

Commissioner of Insurance ANNUAL REPORT ✓

For the year ended 31 December 2004

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This report is made in pursuance of section 16 of the Insurance Act 1998 and submitted by the Commissioner of Insurance for consideration by the Minister of Finance.

Note: Throughout this report the Office of the Commissioner of Insurance, comprising the Commissioner of Insurance and staff, is referred to as "the OCI". The Commissioner of Insurance is referred to as "the Commissioner".



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Commissioner's Overview

Activities of the Regulator

The primary objective for the year was to complete the registration of the seventeen insurance companies that applied in 2003 and to assist the pension plans with their applications for registration.

Unfortunately the majority of insurance companies still remain un-registered, largely due to outstanding information or information submitted too late at the end of the year to complete the assessment. Greater efforts were made to submit the information towards the end of the year and although most fell short, one insurance company, Hand-in-Hand Mutual Life Assurance Company, was registered in November 2004. Shortly afterwards, Diamond Fire and General Insurance Inc completed their submission and was registered early January 2005. At the point of writing, these two insurance companies are the only insurance companies operating in Guyana that have successfully completed the registration process.

Seven pension plans were registered in 2004. The outstanding plans all require additional information for the registration to be finalised.

This year also saw the completion of the audit for the first set of financial accounts of the OCI, covering the period from inception (22nd December 2002) to 31st December 2003. Copies of the audited financial statements are to be made publicly available once the Minister of Finance has presented these to the National Assembly.

The OCI expanded and lost personnel during the course of the year. It now comprises the Commissioner and three members of staff. This represents the complete technical complement of the OCI, provided assistance from the Ministry of Finance and the Ministry of Legal Affairs continue.

The Insurance Arbitration Board (IAB) formally commenced operations in 2004 and three formal outstanding complaints were presented to it. The IAB functions as an arbitrator for all disputes and differences that arise between policyholders and insurance companies or brokers and it is anticipated that its activity will increase as more members of the public become aware of this facility.

Two seminars were held during 2004, one for insurance management and the other for pension plan managers and institutional trustees. In addition monthly meetings with the Insurance Association of Guyana were established to discuss regulatory changes and policy. The OCI has also been involved in various discussions to understand the implications of the Caribbean Single Market Economy (CSME) and other trade agreements. We believe these are

particularly far reaching and highlight the urgent need for local companies to improve their attractiveness to investors and consumers. These agreements may also catalyse consolidation within the industry.

During 2004, funding for the OCI's operations received increased support from the insurance companies and the OCI now well on the way to becoming a largely self-financing organisation. It is my belief that this is the future regulatory model for the Caribbean and I am proud to be part of the forefront of this type of model in Guyana.

With the completion of staff recruitment and the recognition of the OCI among supporting Government bodies and peers, 2004 has been a necessary period of building relationships. We are now better placed to begin a more public campaign to increase awareness and take action against entities that do not fully comply with the requirements of the Act.

The Industry

General insurance

Following some difficult years for general insurance companies, this financial year reflected the costs incurred during the second half of 2002 and the first half of 2003, during which period some large fire claims were made. The overall loss ratio increased to 50% compared to last year's report of 39%. The industry made a net loss of nearly half a billion. However more significantly the capital position has not been eroded, although more assets may need to be converted to assets of a more liquid nature.

As in the past this sector has proven its social worth especially in the areas of fire insurance. It remains a sector that has greater potential for growth and this is reflected in the number of companies offering these types of products (more than double those offering long term insurance). 2004 saw two of the smaller general insurance companies, both specialising in motor insurance, cease business due to the inability to meet regulatory requirements. These two companies, Republic Insurance and Great Eagle Star, are anticipated to complete their winding up in 2005. The end of 2004 also saw the application of a proposed new entrant, Island Heritage Insurance Company whose head office is based in Bahamas.

General insurance companies face the familiar challenges of high commission and expenses. Commissions at around 20% of net premiums appear high. Another area that should be reviewed both by the industry and government is motor insurance. The current minimum cover of \$20,000 for property damage and \$25,000 for injury seems abysmally low. These (and premiums) should be properly inflated and the Traffic Act appropriately amended so that the figure is inflationary adjusted on a periodic basis.

On the other hand, large segments of the population appear to be uninsured or underinsured for such risks as fire and flooding. Is it because premiums are unaffordable? Are residential risks so costly or are they too heavily subsidising commercial risks? Does society understand the value of property and business interruption cover and the very important role insurance can play in improving productivity and mitigating disasters? The industry needs to take a hard look and do some more research. I would encourage a report be prepared by the industry that addresses infrastructural obstacles and incentives that the government could take into consideration in its budget planning.

Society needs to understand that carelessness on the roads translates to higher premiums. Similarly there is a cost to inadequate fire responses and inadequate building codes. Insurance companies need to start collating the facts and improve their pricing sophistication in their efforts to provide value for money.

Long term insurance and pensions

Long term insurers continue to face an impending crisis as their capital erodes off the back of massive expenses, commissions and poorly priced contracts.

Inappropriate investment strategies continue to pose a potentially grave problem. It is worth repeating from my 2003 report: "In particular the lack of fixed interest instruments affects the long-term insurance companies and pension plans the most and will continue to have a significant impact on the cost of insurance and pensions as well as the financial health of these entities". However part of the problem may lie with the relatively low level of involvement compared to the banking sector in government and local projects. The reasons for this are not clear.

It does not help that insurance companies have not price reviewed many of their long-term contracts for years and unadvisedly continue to sell policies based on investment assumptions much higher than they are achieving. This cannot be considered prudent in today's climate of low returns and, with inflation keeping low, likely to continue being so. Any of their international counterparts will tell them the same.

As importantly they continue to incur expenses much in excess of what has been priced into their contracts. Efforts by the management and Boards of these companies do not appear to reflect a complete understanding of the long term impact to the company, policyholders and shareholders.

Unlike general insurance, the effects of poor management and pricing take much longer to be felt but the time is rapidly approaching when this will be difficult to reverse. For some, immediate and urgent action is necessary.

Pension plan sponsors are recognising that the costs of this benefit could be much higher than they may have anticipated. This is highlighted in the continuing trend to switch to defined contribution schemes or cease offering defined benefits. They continue to suffer from poor returns and unrealistic expectations. Many lag behind in meeting reporting requirements and are encouraged to improve in this area.

Overall

The insurance industry continues to decline in financial strength for various reasons. While much of this will hopefully be reversed, injection of new investment or recovery must begin soon before the industry finds itself insolvent.

The industry lacks appropriate technical expertise. Unfortunately this affects not just the specialised areas such as claims underwriting and actuarial skills, but also the accounting areas. Financial statements by insurance companies woefully under-inform or misrepresent the true picture in my opinion. Many are of inconsistent quality, even if audited by the same auditors. While companies are responsible for their accounts, one hopes that auditors would actively encourage a consistency between companies.

After the permitted six month period, which by most standards is extensive, two companies, Guyana Fire and General Insurance and Hand in Hand Mutual Fire Insurance, still failed to produce their audited company financials for the year ended 30/6/2004 at time of writing.

The results of the actuarial reports for long term insurance companies are largely ignored in the company's financial statements. Actuarial reports continue to take much too long to be produced, more than one year after the end of the financial period being commonplace. Much of this delay is largely due to delays in quality data provided by the companies.

Compliance as earlier mentioned is a problem area, although gradually improving. It is frankly appalling how little some senior managers know and understand of the legal requirements and their application. I appeal to the Board of Directors to include compliance as a regular agenda point on their meetings and put in place the appropriate policies regarding training and regulatory reporting.

Expenses once again are a problem though some companies appear to be managing inflation responsibly. Part of the difficulty in reducing expenses is a question of economies of scale, and smaller companies with high overheads are going to find it extremely difficult to survive.

I have been very disappointed that the strong show of support in 2003 has not been followed through in actions. It is understandable that some time is

necessary for companies to respond to requests from the regulator, especially given the absence of this body for many years. However one feels that two years is more than adequate for even the most unprepared of companies to communicate to staff about the necessity and urgency of compliance and that the delay can only be due to a lack of management prioritisation. This will only lead to more resources being spent on enforcement and an inevitable increase in the cost of regulation. Surely the industry must recognise that they have a responsibility to avoid this.

One hopes that with two companies now duly registered and clearly able to demonstrate their ability to function in a prudent and compliant manner, the others will follow suit.

1.0 Regulatory Framework and Awareness

The Insurance Act 1970 was repealed and replaced by the Act, which commenced on 18 December 2002.

Much of our time so far has been spent informing companies and pension plan managers of their requirements, producing guidelines and assisting companies with compliance.

The Commissioner has also had meetings with the Boards of different insurance companies to update them on their registration and any regulatory concerns. Meetings with the remaining Boards will be scheduled to be completed early 2005. These meetings will hopefully go a long way towards ensuring management policies reflect compliance considerations.

For most companies the majority of the information has been submitted. The main outstanding requirements relate to the fit and proper assessment (section 24(e)) and reinsurance adequacy (section 24(d)). For some compliance issues or the financial position are still being scrutinised and further information has been requested.

General insurance companies have never performed an actuarial investigation and were therefore unable to provide an actuarial report with their application for registration. To overcome this problem, all general insurance companies will be registered only on the condition that their technical reserves are inspected and reported on by an actuary or suitably qualified person for that specific purpose within an acceptable timeframe.

We anticipate that most insurance companies will complete their submissions shortly.

Statutory deposits have now largely been correctly made so that companies cannot access these without required regulatory authorisation. Draft regulations for statutory deposits have been completed.

In addition to the completion of registration another major requirement for insurance companies is the establishment of statutory funds. Guidance for the trust deed has been issued. It is anticipated that all insurance companies will comply with this requirement before the end of 2005.

Pension plans managers have all been written to with individual assessments on their pension plan applications and we are awaiting their feedback. These too appear to lack a sense of urgency regarding compliance. Insurance companies that act as managers for pension plans and do not comply with their responsibilities under the Act will have their registration to conduct

pension business (Class 3, long term insurance) reviewed. Irresponsible trust companies acting as managers will be reported to their regulator, the Bank of Guyana.

Reinsurer and underwriter regulation is an area that will continue to be reviewed. During 2004 following meetings with the industry, it was agreed that the legislation dealing with reinsurance and underwriting were inappropriate and draft amendments to the Act were initiated. In the interim all reinsurers operating in Guyana are recognised through their local clients and a list of these is provided in Appendix 8. The only known underwriter, Lloyd's has opted to cease placing business directly and will only offer reinsurance. Once the legislative review for this category of insurer is complete, formal registration will commence. For the purposes of the remainder this report reinsurers and underwriters are excluded.

2.0 Insurance

2.1 Insurance Companies Registration

During 2003, seventeen insurance companies applied for registration under the Act. At the time of writing two of these have been registered. During 2004, three insurance companies applied for registration. A list of these companies with notes is shown in Appendix 1.

Of these, applications for registration of Republic Insurance Company Ltd and The Great Eagle Star (Guyana) Insurance Company Ltd were rejected. These two companies operated solely in motor insurance. They were unable to comply with the requirements of the Act. Both companies indicated agreement to withdraw from carrying on insurance business and to publicise this.

The application for Lloyd's of London was also rejected as this company decided to cease selling insurance directly in Guyana and to act as a reinsurer only. These three companies have not re-applied for registration and are not considered further in the remainder of this report, except in Appendix 11 which provides a summary of their status.

Similarly financial data on Island Heritage is not included in this report as its insurance activities in Guyana during 2004 were non-existent.

The applications submitted by Demerara Mutual Life Assurance Company Ltd and by Demerara Fire and General Insurance Company Ltd were also rejected. Demerara Mutual Life Assurance Company Ltd operates in long term insurance Classes 1 and 3. Demerara Fire and General Insurance Company Ltd operates in general insurance Classes 1, 2 and 4 and is a general

insurance subsidiary. These two companies have re-submitted their applications with the expectation of having a recently completed actuarial report that would provide a more up to date assessment of the parent company's financial position and are due to provide additional financial information.

The companies that have been registered or have outstanding applications may be classified as follows:

	Local	Overseas	Total
Long term Insurers	4	0	4
General Insurers	6	2	8
Composites	3	0	3
Total	13	2	15

A wide selection of insurance is available to the public. This also implies that competition for market share should be high.

The Register of Insurance Companies has been updated to reflect the registration of Hand in Hand Mutual Life Assurance Company Ltd and Diamond Fire and General Insurance Company Ltd.

The Commissioner met with insurance companies and identified key areas that need improvement. Those that have not yet been registered are not yet able to meet all the requirements of the Act and need to do so to avoid legal action. Most of these companies are expected to complete their submissions shortly. The outstanding assessments may be summarised as follows:

Company*	Registration requirement (section 24 of the Act) to be satisfied							
	(a) Com. Info	(b) Solvency	(c) Compliance	(d) Reins.	(e) Fit	(f) Other Biz	(g) Name	(h) Foreign
HIHF		•	•	•				
GTML				•	•			
GTMF				•	•			
GCIS		•		•	•			
NALI			•	•	•			
NAFI			•	•	•			
CLIC		•	•	•				
GFLG		•	•	•	•	•		
FRAN			•	•	•	•		
DEML		•	•	•	•	•		
DEMF		•	•	•	•			
UNTD			•	•	•			
HERT	•	•	•	•	•	•		•

* See Appendix 1 for key of mnemonic

For some areas information has already been submitted by some companies but too late in the year to complete the assessment before the end of 2004.

Other sections of the report deal with the financial data of insurance companies.

2.2 Insurance Intermediaries

2.2.1 Brokers

Six insurance brokers applied for registration during 2004. Appendix 2 shows the names of these.

Brokers must apply for registration annually.

A Code of Conduct (version 1.1) for brokers has been issued to all brokers and insurance companies. Brokers are required to comply with the provisions of the Code. The Code is publicly available.

2.2.2 Insurance Sales Agents

By early 2004 the registration of all existing agents was completed and applications by 20 new agents were also processed during the year. During the year four agents also left, two resigned and sadly two died. In total one hundred and ninety-five (195) active agents were registered at 31/12/2004 compared to 60 at 31/12/2003.

The recruitment of agents within the industry appears to be healthy with new applications in 2004 and many more existing agents expanding their qualifications by taking additional examinations. This bodes well for this part of the marketing sector of the industry. We are confident that agents are now much better equipped to serve the public and have also introduced a new scheme that requires existing agents to maintain or improve their education and training.

The Insurance Association of Guyana ("the IAG") has been assisting the OCI with the registration and education of agents. It has been appointed to act during 2005 on behalf of the Commissioner in specified areas of regulation regarding sales agents as provided for in the Act.

Some companies have been better than others at ensuring their agents provide information on a timely manner. Clearly these companies take their responsibilities regarding marketing to the public more seriously than others. Any member of the public can check with the OCI regarding the status of an

agent. All registered agents are issued an ID badge certified by the OCI and are required to show this to their clients or on demand.

Applications received may be classified at time of writing as follows:

Agent movement summary	
Total Agents to be renewed during 2004	179
New agents entering during 2004	20
Agents leaving during 2004	(4)
Total Agents active 31/12/2004	195

Sales agents are required to renew their registration annually.

Appendix 3 has a list of all active agents that were registered to conduct business during 2004 and the classes of business for which they have been registered to sell to the public, as well as the companies they represent, their date of registration and their registration number.

2.2.3 Other Insurance Intermediaries

These are all other parties that are involved in sales, claims assessment and the valuation of insurance related transactions and events. Regulations covering these parties have not yet been prepared.

Our priorities for our limited resources are such that it is unlikely that the necessary groundwork for this aspect of the Act will be completed in the near future.

We have received queries from some entities so categorised and have recorded these in a provisional registry until appropriate regulations are issued. A list is provided in Appendix 8.

2.3 Deposits

Fourteen insurance companies (all except for Island Heritage) deposited the sum of \$559.4 million (unaudited). Audited 2003 statements show moneys earmarked for deposits totalled \$569.4 million although only \$371.7 million were in the correct format. Locally regulated banks are effectively acting as custodians for these deposits, which may be not be accessed without the approval of the Commissioner. We will perform checks during 2005 on these amounts to ensure they are in the appropriate format as some were not correctly done during at the end of 2003.

A deposit will also be required of Island Heritage Insurance Company prior to registration.

The deposits may be held as cash and/or bonds guaranteed by approved Governments. All deposits currently made are cash deposits.

Appendix 9 provides a detailed breakdown by company.

2.4 Statutory Funds

Both long term and general insurers are required to identify and set aside statutory funds for each class of business they undertake. This is an on-going requirement that must be done within 4 months following the end of each financial year. These funds represent amounts held in trust on behalf of policyholders and are intended to be sufficient to meet policyholder liabilities.

No company has as yet established their statutory funds. This is a direct contravention of the Act.

Based on estimates derived from company accounts and other information, a summary of estimated Guyanese policyholder liabilities is as follows. It is expected that these estimates will provide a good approximation for the required statutory funds and deposits:

	Estimated Guyanese policyholder liabilities (million G\$)
Estimated long term	7,481.0
Estimated general insurance	1,901.9
Total Guyana policyholder liabilities	9,382.9
Less deposits made	559.4
Less deductible assets	437.2
Estimated Statutory Funds requirement	8,386.3

Statutory funds must be invested in accordance with Schedule 3 of the Act.

In addition, under section 55 of the Act, long-term insurance companies are required to invest a minimum of 85% of its statutory funds in Guyana; this minimum reducing by 1% for each percent of its assets invested in companies in Guyana to 10%. As statutory funds have not yet been established and a breakdown of admissible assets has not all been correctly supplied by companies this test cannot be accurately performed. However one can look at the ratio of overseas assets on a company and industry level as a guide to the distribution.

Appendix 4 shows a breakdown of total assets by asset class and sector.

Trust deeds are currently being arranged and it is expected that all statutory funds will be held by approved trustees before the end of 2005. For all companies that are registered this is a condition of registration.

2.5 Insurance companies financials

2.5.1 Financial strength

Under Section 68, to be deemed solvent, long-term insurance companies must hold assets that have a value greater or equal to the value of its liabilities. General insurance companies must have an asset value exceeding the value of its liabilities by the greater of \$1,000,000 and 25% of its general insurance premium income collected in the preceding financial year. For composites this latter test also applies.

In addition strength is considered with reference to the company's ability to meet its liabilities. This is analysed in sections 2.4 and 2.5.2.

Appendix 5 shows a consolidated balance sheet for the industry and the overall solvency position. This is based on estimates of the policyholder liabilities. Details for individual companies are not yet available as unfortunately not all companies were able to satisfactorily complete their reporting forms. Audited accounts are not sufficient, as these do not disclose the actuarial value of the liabilities.

Total market value of assets of companies is \$34.3 billion, \$23.0 billion among local companies and \$11.3 billion from the overseas company.

With composites it can be more difficult to understand the true strength given the fact that assets are not as clearly separated between the two types of business. This raises more uncertainty over their true position and makes composites difficult to compare with other companies. Composites are urged to consider separating their lines of business in a more open way, preferably splitting into two companies, at the least establishing separate cost centres and reporting.

Long term insurers overall appear to have little capital available to write significant new business and/or sustain financial shocks and adverse experience. The main reason for this is the gradual erosion of available capital over time.

All long term insurance companies have been asked to stabilise or increase their solvency strength to a more satisfactory position over an appropriate period of time.

In the case of some, the position is such that immediate injection of capital may be required. In the case of others, while sufficient capital may exist for demonstration of solvency, there is a deficit of admissible assets meaning the statutory fund requirement will not be met entirely. These companies will not be registered unless they can reassure the OCI that this position is corrected in a timely manner and that this would be a condition of registration.

No company will be registered unless they are able to clearly demonstrate that they will be able to meet their obligations to their policyholders. Overall the long-term industry's position has deteriorated, despite an increase of 11% of assets under management.

General insurers continue to have sufficient strength to cope with the volatility of their business despite the heavy claims of the past.

Because of the nature of the business, higher margins are required to be held by general insurers compared to long-term insurers. The minimum requirement could not be calculated in all cases as insufficient information was provided. However an estimate is shown in Appendix 5.

The overall position of the industry had mixed results. Although local assets under management have increased significantly by around 30%, mainly due to a massive 178% increase for composites, the solvency positions for long term insurers and composite companies have worsened as liabilities have also increased. The solvency ratios have worsened from 104% to 99% for long term insurers but general insurance improved to 174%. Overall the local industry's asset to liability ratio remained stable at around 117%.

2.5.2 Asset Liability Matching and Liquidity

The nature of assets compared to liabilities is as important as value. Asset and liability matching is therefore part of the monitoring process. Appendix 4 shows broad assets classification by type of insurance business. It is instructive to note the difference in asset allocation between local general insurance companies and the Barbados-based general insurer.

Medium and long-term bonds, whether from government or companies, continue to be in short supply. This creates great uncertainty for long-term insurers and makes pricing and solvency monitoring extremely difficult. Pensions business in particular is badly affected. General insurers have no restriction on where they may invest and as such have more freedom to invest overseas.

Government and private enterprise should continue or improve on offering local investment opportunities to the industry. Preference should be given to long term insurance companies and pension plan managers, especially in light

of requirements restricting their ability to invest overseas. The industry should not take the back seat on this matter and make greater efforts to signal their willingness to invest in local ventures (provided risk and return are appropriate).

All insurers need to understand that their investment objectives. Expectations need to first and foremost take account of the available capital and the nature of the liabilities. Returns should be of secondary consideration. With a lack of available investments, insurers also need to be more creative with their available funds. Mortgages for example are a possible investment class that can replace bonds. As a holding, mortgages represent 2% of total assets. If capital is available, insurance companies can consider providing other forms of loans, such as issuing tradable bonds that provide a cheaper source of financing to investors than borrowing from banks.

Holdings in the various classes have remained relatively stable, with property still being relatively high for general insurance companies. Long term insurers have relatively high cash but low bond holdings.

2.5.3 Sustainability

A look at the consolidated revenue sheet and individual revenue summaries indicate that premium rates for general insurance companies appear to be sustainable on a broad level. Some cross subsidizing may be occurring between classes of business but overall premium levels are unlikely to be affected, barring external influences such as reinsurance costs.

Long term insurers continue to suffer from a lack of pricing reviews and unsustainable premium levels as previously mentioned. Some possible reasons for this have already been mentioned such as high expenses and poor investment returns. However an investigation by the industry into mortality and AIDS loadings may be helpful to determine whether reinsurance rates are too high. Market size also needs to be examined to determine whether the insured population could be increased. In addition product design and administration should be reviewed.

It appears that companies are reluctant to increase premiums or are unaware that this may be necessary if no other improvements are made.

Appendix 6 shows a constructed revenue account for the industry.

Clearly the general insurance industry has suffered large losses during 2003/2004. The cost of some of the previous year's fires are also now being fully accounted for which is reflected in an increase in the overall net loss ratio of 50% up from 39%.

Without the benefit of previous years' analyses, it is not possible to comment on trends within the industry at this stage.

3.0 Pension Plans

During 2004, nine pension plans were registered and 96 applications are outstanding. These have not been registered due to insufficient information or action carried out by the managers or pension plans. A common example is a lack of audited financial statements as required by the Act. During 2004 every plan manager or trustee where more appropriate was contacted and informed of the deficiencies of all outstanding applications. In most cases we were assured that these would be corrected.

Pension plan managers need to do more to ensure their pension plans are in compliance. Members need to be informed of their plan's status and as a regulator the OCI intends to play a key role in this. This public report highlights the position of all plans and in 2005 a public information campaign targeting pension plan members will be launched with the aim of disseminating information and educating members.

Occupational pension plans operating in Guyana may be summarised as follows:

Manager	Defined Benefit	Defined Contribution	Hybrid	Unclear	Total
Insurance company	29	54	1	0	84
Trust company	7	1	0	2	10
Self	11	0	0	0	11
Total	47	55	1	2	105

Appendix 7 is a list of all pension plans that have applied for registration. Note this list includes plans in the process of being wound up.

During 2004 a member of staff was recruited whose main priority is the administration of pension plan compliance. In addition a legal officer has been recruited to assist in the issuing of appropriate regulations and guidance to pension plans. Dedicated resources to pension plan regulation have therefore been identified and additional funding being raised during 2005 will ensure that a greater level of awareness and compliance will be achieved during 2005. For the first time since the operation of my office pension plan managers will be required to pay an assessment during 2005 towards the cost of operating the OCI. This has been approved in the 2005 OCI budget.

4.0 Insurance Arbitration Board & Complaints

Members of the Insurance Arbitration Board were decided in 2003. At the time of writing the Board comprises the Commissioner, Mr H. Barrow (representing brokers) and Mr H. Cox (representing insurance companies). Complaints involving insurance policyholders are referred to this Board.

Four complaints were referred to the Board during 2004. Two of these have been resolved and two are pending. Appendix 10 provides details of these.

In addition several other preliminary enquiries were made but were resolved without formal submission to the Board.

5.0 International Standards

The OCI hopes to adopt the principles of the International Association of Insurance Supervisors (IAIS) in the future. In the interim, we are guided by the practice of Caribbean regulators and as far as possible by the IAIS.

The financial statements of insurance companies and companies sponsoring pension plans should be prepared in accordance with international accounting standards. These are the International Financial Reporting Standards or IFRS.

We have conducted a study to analyse compliance of IFRS by insurance companies and the results were produced in 2004. These showed that all companies to some extent were not compliant with all of IFRS or at least have not demonstrated this in their audited accounts.

With the approaching Caribbean Single Market Economy, in order for local companies to maintain market share or expand and to encourage investment in our industry, more needs to be done by the local head offices.

6.0 Conferences and training

The Commissioner attended a 3 day conference for Caribbean insurance supervisors hosted by CARTAC in Trinidad in March 2004. This provided unique opportunities for regulatory training and meeting other regulators.

The Commissioner and two staff attended a workshop hosted by the Bank of Guyana covering anti-money laundering initiatives and issues.

The Commissioner attended a pension reform seminar in Barbados in July 2004 hosted by CARTAC. This informed on the various issues relating to pension provision within the Caribbean, including social reform and what was done by Barbados in their recently completed and successful social security reform.

Appendix 1: Insurance Companies

Mnemonic	Name of Insurance Company	Registration	Long-term Insurance Classes	General Insurance Classes
CLIC	Clico Life & General Insurance Company (SA) Ltd	Outstanding	1, 2, 3	1, 2, 4
DIAM	Diamond Fire & General Insurance Inc	06/01/2005	N/a	1, 3, 4
FRAN	Frandec & Co, Inc	Outstanding	N/a	1
GCIS	GCIS Inc.	Outstanding	1	1, 2, 3, 4
GTMF	Guyana & Trinidad Mutual Fire Insurance Company Ltd	Outstanding	N/a	1, 2, 3, 4
GTML	Guyana & Trinidad Mutual Life Insurance Company Ltd	Outstanding	1, 2, 3	N/a
GFLG	Guyana Fire, Life & General Insurance Company Inc	Outstanding	1, 2, 3	1, 2, 3, 4
HIHF	Hand-in-Hand Mutual Fire Insurance Company Ltd	Outstanding	N/a	1, 2, 3, 4
HIHL	Hand-in-Hand Mutual Life Assurance Company Ltd	10/11/2004	1, 2, 3	N/a
HERT	Island Heritage	Outstanding	To be confirmed	To be confirmed
LLYD	Lloyd's of London	Rejected	N/a	1, 3
NAFI	North American Fire & General Insurance Co. Ltd.	Outstanding	N/a	1, 2, 3, 4
NALI	North American Life Insurance Co. Ltd.	Outstanding	1, 2, 3	N/a
REPB	Republic Insurance Company Ltd	Rejected	N/a	2
DEMF	The Demerara Fire and General Insurance Co. Ltd	Outstanding	N/a	1, 2, 4
DEML	The Demerara Mutual Life Assurance Society Ltd	Outstanding	1, 3	N/a
GESI	The Great Eagle Star Insurance Company (Guyana) Ltd	Rejected	N/a	2
UNTD	United Insurance (represented by John Fernandes Insurance Services Ltd)	Outstanding	N/a	1, 2, 3, 4

Classes of insurance business are defined in schedules 1 and 2 of the Act as follows:

Class	Long Term Insurance	General Insurance
1	General Life	Accident and Liability
2	Health	Auto
3	Annuities and Pensions	Marine and Aviation
4	N/a	Fire

Appendix 2: Insurance Brokers

This list represents all brokers that applied for registration during 2004. No broker was registered during 2004 due to outstanding information.

Broker
Abdool & Abdool Inc.
Apex Insurance Brokers Inc.
Insurance Brokers - Guyana - Ltd
M.P. Insurance Brokers & Consultants Ltd
P&P Insurance Brokers & Consultants Ltd
Raj Singh Insurance Brokers & Risk Management Consultants

Appendix 3: Registered Insurance Agents

Reg. No.	Agent	Last registration	Insurer	Long term	General insurance
293	Abai: Peter C.	01/06/2004	CLIC	1	2, 4
243	Abraham: Sonja S.	31/01/2004	HIHF		4
371	Adams: Clement	24/09/2004	HIHL	1	
244	Adams: Jacobs N.	31/01/2004	HIHL/HIHF	1	4
43	Alexander : Aubrey	31/12/2003	GTMF		4
142	Alexander: Dawn N.	31/01/2004	NALI/NAFI	1	1,2,4
44	Alli : Irshaad Munaf	31/12/2003	GTMF		1, 2, 4
192	Anderson: Zalena	31/01/2004	CLIC	1	
193	Anthon: Joseph E.	31/01/2004	CLIC	1,2	1, 2, 4
246	Archibald: Carol A.	31/01/2004	HIHF		4
45	Augustus : Trevor A.	15/12/2004	GTML	1,2	
143	Austin: Robert	31/01/2004	NALI	1	
247	Bacchus: Ryan G.	31/01/2004	HIHL/HIHF	1	1, 2, 4
309	Badrudeen: Roshana O.	27/05/2004	GTML	1,2	
47	Baksh: Mohamed S.	31/12/2004	GTML/GTMF	1	1, 2, 4
49	Balram: Cherryl I.	31/01/2004	GTMF	1,2	
194	Barnes: Neville A.	31/01/2004	CLIC	1	
9	Belle: Christi	15/12/2003	DEML	1	
329	Bishop: Shawn	23/08/2004	GTML	1,2	
195	Blair: Karen A. M.	31/01/2004	CLIC	1	
248	Blair: Philbert D.	31/01/2004	HIHL/HIHF	1	4
10	Bovell: Norman	31/01/2004	DEML	1	
196	Brathwaite: Whittington L.	31/01/2004	CLIC	1	
249	Browne: Samuel W.	31/01/2004	HIHF		4
56	Bryan: Peter S.	31/01/2004	GTML/GTMF	1,2	4
11	Burrowes: Carol	31/01/2004	DEML	1	
57	Cadogan: Donna S.	31/12/2003	GTML/GTMF	1	1, 2, 4
146	Caesar: Colin A.	15/12/2003	NALI	1	
147	Campbell: Elton	31/01/2004	NAFI		4
197	Carrington: Elbert	31/01/2004	CLIC	1	
198	Chance: Philip G.	31/01/2004	CLIC	1	
59	Chandebal: Khamechand	31/12/2003	GTML/GTMF	1	2, 4
12	Chase: Patrick L.	31/01/2004	DEML/DEMF	1	4
353	Chisholm: Godfrey	23/08/2004	NALI	1	
15	Clarke: Charles	15/12/2003	DEML/DEMF	1	4
149	Clarke: Kurt L.	15/12/2003	NALI/NAFI	1	1
60	Clarke: Patricia	31/12/2003	GTMF		4
16	Clarke: Shawn	15/12/2003	DEML	1, 2	

Reg. No.	Agent	Last registration	Insurer	Long term	General insurance
250	Clarke: Roy E.	31/01/2004	HIHF		4
251	Clarke: Tracey A.	31/01/2004	HIHF		4
61	Correia: Andrew S.	31/01/2004	GTML/GTMF	1	4
62	Cox: Elizabeth I. V.	15/12/2003	GTML	1, 2	
199	D'Andrade: Vanessa A.	31/01/2004	CLIC	1	
71	D'Ornellas: Neil A.	15/12/2003	GTML/GTMF	1, 2	1, 4
252	Da Silva: Bernard	31/01/2004	HIHL/HIHF	1, 2	1, 4
370	Daniels: Erwin	24/09/2004	HIHL	1, 2	
354	Daniels: Sharlene	23/08/2004	NALI	1	
68	De Nobrega: Aubrey	31/12/2003	GTML/GTMF	1, 2	1, 2, 4
284	De Souza: Judith	03/06/2004	NAFI		4
253	Dhanraj: Derek	31/01/2004	HIHL/HIHF	1	1, 2, 4
17	Dorsett: Marcia A.	27/07/2004	DEML	1	
301	Duncan: Marlon G.	31/05/2004	DEML	1, 2	
201	Elcock: Yonette A.	31/01/2004	CLIC	1	
254	Falconer: Patrick O.	31/01/2004	HIHL/HIHF	1	4
355	Ferguson: Marcell	23/08/2004	NALI	1	
255	Foster: Faye A.	31/01/2004	HIHL	1	
256	Francis: William P.	31/01/2004	HIHL	1	
204	Frank: Allan	31/01/2004	CLIC	1, 2	4
358	Fraser: Fresnel	23/08/2004	NALI	1	
318	Fraser: Joy	20/05/2004	NALI	1	
359	Ganesh: Lakeram	23/08/2004	NALI	1	
156	Ganpat: Hanuman	31/01/2004	NAFI		1, 2, 4
205	George: Godfrey A.	31/01/2004	CLIC	1, 2	
18	Ghaness: Totaram	15/12/2003	DEML	1, 2	
312	Gibbons: Bernadette W.	27/05/2004	GTML	1, 2	
158	Gibbs: Ninion L.	15/12/2003	NAFI		4
335	Gibbs: Trevor M.	19/07/2004	GTMF		4
206	Gill: Colin K.	31/01/2004	CLIC	1	
74	Gobin: Sugrim	15/12/2003	GTMF	1, 2	
159	Gomes: Benson R.	15/12/2003	NALI/NAFI	1, 2	1
289	Gomes: Derek	31/01/2004	UNTD		4
367	Gomes: Gilbert	24/09/2004	CLIC	1	
160	Gooding: Joseph A.	15/12/2003	NALI	1, 2	
161	Gordon: July A.	31/01/2004	NALI/NAFI	1	1
76	Griffith: Chioma O.	31/12/2003	GTMF		4
322	Griffith: Faye	09/06/2004	GTML	1	
77	Hackett: Edward	15/12/2003	GTML/GTMF	1	1, 2, 4
78	Hall: Terrence	31/01/2004	GTMF		4
294	Harmon: Lloyd L	01/06/2004	CLIC	1, 2	
369	Harris: Trudy	24/09/2004	CLIC	1	

Reg. No.	Agent	Last registration	Insurer	Long term	General insurance
209	Haywood: Kevin	31/01/2004	CLIC	1, 2	
210	Hazelwood: James	31/01/2004	CLIC	1, 2	4
211	Hazelwood: Nickel P.	31/01/2004	CLIC	1, 2	
79	Hendricks: Olivia J.	15/12/2003	GTMF	1, 2	
165	Holder: Norma S.	15/12/2003	NALI/NAFI	1, 2	1
257	Holder: Terence C.	31/01/2004	HIHL/HIHF	1	4
215	Horatio: Nigel	31/01/2004	CLIC	1	
258	Hussain: Habib	31/01/2004	HIHL/HIHF	1	4
316	Hutson: Gladstone	01/06/2004	CLIC	1	
21	Hutson: Penelope V.	15/12/2003	DEML	1, 2	
81	Jackman: Sydney	31/01/2004	GTML	1	
259	Jacobs: George A.	31/01/2004	HIHL/HIHF	1	1, 2, 4
82	Jaikaran: Mahendra	31/12/2003	GTMF		4
216	Jaikaran: Pulashwari	31/01/2004	CLIC	1, 2	1, 4
83	Jardine: Marisa J.	31/12/2004	GTMF		4
295	Jerrick: Anthony	01/06/2004	CLIC	1, 2	1, 2, 4
85	Jones: Elwin S.	31/12/2004	GTMF		4
260	Jones: Reynold A.	31/01/2004	HIHL	1	
311	Joseph: Jacqueline J.	26/07/2004	GTML	1, 2	
315	Joseph: Philbert	31/05/2004	HIHF		4
168	Joseph: Winsley A.	23/08/2004	NALI	1	
267	Karim: Fazil	31/01/2004	HIHF		2, 4
170	Khan: Affeeze	31/01/2004	NALI	1	
87	King: Elisa V.	31/12/2004	GTMF		4
364	King: James	24/09/2004	HIHF		4
262	Kissoon: Matthew W.	31/01/2004	HIHL/HIHF	1	1, 2, 4
88	Lall: Madho	31/12/2003	GTMF		4
366	Lashley: Dalton E.	31/01/2004	GTML/GTMF	1, 2	4
22	Legall: Ronald E.	15/12/2003	DEML/DEMF	1	4
220	Lilman: Damdeo	31/01/2004	CLIC		4
324	Loncke: Jacqueline M.	09/06/2004	GTML	1, 2	
90	London: Anthony	31/12/2003	GTMF		4
221	London: Horton E. A.	31/01/2004	CLIC	1, 2	
24	Lowe: Sandra U.	31/01/2004	DEML/DEMF	1	4
91	Luckham: Walter I	31/12/2003	GTMF		1, 2, 4
92	Lynch: Monique C. A.	31/12/2003	GTMF		4
363	Maloney: Wilfred R.	23/08/2004	GTML	1, 2	
222	Maison: Owen Reginald	31/01/2004	CLIC	1, 2	
368	Major: Valerie	24/09/2004	CLIC	1	
224	Mayers: Alfred E. J.	31/01/2004	CLIC	1	
225	Mc Donald: Ruth M.	31/01/2004	CLIC	1, 2	
360	Mc Garrell: Denise A.	23/08/2004	NALI	1	

Reg. No.	Agent	Last registration	Insurer	Long term	General insurance
330	Marshall: Herbert	23/08/2004	HIHL/HIHF	1	4
263	Mc Almont: Edgar	31/01/2004	HIHL/HIHF	1	4
264	Mc Donald: Shirley E.	31/01/2004	HIHL	1	
93	Mc Kenzie: Richard L.	31/12/2003	GTMF		4
94	Mc Kinnon: Stacey	31/01/2004	GTMF		4
172	Mc Lean: Mark A.	15/12/2003	NALI/NAFI	1, 2	1, 4
226	Mc Pherson: Joel A.	31/01/2004	CLIC	1	
98	Milner: Winston	31/12/2003	GTMF		4
27	Moore: Lloyd G.	31/01/2004	DEML	1	
286	Moses: Orin A. C.	31/05/2004	HIHL/HIHF	1	4
227	Murray: Bibi H.	31/01/2004	CLIC	1	4
265	Nagasar: Baldeo	31/01/2004	HIHL/HIHF	1	1, 2, 4
325	Naughton: Onika	23/08/2005	GTML	1	
100	Noord: Charles J.	15/12/2003	GTML	1	
30	Omo: Sase	15/12/2003	DEML	1	
266	Perreira: Novella A.	31/01/2004	HIHF		4
297	Persaud: Basil	01/06/2004	CLIC	1, 2	1, 2, 4
230	Persaud: Omar	31/01/2004	CLIC	1	
103	Persaud: Ramesh T.	31/12/2003	GTMF		1, 2, 4
104	Persaud: Robert K.	31/12/2003	GTMF		1, 2, 4
173	Persaud: Takur	31/01/2004	NALI/NAFI	1	1
326	Pertaub: Paul	23/08/2004	GTML	1	
31	Peters: Beverley	30/08/2004	DEML	1	
310	Peters: Leonard F.	27/05/2004	GTML	1, 2	
288	Porter: Gavin A.	31/05/2004	HIHL/HIHF	1, 2	4
232	Ramalho: Winston H.	31/01/2004	CLIC	1	1, 2, 4
267	Ramcharan: James B.	31/01/2004	HIHL/HIHF	1	1, 2, 4
111	Rampersaud:	15/12/2003	GTML	1, 2	
112	Rampersaud: Jai R.	31/01/2004	GTML	1, 2	
268	Rampersaud: Sammy	31/01/2004	HIHL/HIHF	1	4
308	Ramphal: Vadyawattie	27/05/2004	GTML/GTMF	1	4
233	Ramsamooj: Haresh	31/01/2004	CLIC		1, 4
336	Ramsarran: Margaret	23/08/2004	GTMF		4
365	Realine: Lester R.	24/09/2004	HIHL	1	
234	Reece: Janice A. D.	31/01/2004	CLIC	1	
33	Richmond: Paulette A.	31/01/2004	DEML	1	
175	Roberts: Susette E.	15/12/2003	NALI/NAFI	1, 2	1
291	Robin: Hugh M.	31/05/2004	HIHL/HIHF	1, 2	4
34	Ross: Rudolph A.	31/01/2004	DEML	1	
118	Samuels: Franklin C.	15/12/2003	GTML	1, 2	
306	Seaforth: Sydney	27/05/2004	GTMF		4
125	Singh: Hansraj	15/12/2003	GTML/GTMF	1, 2	4

Reg. No.	Agent	Last registration	Insurer	Long term	General insurance
177	Sampat: Seepaul	31/10/2004	NALI/NAFI	1	1, 4
235	Sampson: Odetta O.	31/01/2004	CLIC	1, 2	
270	Sanicharra: Babeschan	31/01/2004	HIHL/HIHF	1	4
271	Scotland: Leon	31/01/2004	HIHL/HIHF	1, 2	4
317	Seegobin: Michelle A.	01/06/2004	CLIC	1	
237	Semple: Anthony C.	31/01/2004	CLIC	1, 2	
290	Sewkarran: Rosetta A.	31/05/2004	HIHF		4
179	Singh: Arjune	31/01/2004	NALI/NAFI	1	4
127	Singh: Hardat	31/12/2003	GTML/GTMF	1, 2	1, 2, 4
129	Singh: Khemraj	31/12/2003	GTMF		4
361	Singh: Ravikha	23/08/2004	NALI	1	
130	Skeete: Fiona U.	31/12/2003	GTMF		4
180	Soman: Jerome A.	15/12/2003	NALI		4
362	Sookdeo: Jaggat	23/08/2004	NALI/NAFI	1	4
133	Spencer: Rofurce	15/12/2003	GTML/GTMF	1, 2	4
135	Sukhpaul: Mohabir B.	31/01/2004	GTML/GTMF	1, 2	1, 2, 4
39	Sukhu: George	15/12/2003	DEML	1	
136	Sulker: Tyron M.	31/12/2003	GTML	1, 2	
238	Telford: Avanelle B.	31/01/2004	CLIC	1, 2	1, 4
182	Thomas: Joy	23/08/2004	NALI	1	
305	Tinnie: Allan S.	31/05/2004	DEML/DEMF	1, 2	2, 4
328	Tulloch: Clement J.	26/07/2004	GTML/GTMF	1, 2	1, 2, 4
298	Walcott: Pierre A.	01/06/2004	CLIC	1, 2	
40	Walker: Cyril	31/01/2004	DEML/DEMF	1, 2	1, 4
188	Warde: Rayana A.	31/01/2004	NALI	1	
140	Warren: Roy H.	15/12/2003	GTML/GTMF	1, 2	1, 2, 4
241	Watson: Maurice	31/01/2004	CLIC	1, 2	1, 2, 4
189	Whitney: Shelon M.	31/01/2004	NALI	1	
242	Wilson: Hilton A.	31/01/2004	CLIC	1	1, 2, 4
273	Wiltshire: Hamilton	31/01/2004	HIHL/HIHF	1, 2	1, 2, 4
314	Wray: Claude E.	31/05/2004	HIHF		4

Total registered agents: 195

Classes of insurance business are defined in schedules 1 and 2 of the Act.

Appendix 4: Asset classification

Asset values are fair values.

Total Assets (in millions)

Local Companies (incorporated in Guyana)						
Asset classes	Long-term insurers		General insurers		Composites	
Bonds (local)	359.1	3%	349.3	2%	25.7	0%
Bonds (overseas)	762.3	7%	193	19%	0	0%
Total Bonds	1,121.4	10%	542.3	21%	25.7	0%
Equities (local)	1271.5	11%	374.5	3%	189.5	2%
Equities (overseas)	308.6	3%	257.3	8%	2,268.5	43%
Total Equities	1,580.1	14%	631.8	11%	2,458.0	45%
Immovable property	1,888.1	17%	1846	15%	613.7	10%
Cash	3,672.9	33%	961.2	22%	472.3	9%
Policy loans	1,203.5	11%	0	0%	0	0%
Mortgages	476.4	4%	142.8	2%	0	0%
Other	1,157.1	11%	2,210.5	29%	2,026.7	36%
Totals	11,099.5	100%	6,334.6	100%	5,596.4	100%

Foreign Company (incorporated out of Guyana)		
Asset classes	General insurers	
Bonds (local)	0	0%
Bonds (overseas)	3249.4	29%
Total Bonds	3249.4	29%
Equities (local)	0	0%
Equities (overseas)	1,246.3	11%
Total Equities	1,246.3	11%
Immovable property	696.5	6%
Cash	2,958.1	26%
Policy loans	0	0%
Mortgages	214.5	2%
Other	2,944.6	26%
Totals	11,309.4	100%

	All Local Companies	All Companies
	3%	2%
	4%	12%
	7%	14%
	8%	5%
	12%	12%
	20%	17%
	19%	15%
	22%	23%
	5%	4%
	3%	2%
	23%	24%
	100%	100%

Exchange rate used throughout this report: BD\$1 = G\$92.19

Appendix 5: Constructed Industry Balance Sheet

For the purposes of this illustration, composite companies that have not provided sufficient information about their assets have been artificially split so that long term assets equal liabilities and the remaining assets are allocated to general insurance centres.

Long term liabilities may not reflect the true position, due to infrequent actuarial reviews, as these have to be estimated.

Balance sheet for long-term business	2003	2002	% change
Assets	16,124,403,295	13,064,197,936	123%
Estimated Guyana policyholder liabilities	7,481,000,000	5,255,543,327	142%
Other estimated liabilities	8,849,807,527	7,254,225,382	122%
Total estimated liabilities	16,330,807,527	12,509,768,709	131%
Other ("free") capital	(206,404,232)	554,429,227	(37)%
Assets/liabilities	99%	104%	

Balance sheet for general insurance business	2003		2003
	Local Companies	Foreign Companies	Total
Assets	6,906,096,916	11,309,292,091	18,215,389,007
Estimated Guyana policyholder liabilities	1,777,265,000	124,600,000	1,901,865,000
Other liabilities*	1,599,592,473	6,993,800,000	8,593,392,473
Total liabilities	3,376,857,473	7,118,400,000	10,495,257,473
Other capital	3,529,239,443	4,190,892,091	7,720,131,534
Estimated Solvency margin	431,200,000	40,400,000	471,600,000
Assets/liabilities	205%	159%	174%
Solvency ratio	181%	158%	166%

2002/2003 figures are not directly comparable for general insurance as not all information on foreign companies was not available at the time.