

FINANCIAL SERVICES AUTHORITY



Insurance Industry Report 2018

Definition of Ratios

Insurance Penetration	= (Insurance Premium/ Gross Domestic Product) * 100
Insurance Density	= Insurance Premium/ Total Population
Retention Ratio	= (Net Earned Premium/ Gross Written Premium) * 100
Claims Ratio	= (Net Claims Incurred/ Net Earned Premium) * 100
Expenses Ratio	= (Expenses/ Net Earned Premium) * 100
Combined Ratio	= (Net Claims Incurred + Expenses) / Net Earned Premium * 100

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Chapter One

1.0 Introduction

The Insurance Industry Report aims at evaluating the Seychelles insurance industry financial performance. The Financial Services Authority (FSA) in its mandate as regulator of the insurance industry is authorized pursuant to the Insurance Act, 2008 to maintain fair, safe, stable and efficient insurance markets for the benefit and protection of the public, promote confidence in the insurance industry and ensure fair treatment to policyholders.

The key players of the insurance industry are insurance companies, brokers, agents and sub-agents.

The industry report provides market information and statistical overview of the insurance industry in Seychelles as at the end of the year 2018. The insurance information contained in this report has been extracted from the audited financial statement and the quarterly unaudited returns submitted to the Authority.

1.1 Industry Highlights

Table 1: Number of Licensees for the year 2018 and 2017

TYPE OF LICENSEES	<u>2018</u>	<u>2017</u>
Non Domestic Companies	8	8
Domestic Companies	6	5
Non Domestic Brokers	1	1
Domestic Brokers	17	14
Insurance Manager	0	1
Principal Insurance Representative	2	2
Agents	3	3
Sub Agents	41	37

1.2 Insurance Penetration and Insurance Density

Insurance Penetration measures the contribution of insurance premium to the Gross Domestic Product (GDP) of a country in percentage terms and Insurance Density is the ratio of insurance premium to the total population.

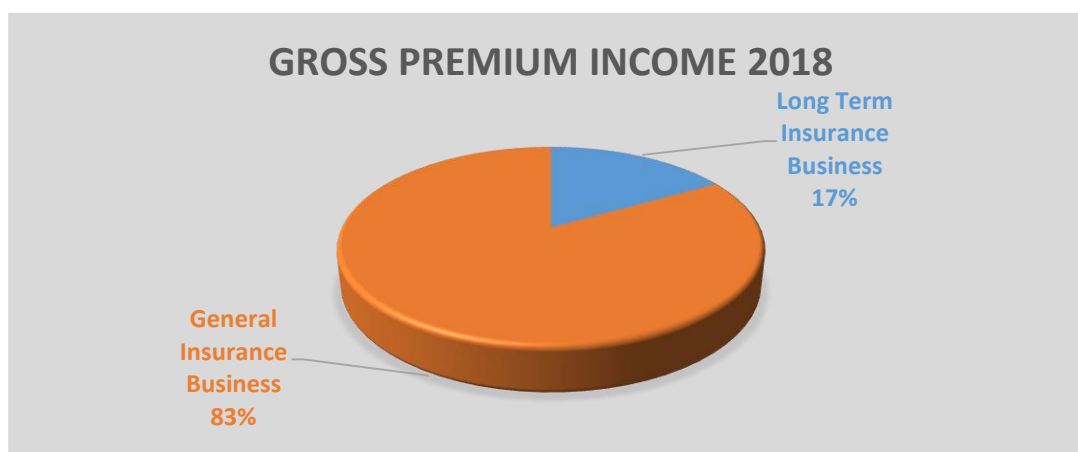
Table 2: Insurance Penetration and Insurance Density from 2014 to 2018

	2018	2017	2016	2015	2014
GENERAL					
Insurance Penetration	1.74%	1.74%	1.77%	1.73%	1.69%
Insurance Density (in SCR)	3,971.20	3,707.65	3,576.28	3,398.65	3,134.10
LIFE					
Insurance Penetration	0.35%	0.34%	0.37%	0.33%	0.36%
Insurance Density (in SCR)	797.74	714.83	749.88	658.51	671.41
INDUSTRY TOTAL (LIFE & GENERAL)					
Insurance Penetration	2.10%	2.08%	2.14%	2.06%	2.05%
Insurance Density (in SCR)	4,768.94	4,422.48	4,326.16	4,057.17	3,805.51

Insurance penetration has more or less remained constant at 2% despite the opening up of the market with the licensing of new insurance companies from 2014. In comparison to the general insurance sector the life insurance sector remains largely underdeveloped with a penetration level slightly above 0.30% over the 5 years under review which is way off below the African average of 1.8%. It must be noted that currently we have only two insurance companies providing life assurances in the Seychelles market. The Insurance density on the other hand has increased steadily over the years.

1.3 Composition of Total Industry Premium

Figure 1: Total Industry Premiums Composition



General insurance business is the biggest sector contributing 83% of the total premium. Motor insurance being the only class of insurance business which is compulsory in Seychelles recorded the largest gross premium income for the year 2018.

CHAPTER TWO

2.0 Long Term Insurance Business

The following is the analysis of the long term insurance business performance at the end of the year 2018.

2.1 Key Financial Performance Indicators

Table 3: Key Performance and Financial Performance Indicators for Long Term Insurance Business

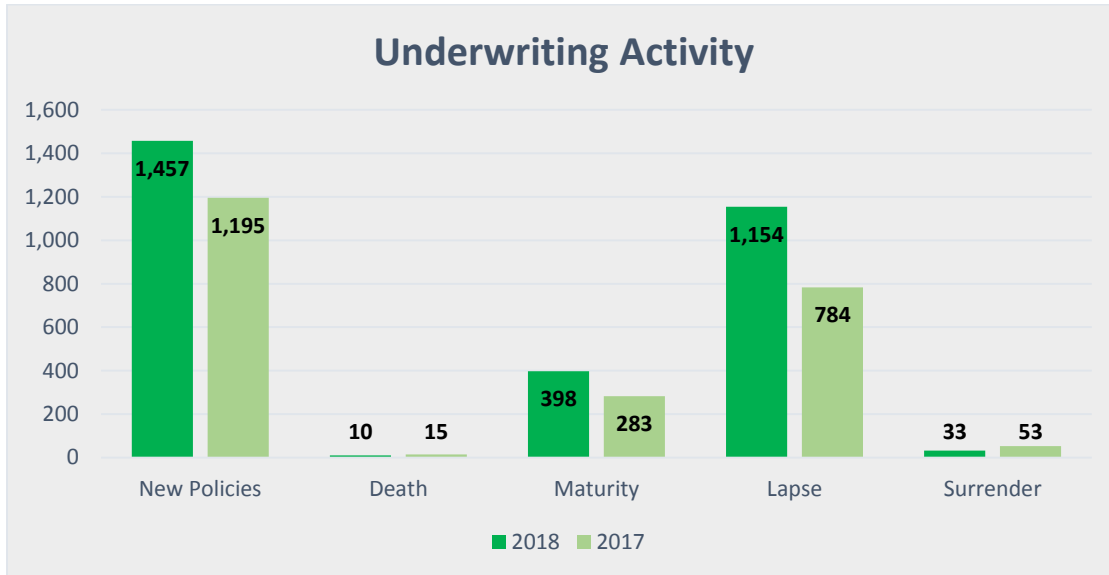
Key Financial Performance Indicators for Long Term Insurance Business			
Performance Indicators	2018	2017	2016
	SCR	SCR	SCR
Gross Written Premium	77,539,443.00	68,857,550.00	70,642,280.00
Net Earned Premium	66,411,975.00	63,618,852.00	67,945,782.00
Net Claims Incurred	51,950,357.00	45,756,661.00	41,330,596.00
Expenses	29,066,242.00	29,886,138.00	35,097,271.00
Financial Position Indicators			
Total Assets	566,376,698.00	542,950,151.00	476,847,036.00
Total Liabilities	29,111,605.00	19,719,404.00	17,172,168.00
Life Fund	499,329,060.00	487,276,055.00	468,433,821.00
Selected Key Ratios			
Retention Ratio	86%	92%	96%
Claims Ratio	78%	72%	61%
Expense Ratio	44%	47%	52%
Combined Ratio	122%	119%	112%

The premium reported by long term insurers in 2018 amounted to SCR 77.54 million, growing by 12.6% from SCR 68.86 million in 2017. The long term insurers asset base grew over the 3 years by 4.3% to SCR 566.38 million in 2018.

The market is largely dominated by SACOS Assurance Co Ltd controlling over 83% share of the market.

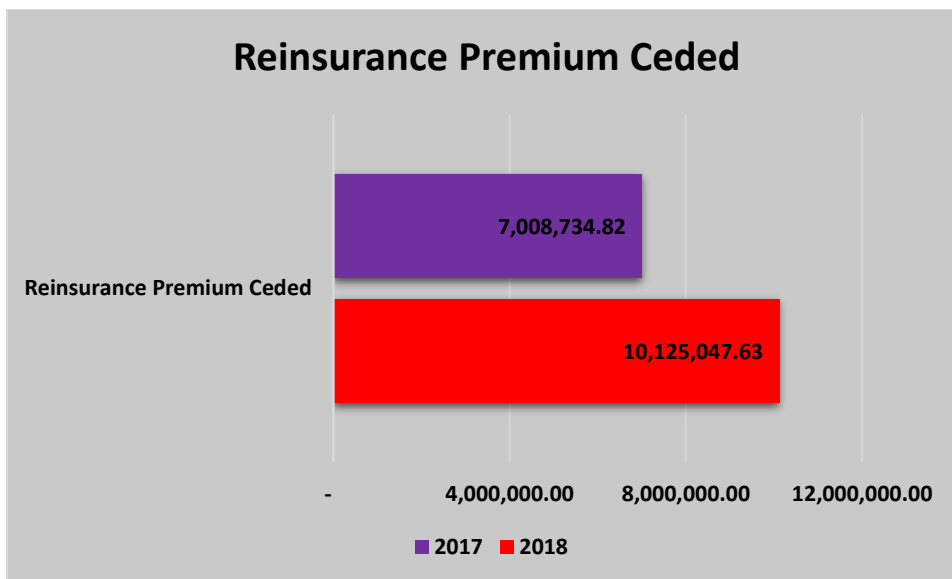
2.2 Underwriting Activity

Figure 2: Underwriting Activity 2018 and 2017



2.3 Reinsurance

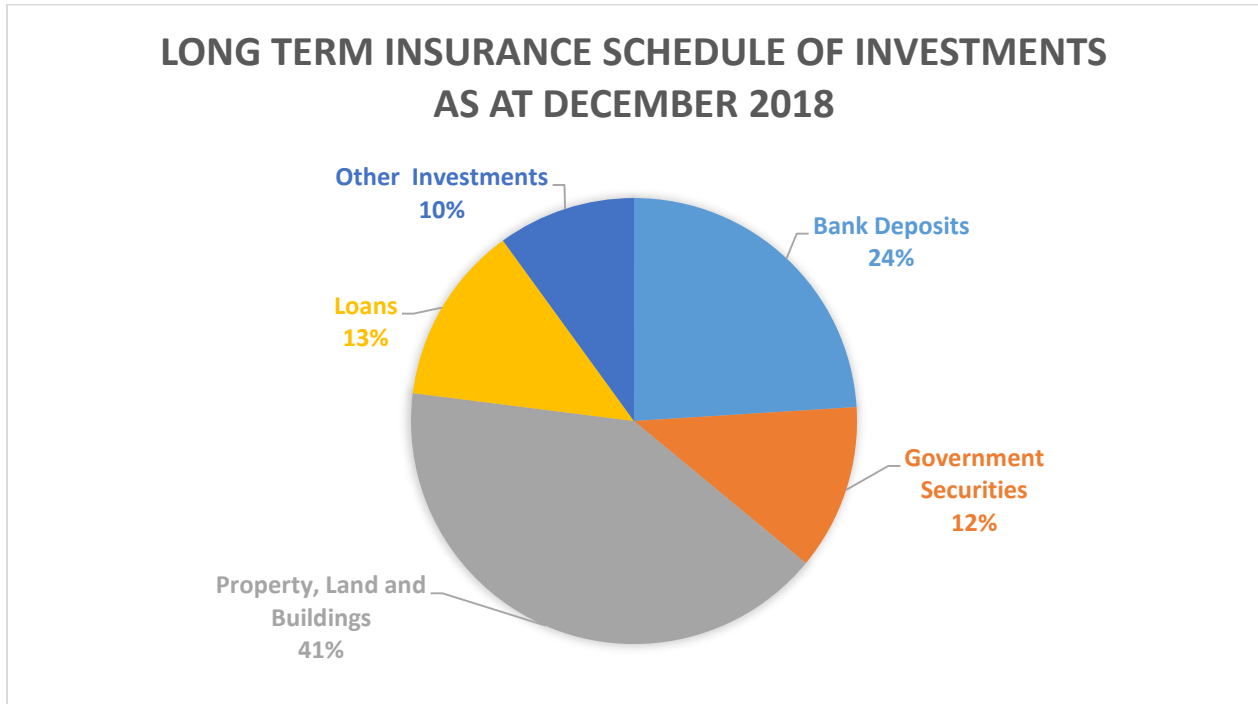
Figure 3: Reinsurance Premium Ceded



Reinsurance ceded refers to an insurance company (called the ceding company) which transfers a risk or part of a risk in an insurance contract to another company (the reinsurer). In 2018, the reinsurance premium ceded increased by 44% compared to 2017.

2.4 Schedule of Investments

Figure 4: Long Term Insurance Schedule of Investments



The Investment Portfolio of long term insurance companies consists of;

- Bank Deposits – Current and Fixed
- Government Securities – Treasury Bills and Treasury Bonds
- Property, Land and Buildings – which represents the largest share of total investments
- Loans – Staff Loans and Loans on Life Insurance Policies
- Other Investments – Other Investments which do not fall in the above mentioned categories

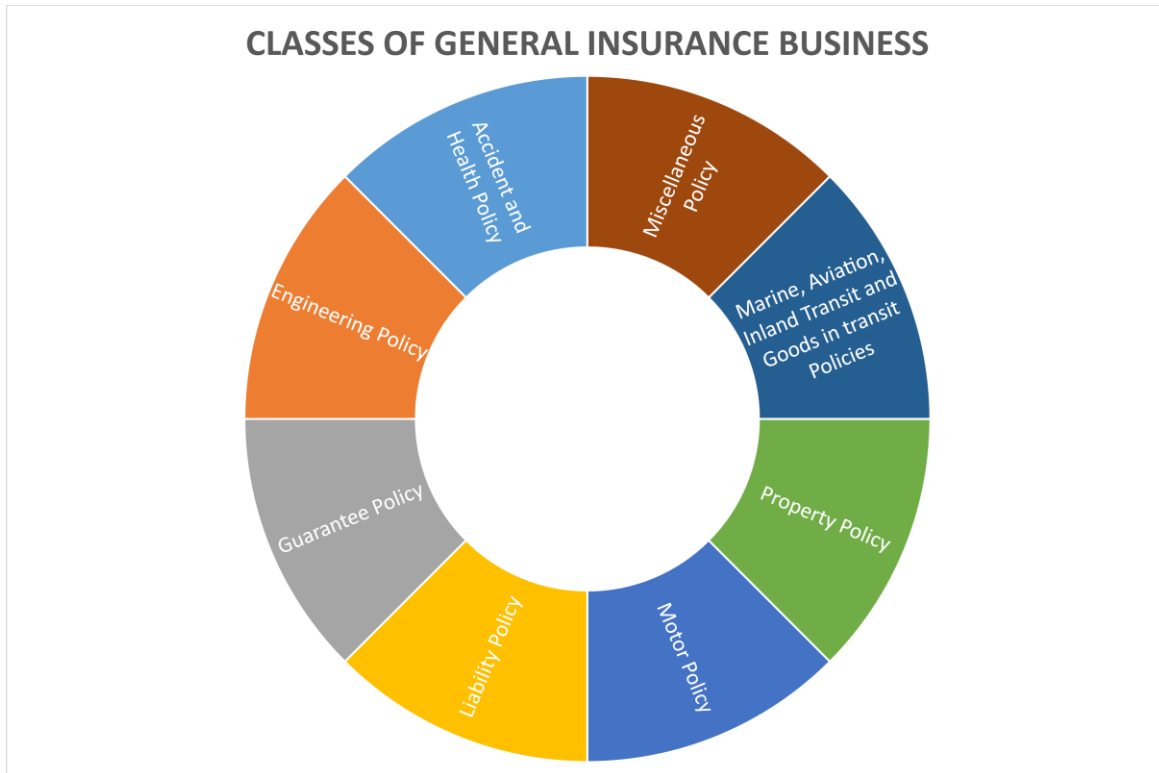
Investment in property, land and buildings decreased from 45% in 2017 to 41% in 2018. This reduction is due to one insurance company disposing part of its real estate assets. Furthermore, government securities increased by 1% in 2018 whilst bank deposits decreased by 1% compared. Loans remained constant at 13% for both years and other investments have increased by 4% in 2018.

Property investments remains the most significant investment medium for the industry.

CHAPTER THREE

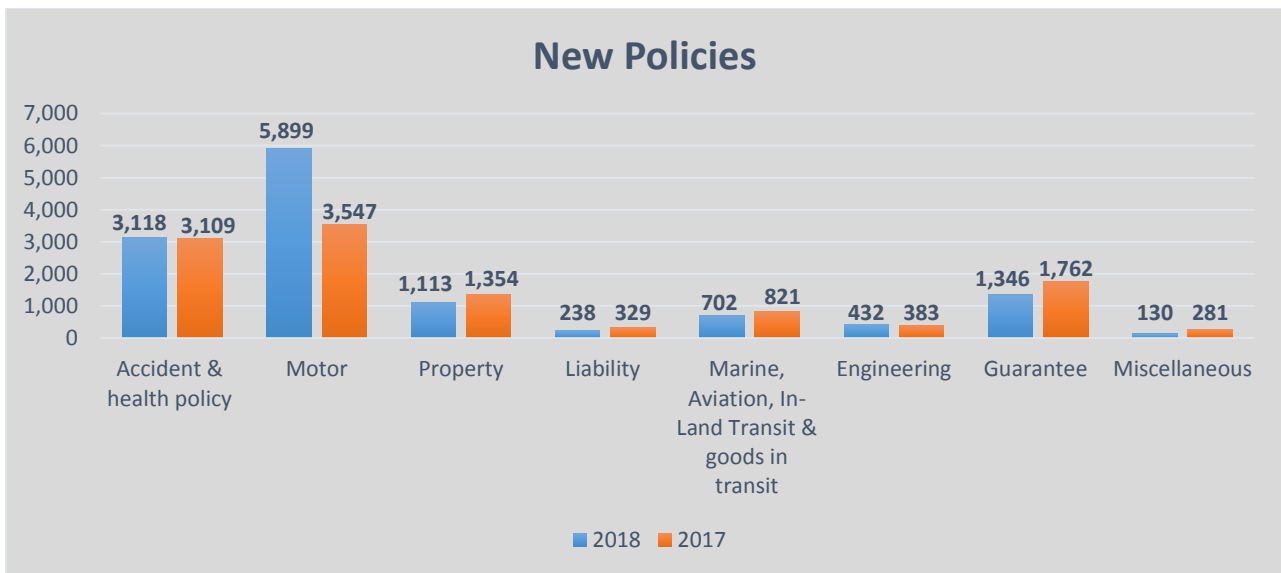
3.0 General Insurance Business

Figure 5: Classes of General Insurance Business



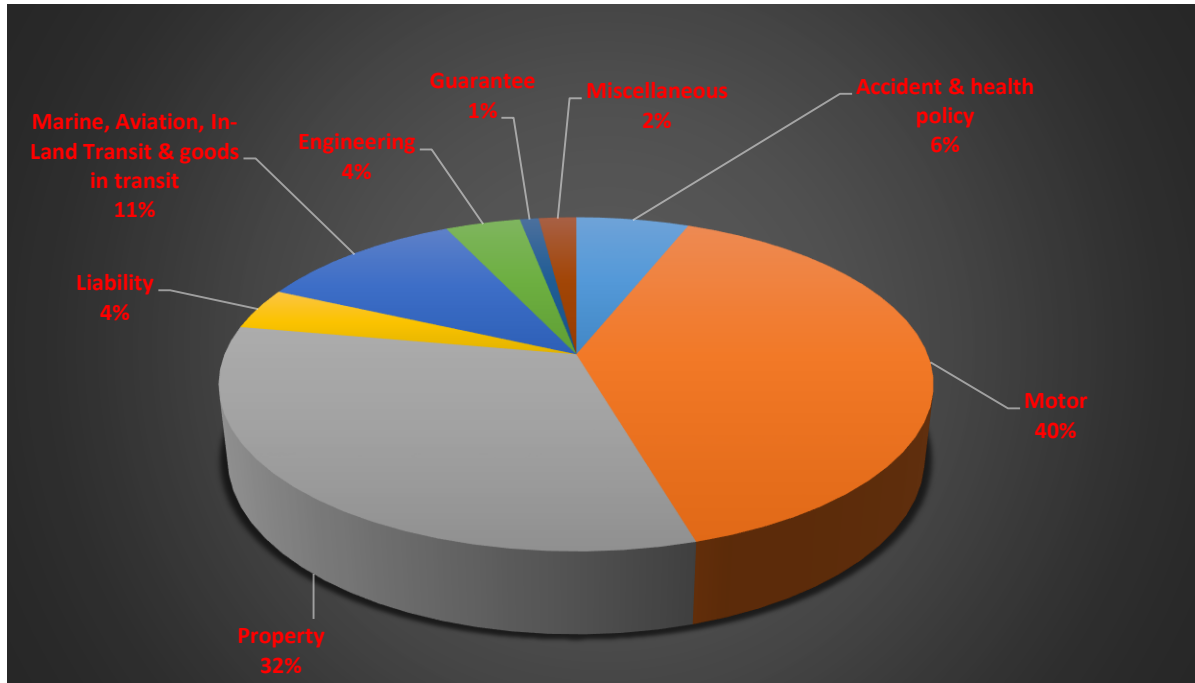
3.1 Underwriting Activity

Figure 6: New Policies 2018 and 2017



3.2 Gross Written Premium

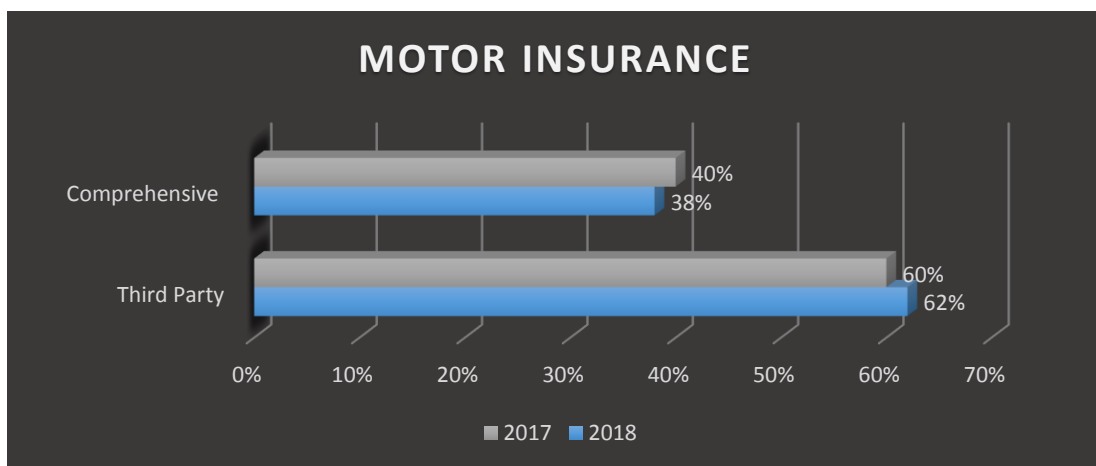
Figure 7: Gross Written Premium 2018 % per class



Motor insurance contributed approximately 40% towards the total gross written premium, followed closely by property with 32% and marine with 11%.

3.3 Motor Insurance

Figure 8: Motor Insurance % of Comprehensive cover and Third Party Cover (per number of policies)



Number of policies slightly increased by 2% for third party cover and comprehensive decreased by 2%.

3.4 Key Financial Performance Indicators

The following is the analysis of the general insurance business performance at the end of the year 2018.

Table 4: Key Performance and Financial Performance Indicators for General Insurance Business

Key Financial Performance Indicators for General Insurance Business			
Performance Indicators	2018	2017	2016
	SCR	SCR	SCR
Gross Written Premium	385,996,525.00	357,146,503.00	336,903,832.00
Net Earned Premium	226,180,412.00	212,800,117.00	192,703,599.00
Net Claims Incurred	105,403,546.00	97,167,362.00	101,917,700.00
Expenses	99,357,368.00	85,920,745.00	81,571,614.00
Financial Position Indicators			
Total Assets	510,329,899.00	427,220,059.00	406,660,477.00
Total Liabilities	172,347,198.00	161,349,198.00	143,572,793.00
Capital and Reserves	134,087,838.00	114,304,877.00	107,853,418.00
Selected Key Ratios			
Retention Ratio	59%	60%	57%
Claims Ratio	47%	46%	53%
Expense Ratio	44%	40%	42%
Combined Ratio	91%	86%	95%

All the performance indicators increased in 2018 compared to 2017, gross written premium increased by 8% and assets increased by 19%. Net claims incurred increased by 8% from SCR 97.17million in 2017 to SCR 105.4million in 2018, this is as a result of a significant increase in the number of motor claims incurred by the insurance companies.

The general insurance market is heavily concentrated with the top 2 insurance companies combined, SACOS Insurance and H. Savy Insurance accounting for 90% share of the market.

3.5 Claims

Figure 9: Number of Claims 2018

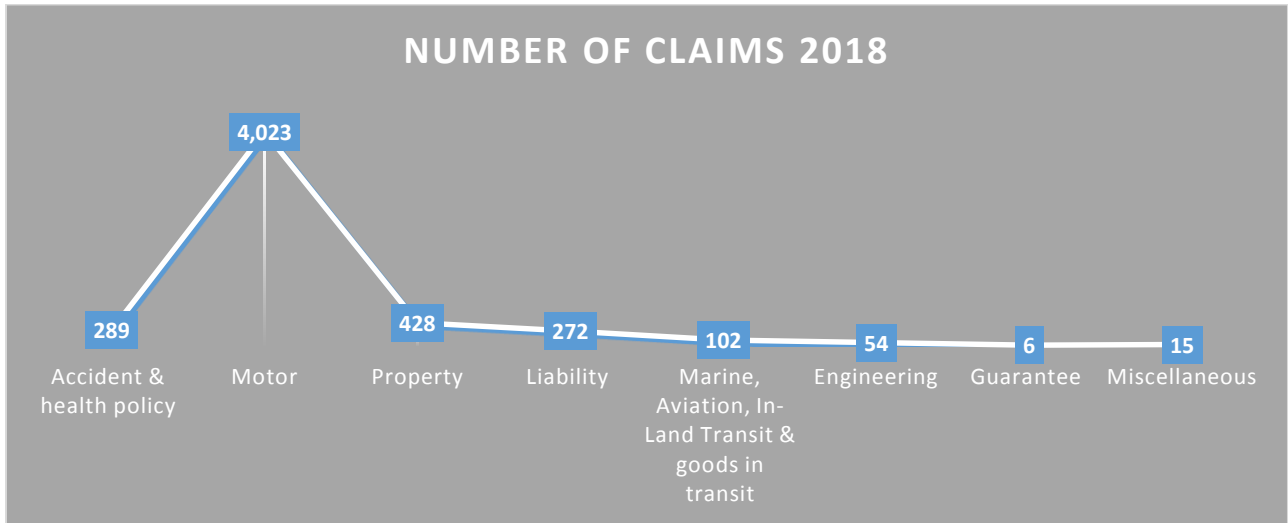
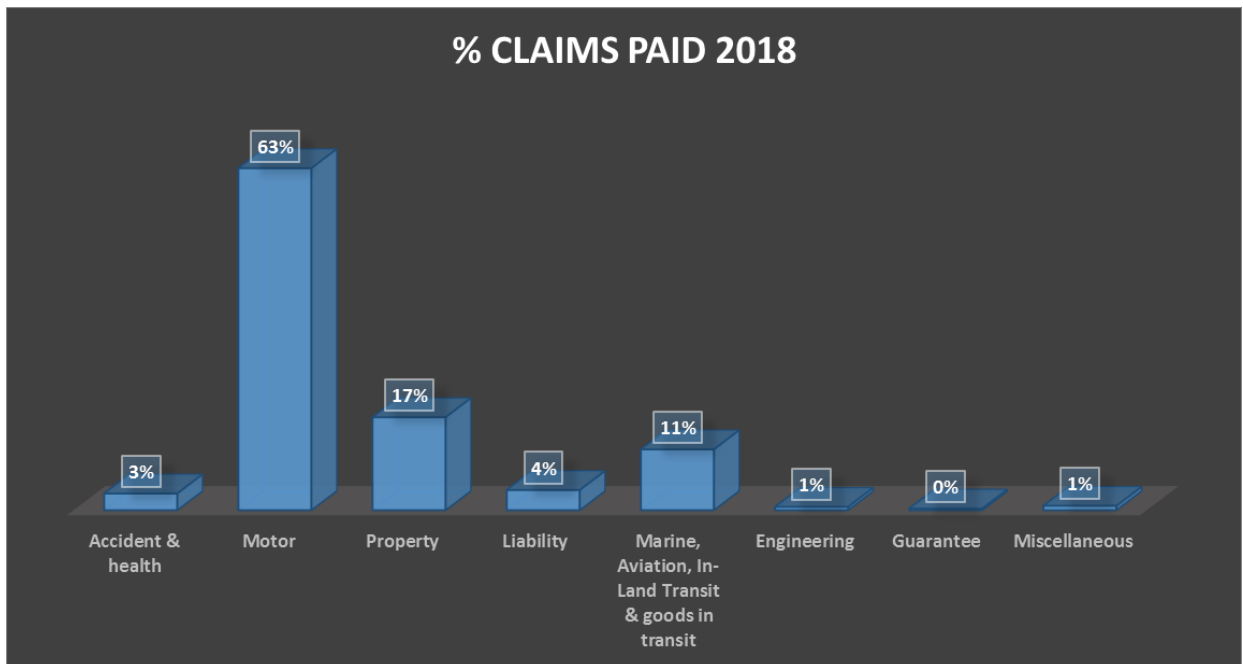
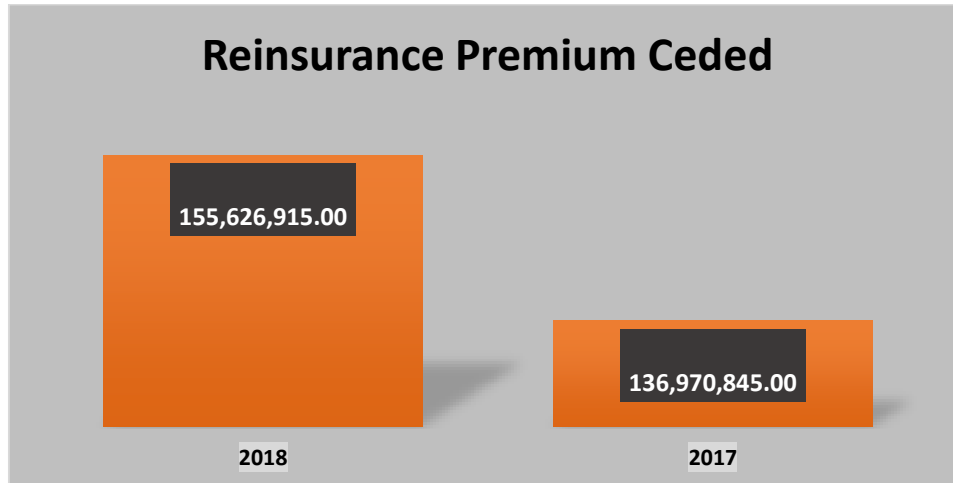


Figure 10: Percentage Claims Paid 2018



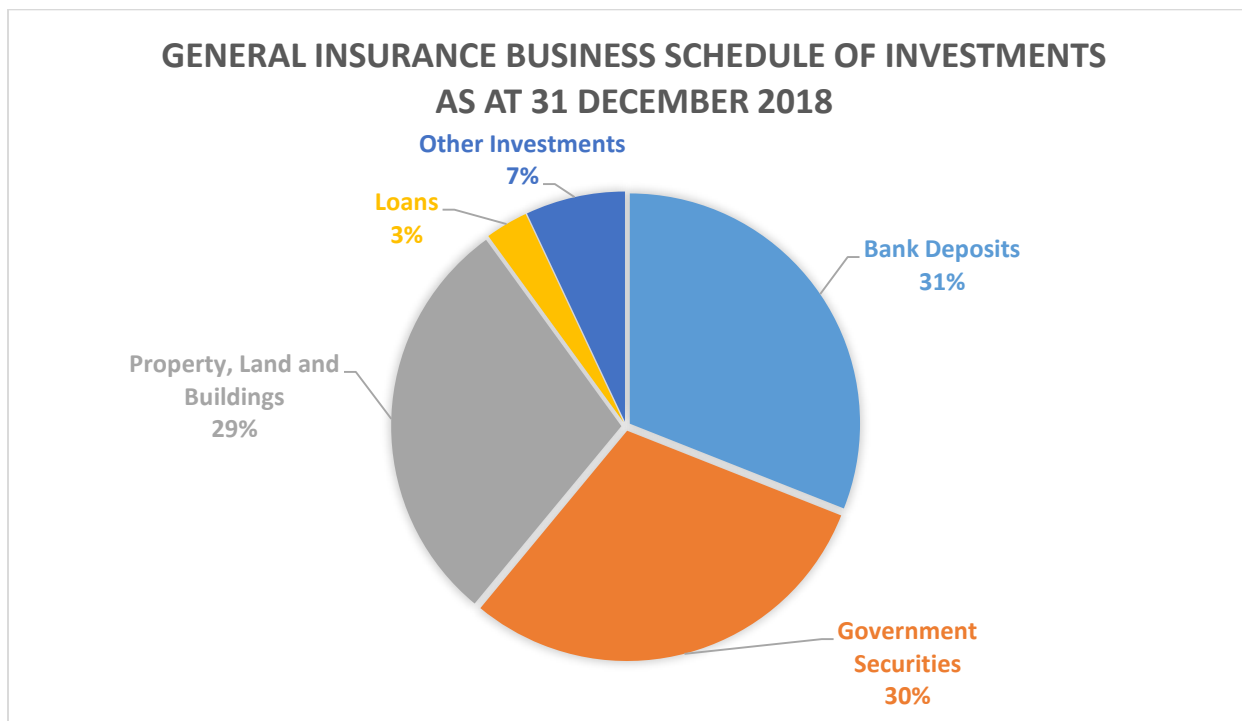
3.6 Reinsurance

Figure 11: Reinsurance Premium Ceded



3.7 Schedule of Investments

Figure 12: General Insurance Schedule of Investments



The largest share of the investment portfolio for general insurance business consists of government securities which includes treasury bills and treasury bonds which increased by 4% in 2018. Investments in property, land and buildings decreased from 33% in 2017 to 29% in 2018 and bank deposits decrease by 2%. This decrease is also associated with the sale of real estates by a major insurance company. Loans remained constant in both years whilst other investment increased by 2%.

CHAPTER FOUR

4.0 Challenges and Opportunities

4.1 Technology

Insurance companies operating in the Seychelles market need to become more customer centric by focusing more on customers, understand their changing behavior and new needs. The penetration rate of mobile phones users in Seychelles is significantly high which makes it possible to have direct access to customer. The exploration of alternative distribution channel (other than only intermediated channel) and making use of new technology are some enablers needed to increase access to new customers at reduced cost and to analyse behavioural pattern, design new and more appropriate products.

4.2 Regulation

The insurance regulatory body, the Financial Services Authority, has started adopting a risk based supervisory approach to insurance regulation and supervision. Having closer alignment to the International Association of Insurance Supervisors (IAIS) core principles remains the FSA's objectives. As such the Authority intend to develop Risk Based Capital (RBC) and Own Risk and Solvency Assessment (ORSA) framework in the coming years.

Indeed, the ever increasing regulatory demand can disrupt the cost of insurers and intermediaries' operations. However, improved regulatory approach such as risk-based supervision, RBC and ORSA will also create opportunities for the insurers to better manage risk, and allocate capital more appropriately.

4.3 Talent Shortages

The Seychelles insurance market is continuously being face with a shortage of key talents such as actuarial, risk management and non-executive directors with insurance experiences. In order to attract and retain talent, the industry need to invest more in training.

Whilst some insurance companies have developed in-house training program, the industry through the intervention of the Guy Morel Institute has started conducting training in insurance in accordance with the Chartered Insurance Institute's modules. Nevertheless, there are opportunities to increase the scope to cover more specialized training such as actuarial science, risk management and reinsurance to name a few.

CHAPTER FIVE

5.0 Conclusion

The market keeps experiencing steady growth in gross written premium in the industry in recent years (general insurance), although the insurance penetration hovers around 2%. The low level of awareness, lack of innovative products, prohibitive cost of insurance are some factors that are impeding the take up of insurance products. The market tends to be price sensitive leading to some instances of undercutting to gain market share particularly for the general insurance. However, this relatively low penetration rate indicates potential opportunities for growth and investment with the scope to increase penetration of a growing working class population that require more sophisticated financial products.

Products that can be usefully developed include but are not limited to life and health insurance, micro-insurance, agriculture insurance and other products that can promote Small & Medium Size Enterprises (SME's).

Aside from new product development, the implementation of an improved regulatory framework, looking at cheaper alternative distribution channel, making better use of technology, improving the local talents are areas that can increase insurance penetration over the long term.