

President's Address Post AGM Press Briefing, June 2, 2021

By

Dr. Adrian Stokes, IAJ President

Good Morning everyone on behalf of the Executive of the Insurance Association of Jamaica (IAJ), I want to thank you all for coming.

There is an old adage that says people do not plan to fail they simply fail to plan. It is the same with financial planning, however many persons fail to understand that the best financial plan will collapse if it does not incorporate insurance planning. If the breadwinner passes away unexpectedly or the house burns down without insurance it would result in a significant financial setback for the family. This kind of contingency planning and risk management is essential, and if we were not convinced of its importance, then the COVID-19 pandemic was a reality check for all of us, right across the globe. This was indeed a stress test if there ever was one.

Already we have seen that the economies that are recovering are those such as China which contained the pandemic and the US which had reserve financial capacity. At the individual level persons with insurance are able to bounce back from economic loss far more easily than those without. The value of Insurance is integral to all who purchase it, although there are so many persons who are still reluctant to buy insurance.

Last year the industry paid out \$16.4 Billion in General Insurance claims, \$13.6 billion of which were motor claims \$24.4 Billion dollars in death and living benefits from their individual Life Insurance policies and \$ 20.1 Billion dollars in Health Insurance Benefits. That is over \$ 60 Billion dollars in policyholder benefits.

COVID-19 came upon on us last year as an unwelcomed visitor. With a year now behind us, we are hopeful that we have passed the worst. The industry like so many others received body blows last year particularly in the months of April and May. There was a significant dip in business especially when Portmore went into lockdown. Fortunately, during the period of June through to December last year we saw business steadily

recovering in both the life and general sectors. It was a period where we found many creative ways to stand with our policyholders who were going through difficulty via a number of creative interventions such as discounts on premiums, lengthening payments and the waiving of fees. Our organisations were forced to deal with the new environment which involved, masking, social distancing and the minimizing of social contact.

The industry's heavy investment in technology over the years, paid dividends as we were able to respond and pivot quickly, by having team members work remotely, meeting online and ramping up the use of a range of electronic payment and service options. We are by and large ready to operate in the newly emerging digital economy of the Fourth Industrial Revolution, that COVID 19 has simply brought forward. This will no doubt be the new commercial environment in the future.

We want to express our sincere thanks to our policyholders who made an effort to keep their policies in force during this difficult year. Arguably, COVID-19 with all its downsides heightened the awareness of the importance of Insurance and the unpredictability of life's Journey.

As we continue to recover from the negative impact of COVID-19 on our economy, businesses and on all of us as individuals, we must commend the Government for its handling of the crisis so far. Its approach to contingency planning, has been commendable - setting aside money in a Contingency fund, exploring catastrophe Bonds with Multilaterals and its continued relationship with the Caribbean Catastrophe Reinsurance Facility (CCRIF). This appreciation for the need for risk management is Insurance called by different name.

Life Insurance protection is at the core of the Life Insurance Business, as it seeks to provide protection for those dependent on the support of their breadwinner, in the event of the breadwinner's untimely death or disability. It was gratifying to see that in 2020 despite financial constraints there was an increase in the number of policies in force and there was a greater effort by persons to secure higher insurance coverage.

Over the years, life insurance in Jamaica has become a vehicle for investment as well as insurance protection. In fact, 60% of all policies sold for over many years include an investment component. Indeed, the life insurance industry has established itself over the years as the largest

mobiliser of medium to long term savings and investment in Jamaica. It has over \$360 Billion in Invested assets and is the largest player in the Pension Fund Market with over \$300 Billion dollars in pension funds under management.

We would like the Minister of Finance to hasten his steps to revise the Investment Guidelines so the Industry can play a greater role in terms of providing funding for both the Private Sector as well as Government through Public Private Partnerships as we seek to rebuild our COVID damaged economy. We also use the opportunity to ask him to advance the Pension Reform Agenda to provide more robust pension arrangements, such as vesting, portability and participation in multiple pension schemes. It is estimated that only about 10% of our workforce are a part of a registered pension scheme. This one is a win- win Minister. While we are at it, we must also appeal to the Minister to speed up the Legislation for Microinsurance so that persons with lower incomes will have an insurance solution that is more accessible, affordable and with simple Know Your Customer requirements that will give major support to Government' s policy of Financial Inclusion.

We now turn our attention to the General Insurance sector. As we begin the start of another hurricane season, we are concerned that many Jamaican residences and businesses have no property insurance in place, we estimate that only just over 20% of homeowners have Insurance coverage. Furthermore, most of these persons did not opt to putting the insurance in place, it was demanded by their mortgage lender. As a result, persons very often do not renew their insurance after they repay the mortgage leaving themselves vulnerable late in life when it is virtually impossible to recover from the financial loss of a house.

As we begin the hurricane season this is the perspective of one of the experts. "For **2021**, a likely range of 13 to 20 named storms (winds of 39 mph or higher), of which 6 to 10 could become **hurricanes** (winds of 74 mph or higher), including 3 to 5 major **hurricanes** (category 3, 4 or 5; with winds of 111 mph or higher) are expected". We implore homeowners and businesses to contact your Insurance Company or Broker to ensure you are properly covered. We also appeal to renters that you too need to

protect your assets and the contents you own in your rented space, as you are also at risk so, please take the necessary steps before it is too late.

In the motor insurance space, we continue pay out high motor claims which are the result of how we drive in this country. There were over 44,000 motor claims in 2020, that is 846 claims per week, this keeps our claims handlers busy around the clock. We have to do something about the way we drive. Our bad driving habits lead to fatalities on the road and multiple crashes which impact motor claims. This problem is not unique to Jamaica as the World Health Organisation (WHO) has observed that low and middle income countries account for 93 % of road fatalities although they have 60% of the vehicles. While we await the Road Traffic Act to be passed to increase enforcement by the police and the use of technology in traffic management, there needs to be more personal responsibility.

The Insurance Industry has been developing a database of all the insured vehicles in Jamaica. We are happy to report that we have now started a pilot run of the database, the Insurance Vehicle Information System (IVIS). When launched this system will facilitate the TAJ to licence motor vehicles without the need to present documents physically at the tax office. This will eventually set the stage for motorists to licence their motor vehicles online. The system will also give the police digital access to the Insurance status of motor vehicle which we expect will increase motor insurance compliance thus reducing the risk posed to road users of having an accident caused by an uninsured motor vehicle. We are expecting IVIS to be on stream within the next three months.

There are some cost concerns for both the health and motor insurance industry, dependent as they are on imported inputs in their service delivery. This is due to the disruption in the supply chains as a result of the pandemic where the prices of some imported items have been spiking as we have seen happen in the commodities sector. As the two major economies China first and now the US recover, the strong demand for a range of goods continues to push prices due to pent up demand. Many of the experts expect this trend to continue until the markets regularise. It is hoped that prices will settle by the end of the year.

We are optimistic about the prospects of the Insurance Industry over the next 12 months, but our success will depend on the recovery of the

Jamaican economy. We have seen that global economic growth is being led by China with 18.3 % in the first quarter of 2021 as it came out of the pandemic relatively unscathed. The US economy has rebounded in the first quarter of 2021 with growth of 6.4 %. This is mainly the result of their large stimulus programme but also as a result of their aggressive vaccination programme. It is clear that vaccination is going to be a key factor for economic recovery in every economy. It is important that as a lot of Jamaicans struggle to keep afloat we recognise that getting vaccinated is key to reopening our economy. This is not just about tourism as our sports, entertainment, education and transport sectors are vital to get our economy moving again. We have to take responsibility as individuals, as families and as a community. We understand the concerns some people have, but there is enough information from trusted sources that persons can use to make informed decisions. This country has had a good history with vaccinations, we saw it eradicate polio many years ago.

As we approach the middle of 2021, we are optimistic for a return to growth in the overall economy and a return to normalcy as the government advances their vaccination programme. I want to encourage everyone to not ignore the lessons that were learned during this crisis, adversity is one of life's greatest teachers. Life can be unpredictable and as much as we can, we should plan ahead and protect the things most important to us. In Jamaica, we have a highly skilled, motivated insurance industry with many options to assist individuals and businesses alike with their protection needs. We look forward to seeing more people taking advantage of these options and being better prepared and protected for whatever lies ahead.

Thank you.

