

# Commissioner of Insurance ANNUAL REPORT 2005

For the year ended 31 December 2005

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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".*

The OCI is the regulatory body for the insurance and pensions sectors in the Co-operative Republic of Guyana. It is headed by the Commissioner of Insurance ("the Commissioner"), Mrs Maria van Beek, who is charged with the general administration of the Insurance Act 1998 ("the Act").

The primary objective of the OCI is to regulate and supervise participants' activities, with integrity and efficiency, and in so doing help to promote and enhance the reputation of the industry as a cornerstone to the development of Guyana.

As at 31 December 2005 the Commissioner had four members of staff.

Further information about the OCI may be obtained from its website: [www.insurance.gov.gy](http://www.insurance.gov.gy) Alternatively the OCI may be contacted directly for any of the information posted on its website.

This is the third Annual Report of the Commissioner in pursuance of section 16 of the Act. It reports on the activities of the Commissioner of Insurance and the administration of the Act for the year ended 31 December 2005.

The data used in this report are provided by Bank of Guyana and insurance companies. The ends of the financial year for companies varies, therefore figures derived from accounts and consolidated in this report do not correspond to a particular time but instead use data produced as at 30 June 2004 or 31 December 2004. This is consistent with data used in the previous report.

The OCI wishes to acknowledge the help of the Insurance Association of Guyana, the Guyana Insurance Brokers Association, sales managers of the insurance companies, the Ministry of Finance, the Bank of Guyana, the Guyana Securities Council, CARTAC, the Canadian regulators (OSFI) and the management and staff of the Privatisation Unit and to extend sincere gratitude for their assistance.

## Key

CAIR	Caribbean Association of Insurance Regulators
CARTAC	the Caribbean Regional Technical Assistance Centre
CPI	Consumer Price Index
CSME	Caribbean Single Market and Economy
FSAP	Financial Sector Assessment Program
GIBA	Guyana Insurance Brokers Association
IAB	Insurance Arbitration Board
LAG	Insurance Association of Guyana
IAIS	International Association of Insurance Supervisors
IASB	International Accounting Standards Board
IBR	Insurance Board of Review
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
OCI	Office of the Commissioner of Insurance
OSFI	the Office of the Superintendent of Financial Institutions

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## **Commissioner's Overview**

### ***Activities of the Regulator***

The OCI had a very eventful year both in the public domain as well as internally. The organisation appeared several times in the printed and televised media largely due to associated coverage of an insurance company related scandal. Also the OCI's website was launched in July 2005 and has since had thousands of visitors.

This year saw the successful registration of an additional eight insurance companies. This represented the majority of remaining applications for registration following the commencement of the Act.

Unfortunately the highlighted event of the latter half of the year focussed on the only rejection, that of Guyana Fire, Life and General Insurance Company Ltd. ("Guyflag"). This company was embroiled in an insurance scandal involving a false claim of \$400 million. The OCI conducted an extensive investigation into events leading up to the scandal, the results of which influenced its decision regarding Guyflag's application for registration. The Commissioner of Insurance also referred the matter to the police to investigate. Guyflag has challenged the decision of the OCI to reject its application and the matter is currently within the courts.

What has become apparent from the various experiences of this year is that the enforcement capacity of the OCI is too limited in light of continued non-compliance, particularly with regard to establishing statutory funds and timely reporting. Our focus over these first three years has been on awareness of compliance requirements and implementing basic supervision in the vacuum that has developed from a prior lack of effective supervision. We have made significant progress in re-building communication channels with the sector and have seen marked improvements in some areas. Unfortunately compliance and data remain an issue. The time has clearly come to commit significant resources on enforcement, an exercise that will not come cheaply given the scale involved. The functions of the judiciary and other supporting bodies will also have bearing in the effectiveness of any enforcement program. This office is aware of limitations in these areas and continues to believe that a significant proportion of its resources must continue to be dedicated to education and awareness in improve value in the long term. The industry needs to understand its part also otherwise it will face increasing regulatory costs and poor value for money with regard to enforcement.

The first half of the year was largely dominated by the disastrous floods in January. This event highlighted the immense hurdles faced by my office in terms of receiving data. Not one company was able to provide meaningful data until much later in the year. Indeed some never even fully responded to the request for data. Over the past three years my office has focussed on the need for reliable and timely data. Some companies have taken up the challenge and 2005 saw improvement. Nevertheless, the law still allows companies up to 6 months to provide financial data which makes

timely analysis impossible. This lag and the failure by some companies to meet even this generous timeframe continue to pose challenges to meaningful regulation.

Internally the OCI lost its legal officer but has since found a replacement. It also filled the position of administrative officer. Loss of staff and a general lack of training opportunities continue to be a challenge to this office.

No pension plans were registered in 2005. As in the past, the 97 outstanding applications were unable to meet the necessary requirements. Our discussions with pension participants in 2005 failed to achieve the desired results. The unfortunate position of these plans is that their managers and/or trustees are quite simply failing to comply with the law and in effect are putting the security of the benefits of the members of these plans at risk. A significant effort will have to be made by all stakeholders to overcome this hurdle. Many continue to view the requirements of the OCI as additional burden and expense rather than in a positive light.

The Insurance Arbitration Board has provided valuable service to those policyholders and companies that utilised its facilities but more importantly it has set a standard of claim settlement with which to guide companies.

The Insurance Board of Review was appointed by the Minister of Finance in 2005. Its role is to review the decisions of the Commissioner upon appeal by industry participants. The OCI welcomes its formation as it is a vital part of our objective to achieve an accountable and fair regulatory process.

A public seminar was held during 2005 in Linden as part of our program to sensitise the Guyanese population of our role. Its objective was to highlight the activities of the OCI and explain the steps taken to provide protection to policyholders and pension plan members.

Regular meetings with the Insurance Association of Guyana to discuss regulatory changes and policy continue. Unfortunately this organisation appears to have suffered from a lack of commitment by its constituents and its contributions have been below expectations. The operations of the OCI and the regulatory framework have been negatively impacted by this adverse development. The industry needs to take all appropriate steps to strengthen this important and very necessary body. On a more positive note, the reactivation of the Guyana Insurance Brokers Association has resulted in improved consultations with brokers.

During 2005, funding for the OCI's operations received increased support from the insurance companies, pension plans and government. This enabled us to improve our technical capacity.

The OCI supports the call for closer communication and collaboration between regulators, particularly with the local regulators such as the Bank of Guyana, the Guyana Securities Council and the Registrar of Joint Stock Companies. The effects of CSME

are expected to be felt by both regulatory regime and private sector and local regulators need to be prepared for this.

## ***The Industry***

### **Overview**

The industry continues to grow and play an increasingly important role in the financial sector. Local companies now manage in excess of \$30 billion and recorded premiums of about \$15 billion in 2004 (about 10% of GDP), making the sector the second largest after banks (assets valued at about \$147 billion in 2004). Nominal GDP in 2004 measured \$156 billion.

Three events occurred this year that focussed public attention on the industry. One is the scandal previously mentioned, another was the payout to members of the now wound-up Bauxite Industry Pension Plan and the last was the January floods.

The industry continues to see overall growth in premium income, with some companies recording extraordinary results particularly the long term sector which is positioning itself to offer savings products that will compete with traditional banking deposits. In 2004 the sector earned an average 7% on its average assets compared with CPI inflation of about 5.5% during that period. Sector expenses actually contracted during the year, highlighting efforts to cut back on expenses. Bank interest rates for that period were around 3.4%

2004 recorded substantial growth in total assets of 42%. These results are consistent with the performance of Guyana's publicly traded companies (the stock exchange recorded an annual growth in market capitalisation during 2004 of 36%, with the financial sector doing particularly well). The increase in assets was contributed in part by various revaluations (property and equity, local shares in particular recording significant increases in value), but came primarily from business growth.

### **General insurance**

The industry also came under public scrutiny early in the year during the disastrous flooding on the East Coast and parts of Georgetown. It became apparent that the large majority of those affected were uninsured and that the industry was largely unprepared for flood claims despite offering this cover. The final cost to the industry is still unknown as some claims are still being disputed.

Of greater concern is the industry's apparent lack of awareness of its exposure, its inability to quickly or otherwise assess this exposure and the knock-on effect on reinsurance premiums as reinsurers become aware of this "new" risk. It is likely that some will review their rates upwards with higher fire and consequential loss premiums as a result.

The sector appears to be considering or implementing a general rate review despite recording lower claims and improved results in 2004. It must once again be brought

to task for continued high expenses. Commendable progress has been made in maintaining expenses at similar levels to the previous year in light of general inflation of over 5% but there is still some way to go with expenses and commissions taking some 70% of net premiums collected in 2004 compared with about 40% paid out as claims.

Limited capacity presents a problem for large consumers and an obstacle for growth locally. With the advent of CSME, larger players may enter the market and this could ease the problem. Until such time, the legislation should be amended to allow discretionary and temporary registration to overseas companies for unusually large or complex risks that cannot be placed locally until locally registered companies increase their capacity.

Individual results were a mixed bag but all except one company recorded growth in premiums. Overall premiums grew by 11%.

The general insurance sector continues to record underwriting losses but in 2004 recorded overall profits on the back of a significant increase in investment returns compared to losses in 2003.

#### **Long term insurance**

Performance of this sector is notoriously difficult given the infrequency of actuarial valuations. The overall solvency ratio moved from 99% to 102% in 2004. This increase was largely due to the reassessment of actuarial liabilities for one large company.

All except two companies recorded reductions in premiums. Notwithstanding this, overall income recorded phenomenal growth of nearly 200%, largely due to substantial increases in premiums for popular interest guaranteed investment products. This growth however was distorted by NIS purchases during 2004. If these are removed, the overall growth is a more modest but still substantial 25%.

While expenses and commissions continue to be a bear bug, the sector has also managed to curb inflationary pressures to record a small reduction in expenses. It must be commended for this but more remains to be done in order to achieve an acceptable solvency level in the medium term.

A lack of tailor-made investments locally continues to adversely affect the sector. Notwithstanding this, some companies are increasing their investments locally. However 2004 overall saw increased investments overseas and some companies do not appear to have sufficient Guyana investments to comply with the restrictions on statutory funds. Until the appropriate amendments are made to the legislation, in particular with regard to CSME, these companies will have to find appropriate assets and solutions to their problems locally.



### **Pensions**

A lack of data and general non-compliance continues to be a hallmark for this sector. Many sponsors refuse or are resisting the requirement to establish a trust for their plan which is the fundamental mechanism for securing the rights of its beneficiaries.

2005 saw the wind-up or commencement of wind-up of several plans and this trend is expected to continue until sponsors fully understand the financial and other commitments inherent in seeking to provide retirement benefits for their workforce. Historically this benefit was a primary tool for rewarding loyalty. In Guyana, staff longevity is becoming increasingly rare, which ironically appears to be the main saving grace of most plans.

Implementing a regulatory framework on this sector is extremely challenging especially in the context of a struggling economy and widespread reluctance by employers, managers and or trustees to address security of benefits. I recommend a review of savings for retirement that would also address private savings and tax. Following this a review of the regulatory framework should be carried out.

## **1.0 Regulatory Framework and Awareness**

The Insurance Act 1970 was repealed and replaced by the Act, which commenced on 18 December 2002. Draft reporting regulations and guidelines have been issued. More information is available on [www.insurance.gov.gy](http://www.insurance.gov.gy)

### **Data**

As previously mentioned the Act allows companies up to six months to file their financial documents. This is consistent with the Companies Act. The Securities Industry Act only permits four months, which is certainly preferable. The OCI firmly believes that reporting deadlines which stretch out defeat the purpose of the regulator and advocates for a reduction in reporting timeframes. The Act needs to be amended and companies should face an automatic fine for late submissions as is commonplace in other regulated markets.

### **Compliance**

Insurance companies have seen an improvement in compliance generally, though some companies are clearly making greater efforts than others. In this regard it remains an area of concern and unfortunately enforcement via the courts appears to be inevitable.

Penalties for prolonged or frequent non-compliance particularly for minor administrative areas such as late filings should be dealt with by the OCI directly without having to go through the courts. Amendments and regulations are being drafted to this end.

### **Insurance intermediaries and reinsurers**

2005 saw an increase in activities of intermediaries whose operations have not yet been registered due to the lack of appropriate regulations. Unfortunately there were insufficient resources available to fully address this in 2005. Notwithstanding this the OCI has had cause to investigate the operations of more than one entity in this area and have issued guidelines in relation to these operators.

### **Supporting environment**

The experiences of 2005 have not been promising with regard to the supporting framework. Company accountants still omit information or enter incorrect data in the OCI reporting forms despite a two year campaign of training and regular one-to-one meetings by the OCI. Companies need to provide improved training for staff.

We believe the planned implementation of a Commercial Court and sustained efforts to improve the investigative capacity of white collar crime by the police would be of great assistance.

Closer collaboration between regulators is desirable but not likely to be easily achieved until the necessary amendments to legislation are made.

## 2.0 Insurance

### 2.1 Insurance Companies services

At the beginning of 2005, decisions on 13 applications for registration were outstanding. Eight of these were approved during 2005 and one was rejected. Four are outstanding. A list of these companies with notes is shown in Appendix 1.

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

	Local	Overseas	Total
Long term Insurers	4	0	4
General Insurers	4	1	5
Composites	1	0	1
<b>Total</b>	<b>9</b>	<b>1</b>	<b>10</b>

A wide selection of insurance is available to the public. This also implies that competition for market share should be high. Anecdotal evidence suggests this continues to be the case although the general insurance market shows signs of hardening.

Capacity remains an issue for the general insurance sector, particularly for class 1 business. The practice of reinsuring risks with other local companies is commonplace in an effort to deal with limited individual capacity. However even the entire market may have capacity issues for very big clients or may not be willing to take on additional risks. The industry recognises this. An amendment to the legislation is necessary to properly deal with this issue.

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 2005. Appendix 2 shows the names of these and those that have been registered.

Brokers must apply for registration annually.

Brokers are required to comply with the provisions of the Code of Conduct. The Code is publicly available on [www.insurance.gov.gy](http://www.insurance.gov.gy)

### **2.2.2 Insurance Sales Agents**

Two hundred and seven (207) active agents were registered as at 31/12/2005 compared to 195 as at 31/12/2004. Their movements are summarised below:

<b>Agent movement summary</b>	
Total Agents to be renewed during 2005	195
New agents entering during 2005	61
Agents leaving during 2005	(49)
<b>Total Agents active 31/12/2005</b>	<b>207</b>

Mutual companies in particular have continued to support sales agents as a major source of new business with nearly two thirds of new recruits and about 60% of all agents being supported by mutuals.

Sales agents are required to renew their registration annually.

A list of all active agents that were registered to conduct business during 2005 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 is available on [www.insurance.gov.gy](http://www.insurance.gov.gy)

### **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. A guideline has however been issued.

We have received queries from some entities so categorised and have recorded these until appropriate regulations are issued. A list is provided in Appendix 6.

### **2.3 Deposits**

Fourteen insurance companies deposited the sum of \$506.4 million (unaudited) at the end of 2005. Audited 2004 statements report moneys deposited totalled \$559.4 million. Locally regulated banks are effectively acting as custodians for these deposits, which may be not be accessed without the approval of the Commissioner.

All deposits currently made are interest bearing cash deposits.

Appendix 7 provides a detailed breakdown by company.

## **2.4 Statutory Funds**

Several companies have established a trust to provide for their statutory funds. The remaining companies have been given timescales and it is anticipated that all statutory funds will be established before the end of 2006.

The expected value of the statutory funds and deposits, which approximate to the value of Guyanese insurance liabilities are:

	2004 (million G\$)	2003 (million G\$)
Estimated long term	13,992.2	7,481.0
Estimated general insurance	2,463.8	1,901.9
<b>Total Guyana policyholder liabilities</b>	<b>16,456.0</b>	<b>9,382.9</b>
Less deposits made	506.4	559.4
Less deductible assets	1,717.9	437.2
<b>Estimated Statutory Funds requirement</b>	<b>14,231.7</b>	<b>8,386.3</b>

Statutory funds must be invested in accordance with section 55 and Schedule 3 of the Act which means at least \$10 billion needs to be invested in Guyana. At present the entire sector invests approximately \$16 billion in Guyana assets, with approximately \$10 billion from the long term insurers.

Companies have also reported on their admissible assets which total about \$19 billion and most have sufficient admissible assets with which to establish their funds. There are a few exceptions and these have committed to switch the required value to admissible assets.

Appendix 3 shows a breakdown of total assets by asset class and sector.

## **2.5 Insurance companies financials**

### **2.5.1 Financial strength**

#### **Solvency and Capital adequacy**

Generally companies have improved their position with regard to solvency requirements although some will need to do more. In particular the long term insurers are short of available capital and would need to continue to monitor their position carefully.

All long term companies have improved their position compared to a year ago. General insurance results were mixed and the overall solvency position has deteriorated from 166% in 2003 to 149%. This effect was anticipated in previous reports due to sustained losses in the sector. Nevertheless the overall ratio remains healthy.

Appendix 4 shows a consolidated balance sheet.

### **Performance**

The sector continues to record premium growth with 2004 outperforming 2003. However penetration still appears relatively low at about 84 for every 1000 persons.

General insurance earnings also improved largely off the back of lower expenses and claims. Appendix 5 shows a consolidated revenue account.

## **2.5.2 Investments**

### **Asset/liability mis-match**

Appendix 3 shows the sector's asset allocation. A clear preference for cash and short term investments continue to be the norm. In fact cash holdings have increased whilst property and equities have decreased. This change is driven largely by the long term sector and appears to be a contradiction in the optimal investment strategy for this sector. The basis for this development probably lies in the nature of liabilities of new business, in particular short term investment products. Investment products with high surrender values require a liquid base and this explains the switch. However it is questionable about how competitive returns can be achieved through this strategy. Given that the short term investments increases were largely overseas based there may be some tax benefits as well as companies backing G\$ currency devaluation.

In addition the hurricane in Grenada and various other disasters have necessitated an increase in overseas cash to meet claims and other expenses.

Some companies still appear significantly mis-matched in term, currency and/or liquidity, whilst the industry continues to invest conservatively.

### **Liquidity**

With two exceptions, companies held a significant amount of cash (15% or higher) as a proportion of their assets and liabilities.

### **Overseas and local markets**

Companies appear to be expecting continued devaluation of the Guyana dollar against other currencies based on a higher holding of overseas cash and fixed deposits than might be expected. Alternatively or in addition companies may be seeking better liability matching in longer term fixed interest instruments as the local market continues to see a lack of fixed interest instruments of terms longer than one year.

With the launching of the local stock exchange in 2003, it is hoped that improvements in the capital markets would be felt. In the short term this has provided perhaps a more reliable valuation of public shares. However the market has seen very little by way of development and this also includes private ventures. The insurance industry in 2004 remained fairly inactive in terms of local investments, whether this is due to caution or lack of expertise is unclear. It is expected that results for 2005 will show greater participation and interest in local investments such as the Berbice Bridge project.

### 2.5.3 Premlum rates

#### Sales

Volumes have been growing at a healthy rate. In particular the areas of growth have been in interest guaranteed savings products offered by long term insurance companies and contractor's all risk bonds offered by accident and liability insurers.

#### Claims & expenses

The combined claims and expenses ratio continues to be unsustainably high. At an individual level the results are more mixed with some companies managing a better balance than others. It is not clear whether this is a result of higher premiums, lower expenses and commissions or both.

The expense ratio for general insurance companies continues to exceed loss ratios despite general improvements. This suggests poor value for consumers and the industry needs to continue its work on this issue.

#### Outlook

The long term sector has done little in way of reviewing its rates and this is not anticipated to change moving forward despite a need for a review. It is perhaps disappointing that the sector cannot inject any vibrancy in its term assurance products given the developing mortgage market in Guyana and continues to sell instead to focus on whole of life products that do not always offer the best value for money or meet needs.

The general insurance market is showing signs of hardening as sustained losses of previous years are beginning to make their effects felt, particularly with regard to capital. Generally much more needs to be done to monitor these areas and for companies to begin analysing data in order to react more swiftly to changes in the market and environment.

## 3.0 Pension Plans

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	1	0	0	12
Total	47	56	1	2	106

A list of all pension plans that have applied for registration, their managers and those registered are available on [www.insurance.gov.gy](http://www.insurance.gov.gy)

## **4.0 Insurance Arbitration Board & Complaints**

The IAB comprises the Commissioner, Mr H. Barrow and Mr H. Cox. Complaints involving insurance policyholders are referred to this Board. Based on information at time of writing, decisions take on average just under 6 months. Eight new complaints were referred to the IAB during 2005, compared to four in 2004. Six of these have been resolved compared to two in 2004. Four are outstanding at the end of the year, although at time of writing one of these has been concluded.

Appendix 10 provides details of the disputes referred to the IAB in 2005.

## **5.0 International Standards**

The OCI intends to observe the IAIS core principles and is formulating its objectives in the short and medium term to this end. In the interim, we are guided by the practice of Caribbean regulators and as far as possible by the IAIS.

With the advent of the CSME, regulatory co-operation and perhaps consolidation is inevitable. This office needs to meet the standards being set internationally as well as our local head offices that have interests outside of Guyana if we are to continue to play a vital role in our industry's development.

## **6.0 Conferences and training**

The Commissioner attended a 3 day conference for Caribbean insurance supervisors hosted by CARTAC in Trinidad in February 2005. This forum continues to provide a rare opportunity for affordable regulatory training and meeting other regulators.

CARTAC and OSFI provided technical assistance to the OCI in October 2005. In particular they reviewed supervision of general insurance reserving, OCI offsite supervision and internal procedures and made various recommendations which have been used to formulate the office's objectives and workplan over the following three years.

In October and November 2005 OCI took part in Guyana's first Financial Sector Assessment Program (FSAP) conducted by the IMF and World Bank. The results of this are expected to assist in formulating a longer term supervisory strategy.



## Appendix 1: Insurance Companies

<b>Mnemonic</b>	<b>Name of Insurance Company</b>	<b>Registration</b>	<b>Long-term Insurance Classes</b>	<b>General Insurance Classes</b>
CLIC	Clico Life & General Insurance Company (SA) Ltd	10/06/2005	1, 2, 3	1, 2, 4
DEMF	The Demerara Fire and General Insurance Company Ltd	Outstanding	N/a	1, 2, 4
DEML	The Demerara Mutual Life Assurance Society Ltd	30/12/2005	1, 3	N/a
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	N/a	1, 2, 3, 4
GFLG	Guyana Fire, Life & General Insurance Company Inc	Rejected 03/10/2005	1, 2, 3	1, 2, 3, 4
GTMF	Guyana & Trinidad Mutual Fire Insurance Company Ltd	23/11/2005	N/a	1, 2, 4
GTML	Guyana & Trinidad Mutual Life Insurance Company Ltd	28/04/2005	1, 2, 3	N/a
HERT	Island Heritage Insurance Company Ltd	Outstanding	N/a	1, 4
HIHF	Hand-in-Hand Mutual Fire Insurance Company Ltd	23/12/2005	N/a	1, 2, 3, 4
HIHL	Hand-in-Hand Mutual Life Assurance Company Ltd	10/11/2004	1, 2, 3	N/a
NAFI	North American Fire & General Insurance Company Ltd.	09/12/2005	N/a	1, 2, 4
NALI	North American Life Insurance Company Ltd.	08/06/2005	1, 2, 3	N/a
UNTD	United Insurance (represented by John Fernandes Insurance Services Ltd)	12/05/2005	N/a	1, 2, 3, 4

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

<b>Class</b>	<b>Long Term Insurance</b>	<b>General Insurance</b>
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 insurance brokers that applied for registration during 2005

<b>Broker</b>	<b>Date of Registration</b>
Abdool & Abdool Inc. Insurance Brokers and Financial Consultation	30/12/2005
Apex Insurance Brokers Inc.	Outstanding
Insurance Brokers - Guyana Ltd	30/09/2005
M.P. Insurance Brokers & Consultants Ltd	01/12/2005
P&P Insurance Brokers & Consultants Ltd	30/12/2005
Raj Singh Insurance Brokers & Risk Management Consultants	01/07/2005

### Appendix 3: Asset classification

Asset values are fair values.

Total Assets (in millions)

Asset classes	Long-term insurers		Local General insurers		Foreign General insurer		Total 2004	Total 2003
	G\$ million	%	G\$ million	%	G\$ million	%	%	%
Fixed interest (Guyana)	489.1	2%	184.3	1%	0	0%	2%	2%
Overseas fixed interest	1,315.7	6%	260.6	21%	3848.4	31%	13%	12%
<b>Total fixed interest</b>	<b>1,804.8</b>	<b>8%</b>	<b>444.9</b>	<b>22%</b>	<b>3848.4</b>	<b>31%</b>	<b>14%</b>	<b>14%</b>
Equities (local)	2,090.9	9%	1,070.3	5%	0	0%	7%	5%
Equities (overseas)	521.8	2%	322.7	10%	1543.5	13%	6%	12%
<b>Total Equities</b>	<b>2,612.7</b>	<b>11%</b>	<b>1,393.0</b>	<b>15%</b>	<b>1543.5</b>	<b>13%</b>	<b>13%</b>	<b>17%</b>
Immovable property	1,464.8	6%	1,842.5	14%	914.2	7%	10%	15%
Cash (Guyana)	980.8	4%	1,165.9	6%	62.8	1%	5%	
Cash (overseas)	11,565.3	50%	446.3	14%	2297.1	19%	34%	
<b>Total cash</b>	<b>12,546.1</b>	<b>55%</b>	<b>1,612.2</b>	<b>20%</b>	<b>2359.9</b>	<b>19%</b>	<b>39%</b>	<b>23%</b>
Policy loans	1,238.8	5%	-	0%	0	0%	3%	4%
Mortgages	424.5	2%	213.7	2%	195.8	2%	2%	2%
Other	2,828.2	12%	1,896.1	27%	3361.1	27%	19%	24%
<b>Totals</b>	<b>22,919.9</b>	<b>100%</b>	<b>7,402.4</b>	<b>100%</b>	<b>12,222.9</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Assets of composites are split between long term and general insurance business as appropriate. In 2004 total assets of composites was \$12,081 million compared to \$3,927 in 2003

Exchange rate used throughout this report: BD\$1 = G\$91.76  
US\$1 = G\$200.25

## Appendix 4: Constructed Industry Balance Sheet

Long term liabilities may not reflect the true position, due to infrequent actuarial reviews. These have therefore had to be estimated.

Long-term business	2004		2003	% change	
<b>Assets</b>	22,919,864,363		16,124,403,295	42%	
Guyana policyholder liabilities	13,982,200,000		7,481,000,000	87%	
Other estimated liabilities*	8,395,550,000		8,849,807,527	-5%	
<b>Total estimated liabilities</b>	22,387,750,000		16,330,807,527	37%	
Other capital	532,114,363		(206,404,232)		
<b>Assets/liabilities</b>	102%		99%		
<b>General insurance business</b>					
	2004	2004	2004	2003	%
	Local	Foreign	Total	Total	Change
<b>Assets</b>	7,402,198,590	12,223,029,633	19,625,228,223	18,215,389,007	8%
Guyana policyholder liabilities	2,006,400,000	217,500,000	2,223,900,000	1,901,865,000	17%
Other liabilities*	2,462,850,000	8,977,700,554	9,440,550,554	8,593,392,473	10%
<b>Total liabilities</b>	<b>4,469,250,000</b>	<b>7,195,200,554</b>	<b>11,664,450,554</b>	<b>10,495,257,473</b>	11%
Other capital	2,932,948,590	5,027,829,079	7,960,777,669	7,720,131,534	3%
Required Solvency Capital	4,949,150,000	8,260,400,554	13,209,550,554	10,966,857,473	20%
<b>Assets/liabilities</b>	166%	170%	168%	174%	
<b>Solvency ratio</b>	150%	148%	149%	166%	

\*This includes insurance liabilities of overseas based policyholders

## Appendix 5: Consolidated Revenue Account

This account shows all premiums written by local companies and only local business written by overseas companies.

We have assumed that all revenue has been retained in the funds (\*\*). Companies may only transfer money out of funds provided there is an excess following an actuarial assessment. Accounts show that this requirement is not adhered to by many insurance companies.

Long-term insurance	2004	2003	% change
Net premiums	11,741,552,444	3,844,166,015	205%
Investment & other income	1,382,811,256	767,809,432	80%
<b>Total income</b>	<b>13,124,363,700</b>	<b>4,611,975,447</b>	<b>185%</b>
Net claims, surrenders & maturities	3,715,732,531	1,129,540,891	229%
Expenses	1,103,674,183	1,226,627,614	-10%
Net Commission	279,423,020	239,973,805	16%
<b>Total Expenditure excl tax</b>	<b>5,098,829,734</b>	<b>2,596,142,310</b>	<b>96%</b>
Estimated tax paid	43,368,903	39,453,591	10%
Net increase in insurance funds**	7,982,165,063	1,976,379,547	
General Insurance	2004	2003	% change
Net earned premiums	2,013,143,200	1,682,859,839	20%
Investment & other income	459,856,182	220,344,806	109%
<b>Total income</b>	<b>2,472,999,382</b>	<b>1,903,204,645</b>	<b>30%</b>
Net Incurred Claims	869,178,518	849,219,069	2%
Expenses	1,084,552,277	1,142,979,282	-5%
Net Commission	375,660,176	345,785,784	9%
<b>Total Expenditure excl tax</b>	<b>2,329,390,971</b>	<b>2,337,984,135</b>	<b>0%</b>
Estimated tax paid	70,350,302	52,453,803	34%
Net revenue	73,258,109	(487,233,294)	
Net Loss Ratio	43%	50%	

## Appendix 7: Statutory Deposits

These figures represent the amounts deposited by companies for the purposes of meeting the statutory deposit requirement.

<b>Company</b>	<b>Long term insurance G\$</b>	<b>General insurance G\$</b>	<b>Total 2005 G\$</b>	<b>Total 2004 G\$</b>
CLIC	18,750,000	20,310,963	39,060,963	37,831,441
DIAM		15,933,164	15,933,164	15,000,000
FRAN		6,758,814	6,758,814	6,325,283
GCIS	6,250,000	39,974,082	46,224,082	38,588,758
GTMF		102,618,240	102,618,240	90,446,500
GTML	19,335,233		19,335,233	18,250,000
GFLG	18,750,000	27,686,637	46,436,637	38,750,000
HIHF		86,878,000	86,878,000	86,878,000
HIHL	18,750,000		18,750,000	18,750,000
HERT			0	0
NAFI		35,796,211	35,796,211	11,377,855
NALI	19,328,709		19,328,709	133,050,506
DEMF		15,530,261	15,530,261	15,000,000
DEML	12,876,027		12,876,027	12,500,000
UNTD		40,906,249	40,906,249	36,685,658
<b>Total</b>	<b>114,039,969</b>	<b>392,392,621</b>	<b>506,432,590</b>	<b>559,434,001</b>

## **Appendix 8: Insurance Arbitration Board**

Average turnover on cases completed to date: 5.7 months

### **1. HAMLET OVERSEAS CHEMICALS LTD. and GREAT EAGLE STAR INSURANCE CO. (GUY) LTD. (Motor Vehicle Policy Claim) OCI Ref. 01/04/GI2/116**

Date submitted: 29 March 2004

Date closed: 2 February 2005

Summary of decision: The Board decided that since the subject matter of the dispute was not insured by Great Eagle Star, they were not liable. Hamlet Overseas Chemicals was advised to seek redress via the courts against the owner of the vehicle.

### **2. ULRICDORN COMPTON BRUCE AND CLICO (Endowment at Age 60 [Participating] Policy Claim) OCI Ref. 02/04/LI1/101**

Date submitted: 5 September 2004

Date closed: 2 February 2005

Summary of decision: The Board found in favour of Mr. Bruce and made various recommendations to CLICO regarding their company bonus policy. Also, the company was to apologise to Mr. Bruce for his treatment, and offer an explanation to him on how his bonus entitlement was calculated.

### **3. FELIPE DASRAT AND THE GUYANA FIRE LIFE AND GENERAL INSURANCE COMPANY (GUYFLAG) (Motor Vehicle Policy Claim) OCI Ref. 03/04/GI2/109**

Date submitted: 3 December 2004

Date closed: Outstanding

Summary: A decision with respect to the outcome as to whether or not Guyflag was liable to pay a claim by Mr. Dasrat for the theft of a vehicle insured by the company is pending a decision as per meeting scheduled for 5 January 2006.

**4. CARIBBEAN CONTAINER INC. (CCI) AND GUYANA FIRE LIFE AND GENERAL INSURANCE COMPANY (GUYFLAG) (Machinery Breakdown Policy Claim) OCI Ref. 04/05/GI4/109**

Date submitted: 6 April 2005

Date closed: 8 August 2005

Summary of decision: The Board ruled in favour of CCI and ordered that Guyflag pay the sum of US\$60,000.00 as compensation.

**5. KAYMAN SANKAR AND CO. LTD. AND DEMERARA FIRE INSURANCE COMPANY (Marine Insurance Policy Claim) OCI Ref. 05/05/GI3/103**

Date submitted: 12 May 2005

Date closed: December 23 2005

Summary of decision: The Board found in favour Kayman Sankar and Company and ordered that its claim be settled by Demerara Fire Insurance Company.

**6. DEODAT SINGH AND DEMERARA FIRE INSURANCE COMPANY (Fire Insurance Policy Claim) OCI Ref. 06/05/GI4/103**

Date submitted: 7 October 2005

Date closed: Outstanding

Summary: This dispute is in connection with Demerara Fire's calculation of the amount of money it intends to pay Mr. Singh for the loss of his business stock.

**7. A. MAZAHARALLY & SONS LTD. AND GUYANA FIRE LIFE AND GNERAL INSURANCE COMPANY (GUYFLAG) (Fire Insurance Policy Claim) OCI Ref. 07/05/GI4/109**

Date submitted: 28 October 2005

Date closed: 14 December 2005

Summary of decision: This matter was concluded as the result of a settlement between the parties.



**8. GUYANA SUGAR CORPORATION (GUYSUCO) AND GUYANA FIRE LIFE AND GENERAL INSURANCE COMPANY (GUYFLAG) (Group Personal Accident Policy Claim) OCI Ref. 08/05/GI1/109**

Date submitted: 15 November 2005

Date closed: Outstanding

Summary: This dispute is in connection with whether or not Guyflag is liable to pay Guysuco under the terms of the policy as above stated.

**9. CORREIRA MINING COMPANY (CMC) AND CLICO (Public Liability [Third Party] Insurance Policy Claim) OCI. Ref. 09/05/GI1/101**

Date submitted: 7 December 2005

Date closed: Outstanding

Summary: This dispute is in connection with CLICO's denial of liability to pay CMC on the ground that the subject matter in issue was not covered by the policy.

**10. M. BEEPAT & SONS LTD. AND CLICO (Money Policy [Cash in Transit] Claim) OCI Ref. 10/05/GI1/101**

Date submitted: 16 December 2005

Date closed: Outstanding

Summary: This dispute is in connection with CLICO's refusal to honour M Beepat's claim on the ground that the latter were in breach of the terms of the policy.

## Appendix 7: Pension plans Register Summary

Name of Plan	Manager	Date Registered
Anna Regina Town Council	HIHL	
Ansa McAl Trading Ltd	HIHL	
Aroaima Mining Company Inc (Hourly Plan)	GTML	
Aroaima Mining Company Inc (Staff Plan)	GTML	
Bank of Boroda	NALI	
Banks DIH Group Flexible Premium Annuity	CLIC	
Bauxite Industry Pension Plan	HIHT	31 December 2004
C&F Meat Centre	GTML	
C.A.Phillips Ltd	DEML	
Camex Ltd	GTML	
Caricom Rice Mills Ltd	DEML	
Cel*Star Guyana Inc.	HIHL	
Central Garage Ltd	GTML	
Central Housing and Planning Authority	HIHL	
Clico Life & General Insurance Co (SA) Ltd Agents Pension Fund Plan	CLIC	
Clico Life & General Insurance Co (SA) Ltd Staff Pension Fund Plan	CLIC	
Continental Group of Companies Pension Fund Plan	CLIC	
Correia Group of Companies	HIHL	
Courts (Guyana) Inc Pension Plan	SELF	
Demerara Distillers Ltd Pension Plan	SELF	31 December 2004
Demerara Mutual Life Assurance Society Ltd - Office Staff	DEML	
Demerara Mutual Sales Representatives Pension Scheme	DEML	
Demerara Power Company Group Flexible Premium Annuity	CLIC	
Demerara Tobacco Company Ltd	GTML	
Diocese of Guyana	GTML	
East Demerara Water Conservancy Board	GTML	
Evangelical Lutheran Church in Guyana	GTML	
Fogarty Pension Scheme	SELF	31 December 2004
Food for the Poor (Guyana) Inc	HIHL	
Francis De Caires & Co Ltd	GTML	
Friendship Slipway & Co Ltd	DEML	
GEB Pension Plan	SELF	
GNCB Trust Corporation Pension Plan	HIHT	31 December 2004
Grains Guyana Ltd	HIHL	
Guyana Agricultural & General Workers' Union Group Flexible Premium Annuity	CLIC	
Guyana Bank for Trade & Industry Ltd	NALI	
Guyana Bank for Trade & Industry Ltd Group Pension Fund Plan	CLIC	
Guyana Broadcasting Corporation	DEML	
Guyana Civil Aviation Authority	HIHL	
Guyana Congregational Union	DEML	
Guyana Electricity Corporation Pension Plan	HIHT	

Guyana Energy Agency	GTML	
Guyana Fertilizers Ltd Pension Fund Plan	CLIC	
Guyana Forestry Commission	DEML	
Guyana Geology & Mines Commission Pension Plan	HIHT	
Guyana National Bureau of Standards	HIHL	
Guyana National Co-Operative Bank Group Flexible Premium Annuity	CLIC	
Guyana National Industrial Company Inc	HIHT	
Guyana Natural Resources Agency	GTML	
Guyana Office for Investment Group Flexible Premium Annuity	CLIC	
Guyana Presbyterian Church	GTML	
Guyana Revenue Authority Group Flexible Premium Annuity	CLIC	
Guyana Rice Development Board	DEML	
Guyana School of Agriculture Pension Plan	HIHT	
Guyana Stockfeeds Inc	HIHL	
Guyana Telephone & Telegraph Company Defined Benefit Pension Plan for Employees	DEML	
Guyana Water Inc	GTML	
Hand in Hand Pension Scheme	SELF	31 December 2004
Humphrey & Company Ltd	GTML	
John Fernandes Insurance Services Ltd	DEML	
John Fernandes Ltd	DEML	
Kayman Sankar and Company Ltd Pension Fund Plan	CLIC	
Laparkan Trading (Guyana) Company Ltd and Laparkan Holdings Ltd	HIHL	
Linden Mining Enterprise Thrift Plan	HIHT	
Linden Power Company Inc Group Flexible Premium Annuity	CLIC	
Linden Town Council Group Annuity Plan	CLIC	
Little Equipment Repairs & Bunkering Services	DEML	
Machinery Corporation of Guyana Ltd	HIHL	
Mae's Under 12 School	GTML	
Mahaica Mahaicony Abary Agricultural Development Authority Pension Plan	HIHT	
Mards Rice Milling Complex (Georgetown)	DEML	
Mards Rice Milling Complex (Mahaicony)	DEML	
Marian Academy Inc	HIHL	
Marics & Company Ltd	GTML	
Mayor & Councillors of the City of Georgetown	GTML	
Moravian Church	DEML	
National Agriculture Research Institute Pension Plan	HIHT	
National Bank of Industry & Commerce Ltd	GTML	
National Data Management Authority	GTML	
National Data Management Authority	GTML	
National Frequency Management Unit	HIHL	
Neal & Massy Group Pension Scheme	SELF	31 December 2004
New Building Society Pension Plan	SELF	31 December 2004
New GPC Inc Pension Plan	SELF	
New Guyana Marketing Corporation Deposit Administration Policy	CLIC	

North American Fire & General Insurance Company Ltd	NALI	
North American Life Insurance Company Ltd	NALI	
Omai Gold Mines Ltd	GTML	
P&P Insurance Brokers & Consultants Ltd	HIHL	
PBS Investment Ltd	DEML	
Rentokil (Guyana) Ltd	DEML	
Sales Representatives of Guyana and Trinidad Mutual Insurance Companies	GTML	
Sales Representatives of the Guyana & Trinidad Mutual Insurance Co.	GTML	
Shell Antilles & Guianas Ltd Contributory Pension Fund	CLIC	
Singer Sewing Machine Company Staff Pension Fund Plan	CLIC	
Sodexho Marriott Services Ltd	GTML	
Sterling Products Ltd Pension Scheme	SELF	31 December 2004
Sugar & Trading Enterprise Pension Plan	HIHT	
Sugar Industry Labour Welfare Fund Committee	GTML	
T. Geddes Grant (Guyana) Ltd Pension Scheme	SELF	31 December 2004
Texaco West Indies Limited	NALI	
The Citizens Bank (Guyana) Inc	HIHL	
The Embassy of the United States of America, Guyana	NALI	
Trust Company Guyana Ltd	GTML	
Wieting and Richter Pension Scheme	SELF	

Mnemonic for plan managers:

Clico Life & General Insurance Company (SA) Ltd	CLIC
Guyana & Trinidad Mutual Life Insurance Company Ltd	GTML
Hand-in-Hand Mutual Life Assurance Company Ltd	HIHL
Hand-in-Hand Trust Incorporated (formally GNCB Trust)	HIHT
North American Life Insurance Co. Ltd.	NALI
The Demerara Mutual Life Assurance Society Ltd	DEML
Self Managed (Manager comprises a management committee of employees and other personnel)	SELF

## Appendix 8: Remaining insurance operators including reinsurers

These organisations have directly or indirectly been recognised to be operating in Guyana but have not yet been formally registered due to a lack of appropriate regulations. Notwithstanding this these organisations have either sought compliance with our laws and/or are monitored by the OCI.

Any organisation dealing with insurance related matters that are not listed here or in any of the other appendices has not made any effort to contact us, either directly or indirectly, and we are not aware of their activities or approve of them.

<b>Reinsurer</b>	
1.	NRG Victory Reinsurance Ltd
2.	Lloyd's of London (various syndicates)
3.	Swiss Re Life and Health Canada
4.	Faraday Reinsurance Company Ltd
5.	QBE Re Life and Health
6.	Great Lakes Reinsurance UK plc
7.	N.E.M. (West Indies) Insurance Ltd
8.	Mercantile and General Life Reassurance Co.
<b>Claims Adjusters</b>	
1.	Axis (Eastern Caribbean) Ltd
<b>Reinsurance Brokers</b>	
1.	Bankers Re
<b>Corporate Agents/Other Agents</b>	
1.	Guyana National Shipping Corporation
2.	Courts Ltd (Guyana)
3.	New Building Society

## Appendix 9: Statutory Deposits

These figures represent the amounts deposited by companies for the purposes of meeting the statutory deposit requirement.

Company	Long term insurance G\$	General insurance G\$	Total G\$
CLIC	18,750,000	19,081,441	37,831,441
DIAM	n/a	15,000,000	15,000,000
FRAN	n/a	6,325,283	6,325,283
GCIS	6,250,000	32,338,758	38,588,758
GTMF	n/a	90,446,500	90,446,500
GTML	18,250,000	n/a	18,250,000
GFLG	18,750,000	20,000,000	38,750,000
HIHF	n/a	86,878,000	86,878,000
HIHL	18,750,000	n/a	18,750,000
HERT	n/a	0	0
LLYD	n/a	0	0
NAFI	n/a	11,377,855	11,377,855
NALI	133,050,506	n/a	133,050,506
REPB	n/a	0	0
DEMF	n/a	15,000,000	15,000,000
DEML	12,500,000	n/a	12,500,000
GESI	n/a	0	0
UNTD	n/a	36,685,658	36,685,658
<b>Total</b>	<b>226,300,506</b>	<b>333,133,495</b>	<b>559,434,001</b>

## Appendix 10: Insurance Arbitration Board

1. Policy Dispute: Mr. TIMOTHY JONAS and CLICO Policy Contract No. SAH0003554

At Arbitration Board Meeting dated 30 September the matter was addressed, and thereafter CLICO was requested that the matter be addressed and resolved (correspondence 5 October 2004). Matter closed by policyholder on 28 October 2004

2. Policy Dispute: Mr. Madhusudan Sawh and CLICO Life Insurance Policy No. – G/9662

Mr. Sawh filed a complaint with respect to the calculation of Cash Surrender Value offered by the company on surrender of his policy in March 2004.

After three hearings at the Arbitration Board, CLICO provided sufficient information justifying its method of calculation of arriving at the Cash Surrender Value. Matter closed by policyholder in December 2004.

3. Settlement of Claim: Hamlet Overseas Chemicals Ltd (Laurence Farley) and Great Eagle Star Ins. Co (Guy) Ltd

On 12 March 2003, Vehicle No GCC 715 of Hamlet's Overseas Chemicals Ltd (HOC) was involved with vehicle No PGG 2974. The Great Eagle Star Insurance Co. (Guy) Ltd denied liability on the basis that the car was sold prior to the accident and that the new owner of the car was not a policyholder.

**This matter is pending decision as per meeting scheduled for February 2 2005.**

4. Dispute of Policy: Mr. Ulricdorn Compton Bruce and CLICO Assurance Policy No RB/10698

The complaint against the company covers the amount of bonus offered to this participating policyholder covering a period in excess of 30 years as a policyholder, the perceived ill-treatment by the company's customer services and the lack of information and explanation provided to the policyholder.

**This matter is pending decision as per meeting scheduled for February 2 2005.**