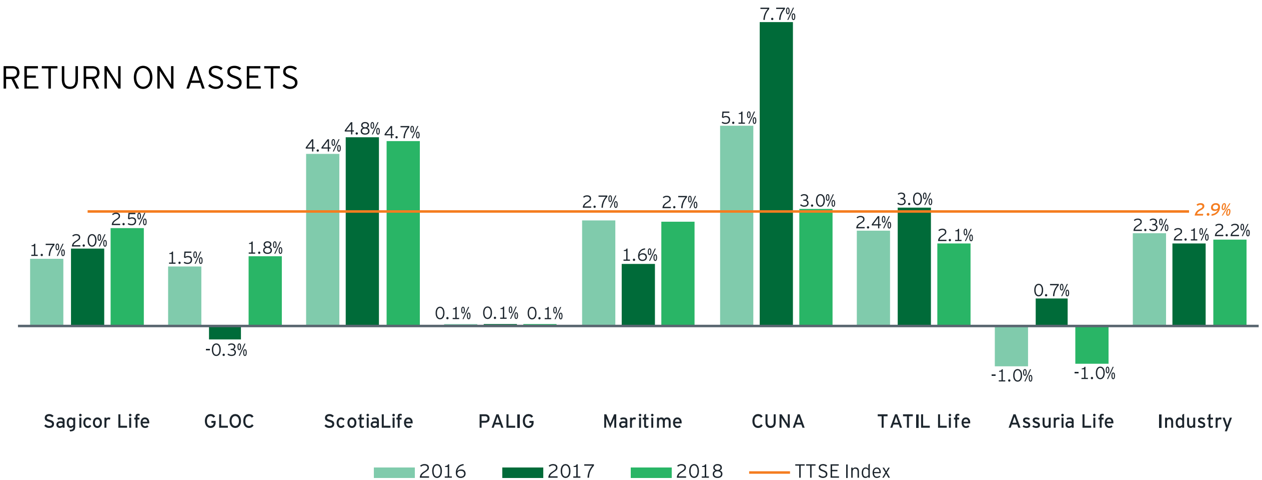


ScotiaLife illustrates effective use of resources and value of the bancassurance model when real estate assets are efficiently utilized.

Life and pensions

Some insurers posted an RoA in excess of the TTSE index (2.9% growth) but struggled to generate returns exceeding the bond market (5.6%*) owing to challenging market conditions.

RETURN ON ASSETS



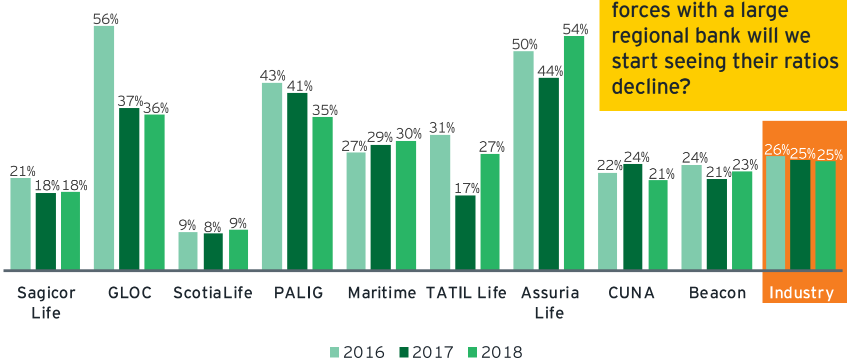
ScotiaLife, the most consistent performer, benefits from low expense ratios.
GLOC and Sagicor have larger organizations to manage that result in more assets for which profitability may not be derived.

** Government 20 year fixed bond 2018*
***Beacon's ROA is excluded from this analysis as we were unable to segregate its life and pensions assets from its health assets*

There is no clear trend across the industry with respect to expenses as a percentage of GWP.

MANAGEMENT EXPENSES RATIO

With Sagicor now joining the multinational club and GLOC now joining forces with a large regional bank will we start seeing their ratios decline?



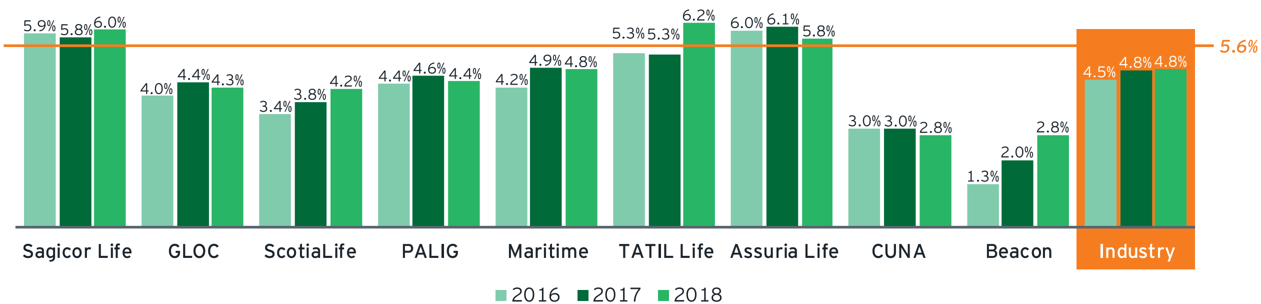
**GLOC and Maritime ratio calculated using adjusted GWP in 2016 (without one off event)*

***GLOC earns management fees from segregated funds. In this calculation, it is assumed that management expenses are incurred for the purpose of generating income from segregated funds, as well as GWP.*

- Sagicor, which tops the market in GWP and total assets, appears to have already benefited from scale.
- GLOC's expense ratio is calculated by comparing management expenses to GWP plus ***management fee income from UL funds*****. If GLOC's expenses are compared to GWP plus ***UL deposit income***, its expense ratio falls to 16.6% in 2018.
- ScotiaLife, whose ratios are the lowest in the market is a part of a large multinational bank.
- PALIG's expenses include approximately $20m of service fees, approximately 4% of GWP.
- TATIL's FY17 expense ratio appears to be impacted by large single premiums in that year, similarly its FY18 expense ratio, is impacted by a decrease in GWP (from $222m to $166m) and a $3.1m impairment expense incurred in FY18.
- Assuria's ratios, which the highest in the industry may be attributed to the nature of its business (mostly individual) as well as its low GWP.
- Given that CUNA and Beacon write mostly Group business, their expenses ratios appear high compared to the other companies which write more individual business.

After an increase in 2017, industry investment returns were relatively flat.

RETURN ON INVESTMENTS



Despite the current market climate and regulatory investment restrictions, Sagicor, TATIL and Assuria all attained returns exceeding the Government's 20-year yield of 5.6% on their investments illustrating that investment returns are being depleted by non-revenue generating assets.

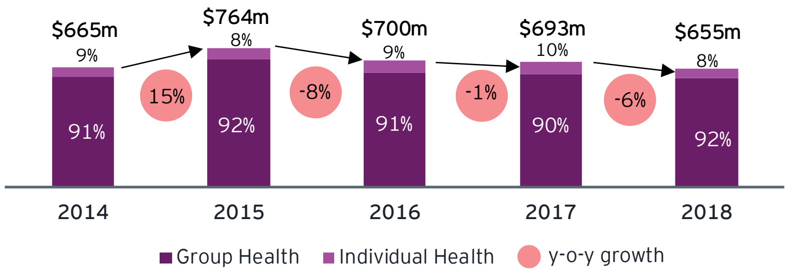
What's the right recipe to accelerate growth?

Health Insurance
Data analysis

Health Insurance

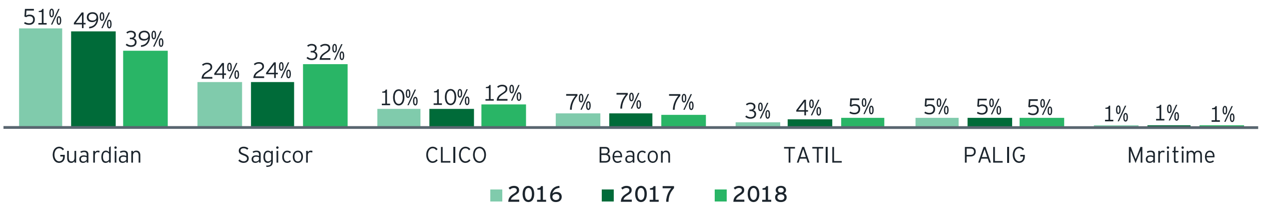
Consistent decline in GWP over the past three years.

GROSS WRITTEN PREMIUMS



Over the 5-year period, health insurance GWP decreased to a total of $655m with Sagicor gaining market share and Guardian losing.

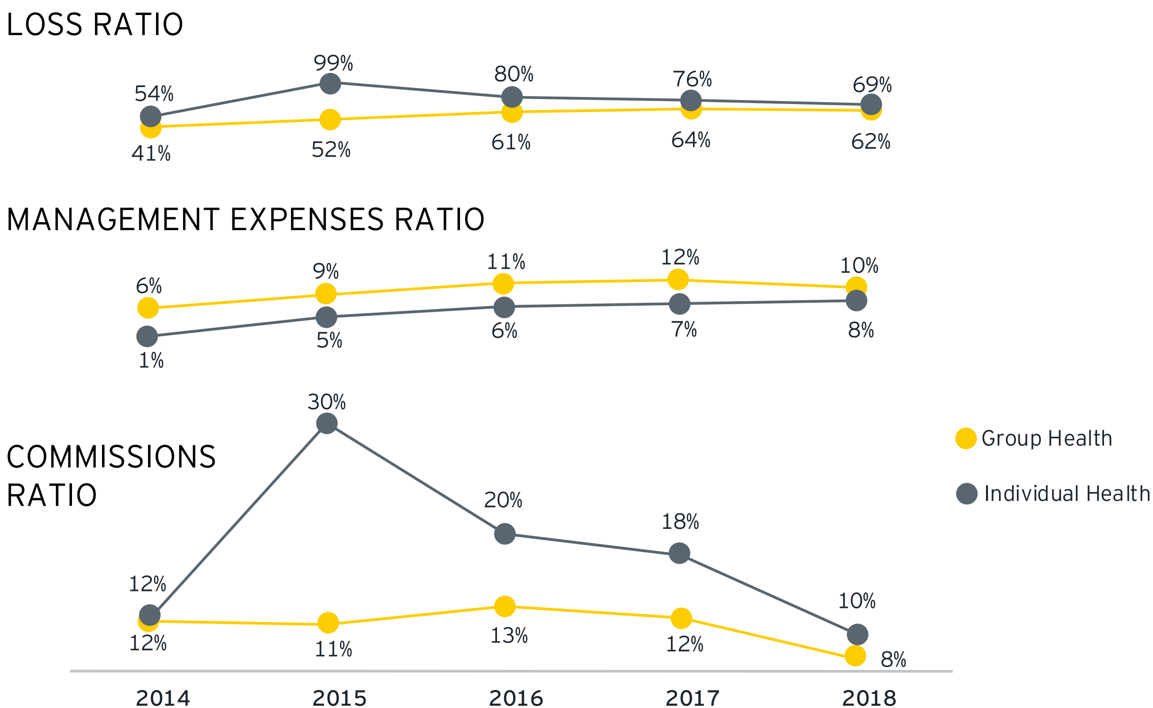
MARKET SHARE BY GWP



Note: CLICO 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.

Health Insurance

Health insurance performance metrics.



How will you seize an upside of today's regulatory environment?

Regulatory landscape

A wave of accounting change for insurers

1

2018/2019 saw insurers begin to prepare for transition to new accounting standards such as IFRS 17 and IFRS 16 and complete their adoption of IFRS 9 and IFRS 15.

Having completed the adoption of IFRS 9, Financial Instruments, some insurers saw adverse impacts on investments due to increase expected loss provisions. IFRS 15, Revenue from contracts with customers did not appear to have had a material impact.

Insurers are currently implementing IFRS 16, Leases (which is effective January 2019) and IFRS 17 is effective in 2022 which is expected to significantly impact insurers.

More than 20 years in development, IFRS 17 represents a complete overhaul of accounting for insurance contracts. IFRS 17 will have a significant effect on many insurers as their existing accounting policies for recognition and measurement under IFRS 4, usually derived from their local GAAP, are likely to differ from those required by those required by the IFRS 17. The costs involved in implementing IFRS 17 are likely to be substantial because of the need for significant systems development in order to capture the required information.

What it means for insurers: Besides technical implementation issues, these accounting changes pose new challenges and opportunities for asset allocation, asset liability management, performance measurement and business management. Insurers will also need to educate internal and external stakeholders on the impact of the new standards.

New capital measurement

2

When proclaimed, the Insurance Act, 2018 will enhance the risk management framework and governance framework for insurance companies, to protect the interests of policyholders, including replacing the current Statutory Fund with risk-adjusted capital measurements.

Qualitative changes	Quantitative changes
Supervision, reporting and public disclosure ▶ Legal empowerment of the Inspector ▶ Criminal fines ▶ Protection for whistleblowers ▶ Updated fit and proper requirements ▶ Regulation of agencies and brokers ▶ Access to auditors' working papers by the regulator Corporate governance and risk management ▶ Documentation and practice of a risk governance strategy ▶ Additional requirements for the composition of audit committees including the need for independent directors Consumer protection ▶ Continuing professional development for agents, brokers and adjusters	▶ Eliminates the Statutory Fund and replaces it with risk based capital guidelines ▶ Introduces minimum capital based on a risk adjusted framework ▶ Values assets and liabilities in accordance with accounting standards ▶ Applies the look through method when assessing credit risk of assets ▶ Assesses ability to build accurate risk models/ model capital requirements using a standard formula approach

What it means for insurers: Insurers will have to implement strategies to optimize capital by effective asset matching and risk management. Insurers may also have to address data privacy and protection.

Taxation

3

Increases to motor vehicle taxes and customs duties appear to have led to decline in motor vehicles sales overall, as well as a shift from luxury cars sales.

1. Motor vehicle taxes and customs duty increased by 50% on private passenger vehicles with engine sizes exceeding 1999cc
2. Motor vehicle taxes and customs duty increased by 25% on private passenger vehicles with engine sizes exceeding 1599cc and not exceeding 1999cc
3. Removal of all incentives on for hybrid vehicles and vehicles manufactured to use compressed nature gas (engine sizes exceeding 1599)
4. The profits, of the long-term insurance business of a life insurance company, subject to Corporation Tax, will be the profits on the assets supporting liabilities to Trinidad and Tobago policyholders

What it means for insurers: Fiscal measures designed to reduce expenditure on vehicles is likely to be permanent. Insurers may need to seek out new product lines.

Landmark cases

4

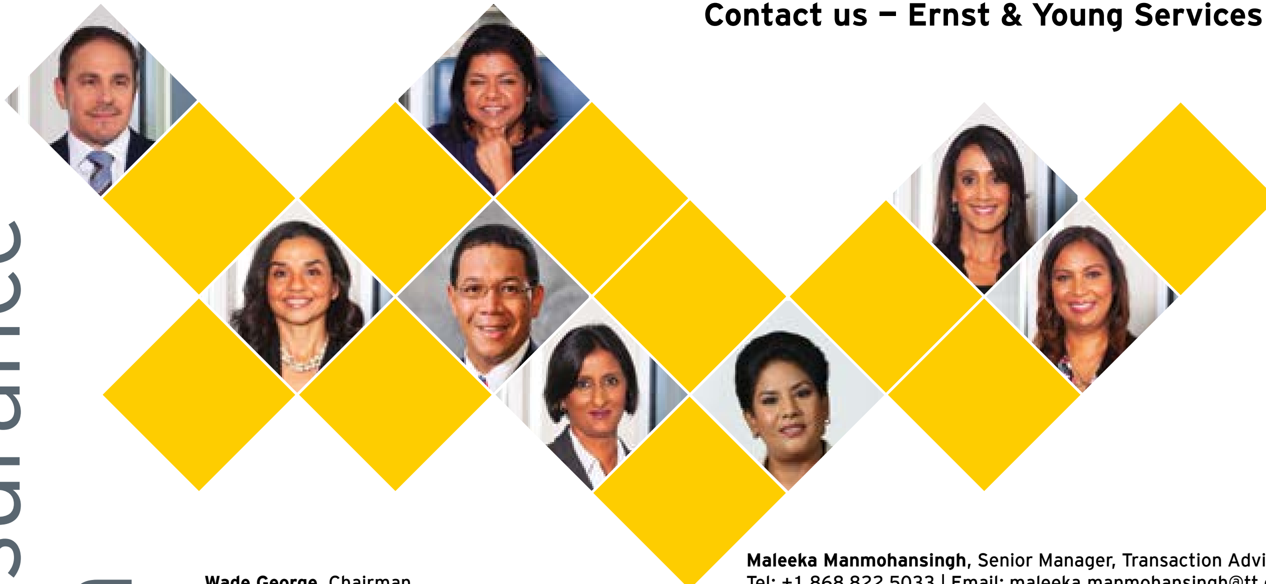
Other legislative changes may have a significant impact on the industry.

1 The Proceeds of Crime (Amendment) Act ("POCA") passed in December 2018 amended the definition of a financial institution in as far as it relates to insurers and brokers registered under the Insurance Act. Under the revised definition certain insurers and intermediaries may no longer be obliged to maintain a formal compliance programme required by POCA and the Financial Obligation Regulations 2010.

2 In August 2018, three judges of the Appeal Court declared, that passengers who take the risk of being commuted in PH cars can be compensated by insurance companies should they suffer injuries in a vehicular accident. This ruling was made on the basis that Section 12 (a) of the MVIA overrode any limitation an insurance policy placed on use of a vehicle, in as far as injuries or death suffered by passengers.

EY Insurance Team

Contact us – Ernst & Young Services Limited



Wade George, Chairman
Tel: +1 868 822 6204 | Email: wade.george@tt.ey.com

Maria Daniel, Partner, Transaction Advisory Services
Tel: +1 868 822 6220 | Email: maria.daniel@tt.ey.com

Pria Narinesingh, Country Managing Partner
Tel: +1 868 822 6245 | Email: pria.narinesingh@tt.ey.com

Colin Soo Ping Chow, Service Line Leader, Advisory Services
Tel: +1 868 822 5001 | Email: colin.soo-ping-chow@tt.ey.com

Maleeka Manmohansingh, Senior Manager, Transaction Advisory Services
Tel: +1 868 822 5033 | Email: maleeka.manmohansingh@tt.ey.com

Susan Ramsamooj, Senior Manager, Taxation Advisory and Tax Compliance Services
Tel: +1 868 822 6223 | Email: susan.ramsamooj@tt.ey.com

Adrienne D'Arcy, Partner, Assurance
Tel: +1 868 822 5021 | Email: adrienne.darcy@tt.ey.com

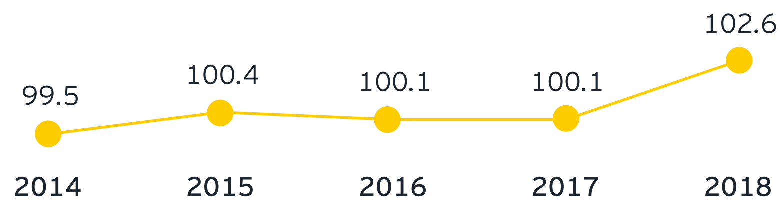
Maureen Boneo-Thomas, Executive Director, Assurance
Tel: +1 868 822 5169 | Email: maureen.boneo@tt.ey.com

Appendices

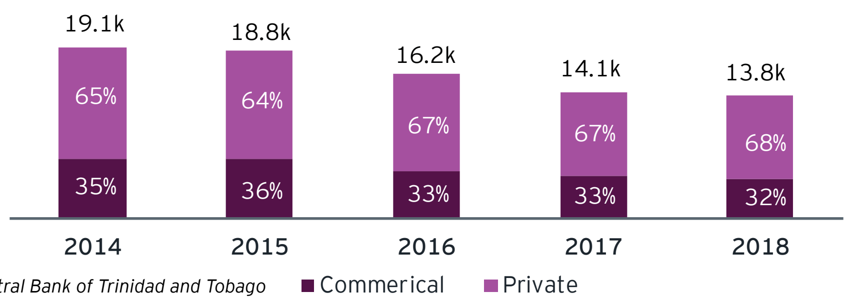
Housing retail pricing index and vehicle sales

Appendix A

INDEX OF RETAIL PRICING – HOUSING



TOTAL VEHICLE SALES



Source the Central Bank of Trinidad and Tobago

Appendix B

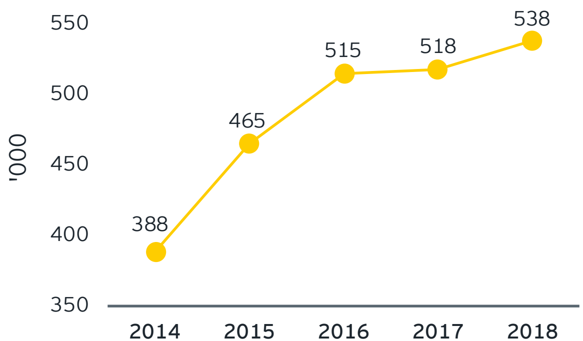
Deal activity

		$USm
Align invest acquires 100% Sagicor Financial Corporation	Dec 2018	536.00
Sagicor acquires 100% Scotia Life	Dec 2018	240.00
NCBJ acquires 32% Guardian Holdings	May 2019	207.10
Sagicor-led consortium acquires Advantage General Insurance Company	Jun 2019	50.50
Sagicor acquires 100% Harmony General Insurance Company Limited	Sep 2018	4.75
Colonial Group International acquires 40% Beacon	Jan 2019	no data

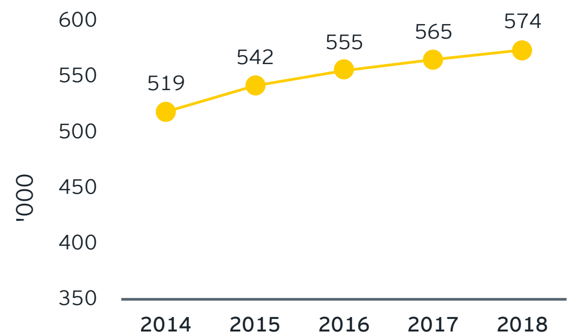
Appendix C

Life and pensions – total policies in force

TOTAL POLICIES IN FORCE – GENERAL



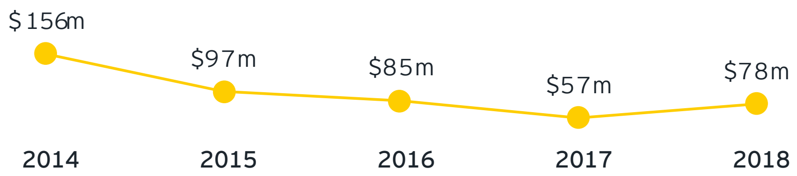
TOTAL POLICIES IN FORCE – LIFE AND PENSIONS



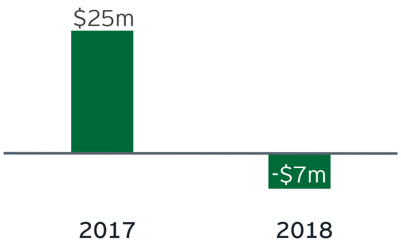
Appendix D

General Accident/Casualty performance measures

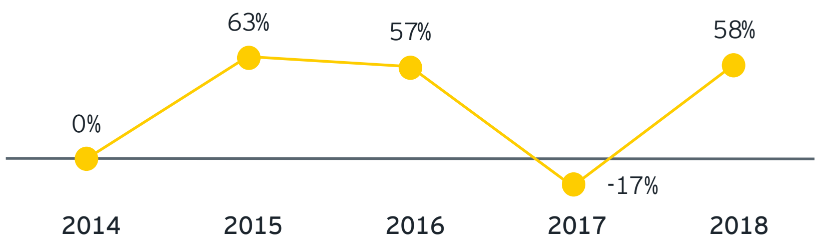
GROSS WRITTEN PREMIUM



PBT



LOSS RATIO



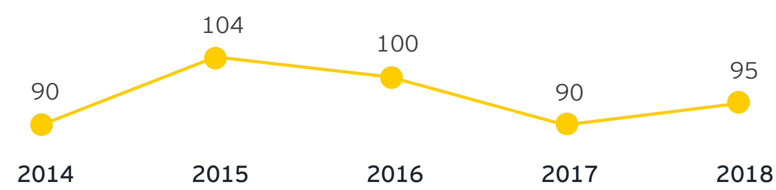
No clear trend in loss ratios over the period highlights the volatility of this line of business.

This is also evident in the profit which fell from $25m to $-7m across one year.

Appendix E

Workmen's Compensation performance measures

GROSS WRITTEN PREMIUM



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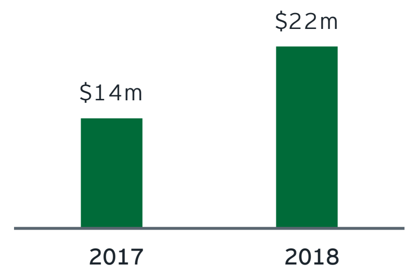

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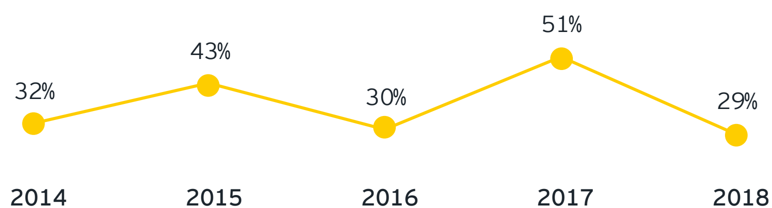


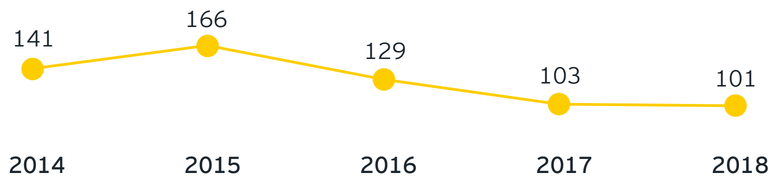
In 2018, Workmen's Compensation insurance contributed 4% of total General insurance GWP.

GWP increased in 2018 following a two-year decline.

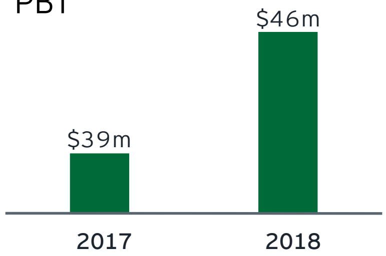
There is no clear trend in the loss ratio over the period shown which highlights that this is a volatile line of business.

All other General lines of business

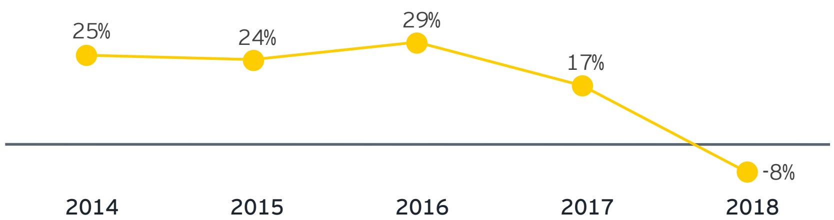
GROSS WRITTEN PREMIUM



PBT



LOSS RATIO



Other general lines of business include: marine hull; aviation hull; transport; pecuniary loss; personal accident and other business unique to different companies.

GWP has been on a mostly downward trend since 2015.

In 2018, GWP from other lines of business accounted for 4% of total General insurance GWP.

In 2018, there was a release of $11.1m in claims reserves resulting in a negative loss ratio.

Appendix G

Measures

Sector	Ratio	Calculation
General/Life and pensions/ Health	Operating Margin	PBT/GWP
	Expenses Ratio	Management expenses/GWP
	Commission Expenses Ratio	Commission expenses/GWP
	Return on Assets	PBT/total assets
General/Life and pensions	Admissible Assets Excess %	Admissible Assets/Statutory Fund Requirement
General/Health	Loss Ratio	Net Claims (plus change in claims reserves)/ NEP
General	PBT	B1 profit taken from the general business revenue account of the insurer, less taxes and IFRS 9 adjustments (where applicable)
	Combined Ratio	Loss ratio plus management expenses plus commission expenses ratio
Life and pensions	Return on Investment	Gross Investment Income/(investment and cash (including fixed deposits))
	PBT	A1 profit taken from the long term business revenue account of the insurer, less taxes, and IFRS 9 adjustments (where applicable)

Appendix H

Abbreviations

Act Accounts	The Insurance Act annual statements submitted to the Central Bank of Trinidad and Tobago
Alignvest	Alignvest Acquisition II Corporation
b	Billions
CBTT	The Central Bank of Trinidad and Tobago
GDP	Gross Domestic Product
GWP	Gross written premium
The Insurance Act	Insurance Act, Chap. 84:01
The Insurance Act, 2018	The Insurance Act, 2018, not yet proclaimed
m	Millions
NEP	Net earned premium
PBT	Profit before tax
TT$	Trinidad and Tobago dollar

ATTIC member companies

Appendix I

General Insurance Companies	
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
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

Appendix J

ATTIC member companies

Life Insurance and Pension Companies	
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
GGIL	Guardian General Insurance 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

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.

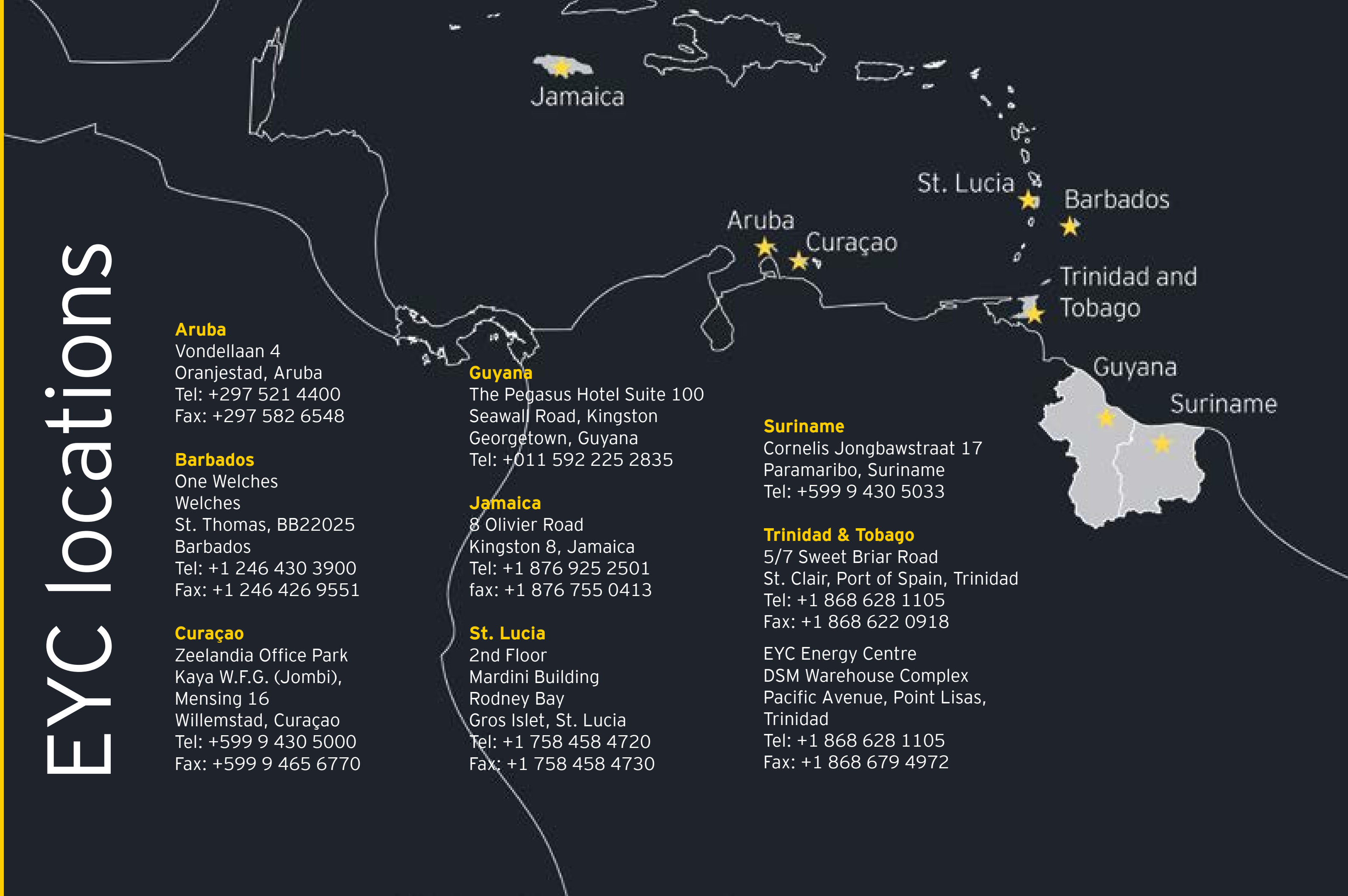
Acknowledgements

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, Nabeel Hosein, and Janine Navarro.

We would also like to thank our service providers The Office Authority and Simply Intense Media.

EYC locations



Aruba
Vondellaan 4
Oranjestad, Aruba
Tel: +297 521 4400
Fax: +297 582 6548

Barbados
One Welches
Welches
St. Thomas, BB22025
Barbados
Tel: +1 246 430 3900
Fax: +1 246 426 9551

Curaçao
Zeelandia Office Park
Kaya W.F.G. (Jombi),
Mensing 16
Willemstad, Curaçao
Tel: +599 9 430 5000
Fax: +599 9 465 6770

Guyana
The Pegasus Hotel Suite 100
Seawall Road, Kingston
Georgetown, Guyana
Tel: +011 592 225 2835

Jamaica
8 Olivier Road
Kingston 8, Jamaica
Tel: +1 876 925 2501
fax: +1 876 755 0413

St. Lucia
2nd Floor
Mardini Building
Rodney Bay
Gros Islet, St. Lucia
Tel: +1 758 458 4720
Fax: +1 758 458 4730

Suriname
Cornelis Jongbawstraat 17
Paramaribo, Suriname
Tel: +599 9 430 5033

Trinidad & Tobago
5/7 Sweet Briar Road
St. Clair, Port of Spain, Trinidad
Tel: +1 868 628 1105
Fax: +1 868 622 0918

EYC Energy Centre
DSM Warehouse Complex
Pacific Avenue, Point Lisas,
Trinidad
Tel: +1 868 628 1105
Fax: +1 868 679 4972

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