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INSURANCE COMPANIES

- OPERATIONS and PROBLEMS

of RESEARCH IN THE CARIBBEAN

(Research Paper - Division of Monetary Studies)

by  
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INSURANCE COMPANIES - OPERATIONS AND PROBLEMS

OF RESEARCH IN THE CARIBBEAN

The original intention of this paper was primarily to analyse the workings of insurance companies in the Caribbean and lesserly to point out the statistical shortcomings and other research problems. In many instances, however, the research problems tend to dominate and these have seriously restricted the depth and breadth of the analysis. Nevertheless, if this study's only usefulness is that it highlights the areas of statistical deficiency, it would have been worth undertaking. This study will be divided into two parts - Part A will deal with research problems. Part B will be in four sections. The first section will be about the growth of insurance companies, the second about the effects of the portfolio composition of insurance companies, the third about the liabilities structure of insurance companies, and the fourth about the future of insurance companies and policy implications.

P A R T 'A'

PROBLEMS OF RESEARCH

The expansion of insurance companies and other non-banking financial intermediaries in the Caribbean since the end of the Second World War have been very noticeable. The importance of these financial intermediaries is universally recognised, especially since the publications of the massive empirical and classificatory works of R.W. Goldsmith,<sup>1</sup> together with the first significant theoretical analysis of the role of these institutions by Gurley and Shaw<sup>2</sup> in the United States of America. The findings and recommendations of the Radcliffe Committee<sup>3</sup> in the United Kingdom have also shown that the role of these institutions in the economy is more important than that of the commercial banks. In the Caribbean

/the pioneer efforts .....

<sup>1</sup> See R.W. Goldsmith - Financial Intermediaries in the American Economy since 1900.

<sup>2</sup> J. Gurley and F. Shaw - Financial Aspects of Economic Development  
A.E.R., Sept. 1965  
Ibid. - Money in a Theory of Finance,  
Washington 1960.

<sup>3</sup> Committee on the Working in the Monetary System of the United Kingdom -  
Radcliffe Report H.M.S.O 1959.

the pioneer efforts of Callender<sup>4</sup> and Thomas<sup>5</sup> in Jamaica and Guyana respectively have highlighted the importance of non-banking intermediaries in the region and emphasized the need for large scale empirical investigations.

In this paper we will discuss research problems and attempt a limited analysis on the operations of insurance companies - the most important non-bank financial intermediary - in the three Central Bank Commonwealth Caribbean countries i.e. Jamaica, Trinidad and Tobago and Guyana.

Insurance business in the Caribbean is 'big business' and this is evident by the relatively large buildings they own in Kingston, Port-of-Spain, Georgetown and other parts of the Caribbean. Their economic importance is of tremendous significance. It would be difficult however to say how significant they are because there is hardly any detailed data in the region to indicate their actual size - assets and liabilities and their income and expenditure in the Caribbean.

In our attempt to unearth statistical data to determine the extent, size and significance of their operations in the region we have been faced with numerous problems. We will discuss the following four (4) of these problems:-

1. Reluctance of insurance companies to supply information requested of them.
  2. The lax legal framework under which foreign insurance companies are allowed to operate in the region.
  3. The paucity, inconsistency and irregularity of data on insurance companies and non-banking financial institutions, provided by the Government Statistical Departments in the region.
- and, 4. Use of the ineffective "moral suasion" approach of the Central Banks to obtain data from the insurance companies and other non-banking financial intermediaries.

On account of the unavailability of data on insurance companies we were forced to send out questionnaires. We examined the published balance sheets of most of the local companies but found that the information provided was inadequate for our study. The Statistical Departments and Central Banks of the region could not provide the data required as the Study goes back to 1945 and what ever information was available was of limited use:

/ The response .....

<sup>4</sup> C.V. Callender - The Development of the Capital Market Institutions of Jamaica. Supplement to Vol. 14 No. 3 Social and Economic Studies, I.S.E.R. 1965

<sup>5</sup> C.Y. Thomas - Monetary and Financial Arrangements in a Dependent Economy. (A Study of British Guiana 1945 - 1962) Supplement to Vol. 14 No. 4 December 1965, Social and Economic Studies I.S.E.R., Jamaica.

The response to our questionnaires by the insurance companies has been frustrating. In one case the manager of a foreign company not only refused to provide us with the information requested but questioned the purpose of the research programme. He wrote stating inter alia -

" I regret very much that the pressure of work load on my staff and myself --- renders it quite impossible for my company at the present time and in the foreseeable future to prepare the very detailed and exhaustive statistics that are requested.

You must admit too that the time, effort and cost of the proposed exercises does nothing to advance the cause of our ---- policy holders and indeed the purpose of the research programme on monetary studies escapes my understanding."

The main reasons why the insurance companies are reluctant to divulge information may be -

- (a) the time and effort involved in the provision of statistics are considered by them to be a waste. Management in some cases cannot understand the importance of data not only for research purposes but for use by the companies themselves. This will enable them to make quicker and better decisions.
- (b) Fear that the information they supply would be used against them - especially for tax checking purposes. They are very cautious in supplying information to a university because they feel that the 'university brains' will be able to pick up their defects and expose them. We have found a general atmosphere of secrecy shrouding the operations of the insurance companies. In some cases we have not been able to penetrate these barriers.
- (c) The accounting system of some insurance companies are not geared to produce statistical data and as such the companies do not have a proper system to provide data on all aspects of their operations. One company manager told us that to supply the information requested he would have to re-arrange his accounting system. In that case it appeared that the accounting system was not an efficient one and that it really needed a re-organisation.
- (d) The insurance companies complained about the time, effort and cost that it took to provide information, and - as was pointed out in the letter quoted above - it is not in the interest of the policy holders for the companies to be supplying information to us while their time could be more profitably spent by selling more insurance policies.

(e) The insurance .....

- (e) The insurance companies seldom keep detailed records of their operations for more than seven years and as such information on earlier years - 1945 - 1960 - are not easily obtainable.
- (f) In most cases it is usually the Accountants and Clerks in the companies who eventually complete the questionnaires and in several cases we found that they have problems in understanding very simple questionnaires.

2. Another problem we experienced has been that of the lax legal framework under which the foreign insurance companies operate in the region. The foreign insurance companies, like the expatriate commercial banks, publish consolidated balance sheets and as such it is very difficult to ascertain the extent of their operations in the region. In most cases their Head Offices are either in the United Kingdom or the United States of America or Canada, and requests for information from the branches in the Caribbean are usually forwarded to the Head Office. It takes months before the Head Office decides to make the information available and in most cases they just ignore the questionnaires. Except probably in Trinidad and Tobago there is no statutory requirement to ensure that these companies file copies of their Annual Balance Sheets and Statements of Assets and Liabilities with the Registrar of Companies. The Registrar of Companies in Guyana has informed us that he does not even have the staff to ensure that the Life Insurance Companies which operate deposit the required sum of \$50,000. We have not been able to determine the number of foreign companies - There are twenty-four (24) doing Life business in Guyana - which have paid the deposit of \$50,000. We have also observed that many of the large hire-purchase firms operate an insurance agency - they represent a large foreign company and this is mainly in the General Insurance business. They usually insure the articles sold e.g. motor cars, refrigerators, radiograms etc. with themselves and receive a commission from the foreign companies they represent. The profits from the insurance agency is incorporated in their overall balance sheet and thus it becomes difficult to determine their premium income. This type of arrangement poses several other problems. As a result of the above conditions the domestic companies are finding it difficult to compete against the large foreign companies, with agencies in the Caribbean.

3. In conducting our research we were forced to use several questionnaires to the insurance companies due to the unavailability of statistical data in the Government Statistical Departments, Central Banks and other related Government Departments.

The statistical departments of the region have neglected non-banking financial intermediaries and while they seemed to be pre-occupied with commercial banks they have collected very little information on insurance companies. This situation was noted in the 1963 - 68 Development Plan in Jamaica when it was remarked "Savings by means of Life Insurance have become increasingly important. There are no up-to-date figures of the investments made by insurance companies in Jamaica." Whenever there was some data we found that the number of companies were only a small fraction of the total e.g. in Jamaica there are 24 life and 140 non-life companies yet limited information is only available on 17 life companies and 62 non-life companies. Assets and liabilities of these companies are not even stated.

In Guyana there is very little information available on insurance companies before 1966 and the Statistical Department have only published data on 10 life companies while there are 24 such companies operating in the country. There is no information on non-life companies of which there are about 40. The Bank of Guyana has been able to obtain comprehensive information on insurance companies from 1966, but it would appear that they do not publish very much in their Annual Reports and Bulletins. For example, there is no table to show the premium income of insurance companies that operate in the country. In the chapter on insurance companies in their 1967 Annual Report it was stated that total premiums collected by Domestic Insurance companies were \$4.4 million in 1967. This figure was grossly understated as to the volume of total premiums, which we have found to be \$10 m by checking the 1967 balance sheets of the five domestic Life Insurance Companies and the three local companies that transact Non-Life Insurance business.

The Central Statistical Office in Trinidad and Tobago have been able to collect and publish in their Annual Statistical Digest and Financial Statistics comprehensive data on insurance companies. However, the use of these tables are limited on account of the non-publication of very important data. For instance the tables do not contain information on (i) the foreign content of premium income:

(ii) the value of foreign assets of life insurance companies and the assets - both local and foreign - of non-life insurance companies.

(iii) In the table on non-life companies claims and administrative expenses and Income Tax and other expenses have been lumped together. Claims and Income Tax should be placed in separate columns to determine their ratios to total expenditure and income.

(iv) In the table on commercial bank deposits - No. 16. 1 the 'other' column is bigger than 'business' column.

In some cases we found that the information provided is meaningless as the most important contents are missing.

4. The Central Banks are the apex of the financial structures of Jamaica, Trinidad and Tobago and Guyana. We have found that this is so in theory but not in practice. Financial institutions are required by law to furnish information which the Central Banks require; yet, the Central Banks have not been able to collect very much information from insurance companies and other non-banking institutions. In Guyana there has been a few cases in which the Governor of the Bank of Guyana had to point out to insurance companies their legal obligation in providing information which the bank may need, but no positive action is taken against consistent defaulters. The Central Banks have demonstrated a "request not demand" attitude towards the completion of our questionnaires by the insurance companies. It would appear as if the Central Banks are not prepared to use their powers to come to our assistance. We think that 'moral suasion' is not enough. Insurance companies that refuse to give information should be compelled to do so. Unless the Central Banks give us their full support and 'get tough' we would be unable to collect all the information which we requested from the insurance companies and other non-bank financial intermediaries. It would appear that in their attempt to create and maintain a stable and healthy financial climate the Central Banks are afraid to use their powers - afraid that they will disturb 'business confidence'. It has been remarked that the 'moral suasion' technique is used on the Central Banks instead. (We hope that the Central Banks are not persuaded against taking action to ensure that the information we requested is supplied)

There is no doubt that the Central Banks are in the best position to obtain information on financial institutions, which would be otherwise difficult to obtain. However what we have found was that most of the studies carried out by the Research Economists of the Central Banks are stamped 'Confidential' and filed away. In order to assist us and save time the Central Banks should make available all relevant studies and data on insurance companies etc. which they have in their possession. Too often we are told that 'this study is confidential' or 'this information cannot be divulged'. Yet, whenever the I.M.F. and other U.N. experts request information they are not told that it is confidential. In some cases one wonders what is so confidential in the study, in information withheld. If this is done it would prevent duplication of effort. So far we have had the co-operation of the Central Banks but we feel that they should step out with us a little further and have a little more confidence in us.

/G. L. Smith has .....

Goldsmith has demonstrated that the type of research required on non-banking financial institutions has got to be very detailed and exhaustive. Thus, our questionnaires and other requests would entail a considerable amount of 'digging'.

As far as insurance companies are concerned we have only scratched the surface. There is a lot of 'digging' to be done on very rocky grounds.

## P A R T 'B'

### OPERATIONS

#### SECTION 1 : THE DEVELOPMENT OF INSURANCE COMPANIES

In this section, certain established, and as yet unestablished, criteria will be used for measuring the relative growth of insurance companies and factors which help to determine the growth pattern will be cited.

##### Theory of Non-Bank Intermediaries and Role of Insurance Companies

Since the War, more attention has been focussed on non-bank financial intermediaries, because of the pioneer work by R.W. Goldsmith and Gurley and Shaw in the U.S.A. and the Radcliffe Report<sup>1</sup> in Britain. Previously monetary economists, while stressing the importance of indirect financing, had shown a pre-occupation with banks to the neglect of non-banks. However, it is now realised that for there to be progress in financial technology, there should be institutions catering for the needs of every type of saving (by actual or potential customers) and investment. The diversification of the "institutionalization of saving" process (serving disparate customers and needs) has led to a more varied stream of deposits and there is little doubt that the existence of non-banking intermediaries has led to an increase in the amount of savers and savings deposits in the community. Some doubt used to exist concerning the ability of non-bank intermediaries to create credit but this was cleared up by Gurley and Shaw: "The difference between the monetary system and non-monetary intermediaries in this respect, then, is not that one creates and the other does not, but rather that each creates its own unique form of debt .....

<sup>1</sup> See R.W. Goldsmith: Financial Intermediaries in the American Economy since 1900. U.S.A. 1958

J. Gurley and E. Shaw: Money in a Theory of Finance, Washington 1960  
H.M.S.O (Radcliffe Report). Committee on the Working of the Monetary System August 1959.



Money is unlike other financial assets, too, for they carry ownership rights in corporations. And policy holders' equities in insurance companies are different because they are linked to certain insurance attributes." <sup>2</sup>

There are at least three major attributes of saving by policy holders in insurance companies. <sup>3</sup> The first is that most policy holders are dominated by precautionary motives, since the holding of a policy (life) or the payment of a premium is an attempt to spread risks or to hedge against early mortality. The second attribute is that a life policy is a long-term contract fulfilled by a regular payment of a fairly stable amount ('locked in' saving). A withdrawal from the contract earns the surrendering policy holder such a small value of the premium paid, that, there is economic pressure towards the continued payment of premium, once it has started. The third attribute is that life companies are potential sources of liquidity, since the companies' liabilities are the assets of policy holders. Policy holders can borrow on the security of these assets (or realise them) although this type of liquidity is inferior to that of commercial banks or building societies.

Despite the pioneering works cited above, there is still no widely recognised theoretical structure for analysing non-bank intermediaries. One reason for this is the fact that there is as much difference (in kind rather than generic) between non-bank intermediaries themselves as between banks and non-banks. Another reason is the inadequacy of available data and this is especially noticeable in underdeveloped territories e.g. the Caribbean.

#### Growth of Insurance Companies in the Caribbean

The inadequacy of statistical data prevents us from giving an accurate measurement of either the rate of development of insurance business or the precise role of these institutions in the mobilisation and distribution of savings." <sup>4</sup> Although this was written in 1964/5, it can be said to be still the case in 1969. Nevertheless, an attempt will be made to determine whether "deficit and surplus budgeting have exceeded the growth of both individual and total incomes in the community" and to ascertain whether "aggregated the insurance companies are probably the largest category of financial institutions in the country, when measured in terms of either total assets in their possession or the value of annual surpluses which they mobilise."

<sup>2</sup> D. Patinkin : "Financial Intermediaries and the Logical Structure of Monetary Theory" in American Economic Review Mar. 1961

<sup>3</sup> See C.Y. Thomas: Monetary and Financial Arrangements in a Dependent Monetary Economy, I.S.E.R., 1965

<sup>4</sup> C.Y. Thomas: Op. Cit.

Three possible criteria for assessing the growth of insurance companies are:

- (i) the number of companies in operation and the number of policies in force
- (ii) The growth of premium income
- (iii) The growth of assets

In most of the Caribbean territories, there was a significant increase since the war in the number of insurance companies." The number of insurance companies as well as the extent of their operations expanded considerably in the post war period. In 1945, there were at least 82 life and non-life companies operating in Jamaica. By the middle of 1962, the number had increased to 140, of which 24 were life companies."<sup>5</sup> However, the number of companies is hardly an indication of growth since it does not indicate the size of the companies. Similarly, the number of policies is not a useful criterion since it does not indicate the size of the policies, or the type of policies.

The first three tables in the Appendix, - A1, A2 and A3, show premium income of insurance companies as a percentage of GDP at factor cost in Trinidad, Guyana and Jamaica, respectively. In Trinidad, total premium income seems to be a fairly stable percentage of GDP.<sup>6</sup> A lack of adequate data for foreign companies make it difficult to say whether this percentage has been falling or rising for Guyana and Jamaica, although the available statistics might be indicating an upward trend. For purposes of comparison, we notice that total bank deposits as a % of GDP has been falling for Trinidad (savings deposits as a percentage of GDP is fairly stable) whereas in Guyana and especially Jamaica it has been rising. Post Office deposits as a percentage of GDP, have been falling in Trinidad and Guyana, but fairly stable in Jamaica.

The agents of insurance companies tend to make "vigorous sales efforts" to commit individuals to insurance policies. It would be interesting to find out whether this active and 'physically imposing' form of competition would cause premium income to grow faster than GDP or whether there are certain unchangeable laws or forces at work which tend to make insurance saving, as reflected in premium income, a stable percentage of GDP. In this regard, it is intuitively believed by some people that insurance expansion may be at the expense of banks (both commercial and Post Office Savings) since the rather passive form of competition employed by the latter two e.g. advertising and the opening up of sub-branches, may not be

<sup>5</sup> C.V. Callender: The Development of the Capital Market Institutions of Jamaica. I.S.E.R. 1965

<sup>6</sup> As the independent variable, GDP is not necessarily less suitable than National Income since a not insignificant % of premium income is paid by people not residing in Trinidad. It should also be noted that Trinidad's premium income does not include "annuities"

enough to offset the disadvantages of inconvenient opening hours (and the nonpayment of wages by cheque).

Table A4 shows the growth rate of GDP and Life, Non-Life and Total Premium Income for Trinidad, with average growth rates over the 1954 - 1956 period of 9.9%, 9.8%, 8.4% and 9.2% respectively. When the growth rates of life, and total premium income are correlated with changes in GDP, we get correlation ratios of .88 and .68 respectively and these are both significant at the .01 and .05 confidence level respectively; this suggests a fairly close relationship. The results are not surprising since a measure of the stability of premium income as a percentage of GDP gives fairly small standard deviation coefficients of .29 and .77 respectively. We can therefore refer to the ratio of premium income to GDP as the 'Insurance Intermediation Ratio' (I.I.R). Now, it may also be thought by some economists that the average number of dependents in a country would have some effect on the number of life policies in force. We therefore correlated the rate of growth of life premium income with the rate of growth of GDP per head<sup>7</sup> (Table A5) and found a ratio of .51 to be significant at the .05 confidence level. These results also suggest that there is no basic change in the premium income/assured value ratio i.e. no change in the distribution between endowment and life policies (See Table A6)

TABLE 1 : CORRELATION RATIOS FOR GROWTH IN PREMIUM INCOME/GDP (TRINIDAD)

GROWTH IN PREMIUM INCOME/GDP	CORRELATION RATIO
Life Premium Income/GDP	.88
Total Premium Income/GDP	.68
Premium Income per hd/GDP	.51
Non-Life Premium Income/GDP	.30

Table A7 for Trinidad shows that non-life insurance business tends to be considerably less than life business, being on average, with very little variation, 63.9% and 36.1% for the period 1954 - 1966. The correlation coefficient of .30 for increases in non-life business with increases in GDP is not significant, partly because motor car insurance, which is a major component of non-life business, is more related to changes in H.P conditions than to changes in GDP. In Guyana, non-life business is smaller (being 27.3% of total premium income in 1967); possibly because Guyana has less motor vehicles (but more wooden buildings) and is less industrialised than Trinidad. But generally, insurance business measured by premium income as a percentage of GDP, is larger in Guyana (5.8% in 1967)

<sup>7</sup> There may be some definite relationship between steadiness of income i.e. fixed income (e.g. salaries) and premium income, which is a fixed and long term form of saving, but statistics are unavailable. In fact, there should be a very high correlation between premium income and Friedman's "permanent income"

than in Trinidad (2.5% in 1966) partly because commercial banking activity is not as intensive and competitive as in Trinidad.

It is hardly possible to propound a theory of insurance intermediation for underdeveloped countries, based on the above results, since a time series of insurance statistics was only available for Trinidad. However, the stability of the life premium/GDP relationship seems to indicate that two conflicting tendencies are exactly offsetting each other. The first is what we might consider to be the 'prosperity effect'. As incomes in an underdeveloped country rise from a previously very low level, saving via insurance companies (and other financial institutions) should rise more than proportionately since people would be in a better position to make long term saving. This tendency is being reinforced by the fact that income tax allowances on premium income paid by policy holders is fairly high e.g. in Guyana in 1968, premium income allowance was raised to 1/5 of the policy holders' earned income (1/6 in 1966). In countries like Guyana, where the marginal income tax rate is said to be high even on moderate incomes, the holding of insurance policies (and the allowance on premium paid thereon) is said to be an attractive way of "evading excessive tax". The conflicting tendency is due to a reduction in the 'risk effect'. Now, people undertake contractual saving via insurance companies in order to avert any risk to the receipt of present income (not being in a position to bear or absorb losses) or the bequeathing of future income to heirs. When incomes rise, therefore, they should become less of a risk averter (even if not a risk lover) and adopt saving habits of a more liquid and semi-transactions nature e.g. bank depositing. (More emphatic in a country with a National Insurance Scheme). If the positive prosperity effect more/offsets the negative risk effect, this would be reflected over time in a rise in the ratio of premium income to GDP and possibly a fall in the ratio of bank deposits to GDP. In open economies, like the Caribbean, rapid inflation is not expected to accompany rapidly rising incomes and so there should be no bias against long term (insurance) saving or any added urge towards a more liquid form of saving as a result of (moderate) price movements. Nor should the current interest on bank deposits be especially favoured to the future interest on participating and equity linked insurance policies.

A third criterion of the development of insurance business is the size and growth of assets. In Trinidad, the assets of insurance companies are considerably smaller than the assets of banks, but the estimated average rate of increase of insurance assets is 9.3% for the 1954 - 1966 period, whereas for banks the rate of increase is 8.7%; for building societies the average rate of increase is 4.2% and for Post Office Savings Banks - 2.7% (Table A8). For Guyana, the estimated rate of increase of insurance assets between 1966 and 1967 is 4.8% and for the 1954 period the average rate of increase in the assets of commercial banks, building societies, .....

societies, and the Post Office Savings Bank is 0.75, 0.17, and -1.8 percent, respectively (Table A9). In Jamaica, the number of insurance companies reporting is small and variable and so it is not possible to make a meaningful comparison for this country.

Little information is available about the relative size of local and foreign insurance companies in Trinidad and Jamaica. In Guyana, in 1967, local companies accounted for 57% of the whole insurance market. In life insurance, local companies dominated with 62% of the business (life insurance represents 72% of the total market) whereas in non-life insurance, foreign companies dominated with 58% of the business. Adequate and up-to-date statistics might reveal a similar situation for Trinidad and Jamaica e.g. in Trinidad, between 1952 - 1958, the amount of non-life insurance written by foreign companies was over 94%.

## SECTION II: ANALYSIS OF THE ASSET STRUCTURE OF INSURANCE COMPANIES

In this section, analysis will first be made of the effect of the distribution of assets within the portfolio of insurance companies on the real sector, with particular reference to the effects on production, wealth and distribution of income. Secondly, we shall explore the effects on the monetary system, e.g. government debt policy, the balance of payments and the money supply.

### Effects on the Real Sector

"We all know that life assurance began as risk sharing, and then developed into a risk bearing enterprise. As premiums were found to be too large, and as mortality rates improved, surpluses built up and the practice of paying bonuses was gradually adopted. In due course it became apparent that, with the help of tax relief on premiums, a with-profits endowment assurance was a good investment as well as providing life cover, and a substantial amount of savings money flowed into the insurance companies".<sup>8</sup> A similar development, with respect to no claim bonuses etc., can be traced for non-life business like fire, motor, marine, aviation etc.

Before the war, little money was invested in equity shares, because these were considered to be too risky. In the early post war period, more shares began to appear in companies' portfolios, but it was accepted as prudent practice that bonuses should not be paid out of capital appreciation because of the supposed likelihood also of intermittent (albeit infrequent) capital depreciation. However, a recent change in outlook has come about, because the sustained rise in equity share prices, and prices generally,

<sup>8</sup> A.E. Broomfield: "Presidential Address" delivered to the Faculty by the Deputy General Manager of the Standard Life Assurance Company on 21st October 1968.

since the war, has led people and companies to believe that both movements will continue indefinitely.

The aim of an insurance company therefore, is to maximize gain and minimize losses. Thus, in arriving at an optimum asset portfolio policy, an insurance company needs to consider the mathematically expected yield from its entire holdings of assets. Because of the legal and moral constraints which 'compel' an insurance company to be in a position to meet claims, an insurer's investment preference function is usually more diversified, and at the same time more heavily weighted in favour of safe assets than most companies. Diversification enables the investor to escape all but the risk resulting from swings in economic activity. "It is common practice for investment counsellors to accept a lower expected return from defensive securities (those which respond little to changes in the economy) than they require from aggressive securities (which exhibit significant response)".<sup>9</sup> Today it is still true to say that insurance companies are risk averters rather than risk lovers.

Table A10 for Trinidad, shows the distribution between local assets in the portfolio of life companies. It shows that mortgages are not only the largest single item in the asset portfolio, but have increased from 40.5% in 1954 to 46.4% in 1966 (average of 44.5%). Table A 10 also shows that government securities might have risen, but that policy loans and real estate holdings have fallen, as percentages of local assets, being 22.7% (classified "all other"), 22.0% and 5.1% in 1966, respectively. In Guyana, Table A 11 shows that real estate mortgages held the same relative portfolio size as in Trinidad (44.3% in 1967); also, in Guyana, government securities holdings were relatively higher (31.9% in 1967) but policy loans other than mortgages ("other loans") were relatively lower at 12.4% in 1967.

There are certain constraining factors which govern the pattern of insurance companies' holdings of reproducible and non-reproducible assets. One is that most assurance companies regard loans on policies as part of the insurance contract, and consequently consider this as a compulsory type of investment which they must undertake. Thus the amount of money which insurance companies consider investing in the different markets according to their assessment of the yields, is the difference between the surplus of income over expenditure and the largest size of expected policy loans.<sup>10</sup> A second constraint is the need for non-life companies to remain fairly liquid, since their liabilities are short-term. A third constraint is that the contractual nature of insurance business 'forces' insurance companies

<sup>9</sup> For an elegant exposition, based on the Tobin model, -

See W. F. Sharpe, "Capital Asset Prices: A Theory of Market Equilibrium under conditions of Risk" in Journal of Finance, Sept., 1964.

<sup>10</sup> See Economic Survey of Trinidad, 1953-1958, Ministry of Finance, 1959

to invest in fairly safe assets, reflected in an increase in the supply of mortgages especially in underdeveloped countries where suitably competing assets do not exist; this tendency has its counterpart in a rapidly increasing demand for mortgages, owing partly to the universal desire for better housing and partly to the income tax allowance on interest on mortgage loans.

In the interest of economic growth, insurance 'loans' should be of an investment rather than a consumption nature. It is therefore of long term benefit to the economy that policy loans, which are primarily used for the purchase of consumer durables, are relatively small, and in the case of Trinidad, a falling percentage of total assets. Moreover, a large portion of the consumer durables is imported and therefore their purchase has little beneficial production effects on the Caribbean economies. The large holding of mortgages makes insurance companies responsible for a high percentage of private construction activity. Even though houses are a non-reproducible asset, with once and for all production effects, insurance companies help to create employment in the highly labour intensive construction sector (where import leakages are fairly small) and so add to the general stock of wealth in the country. Equities finance reproducible assets, but at the moment holdings of these assets by insurance companies are very small, partly to avoid risk and partly because suitable assets do not exist in underdeveloped countries. Thus the changing composition of insurance companies' portfolios are as much due to changing production patterns as are production changes induced by changing portfolio distributions.<sup>11</sup> Another wealth effect is caused by the holding of government securities, as there must exist some relationship between the 'insurance (financial) superstructure' in a country and the real infrastructure. One possible unfavourable result of the predominance of mortgage financing may be an increase in the inequality of wealth and income. House building is very expensive and the very people who would be able to secure loans within the value of paid-up premium are the well-to-do individuals, the assured value (and premium thereon) of whose life policies tend to be large.

The above production, wealth and distribution of income effects are really related, not to the total volume of assets of insurance companies, but to the local component of those assets. Table A 12 shows that, in Trinidad, 62.8% of the assets accumulated between 1954 and 1966 by life companies were local, and as much as 37.2% of the assets were foreign.

<sup>11</sup> See Gurley & Shaw: Money in a Theory of Finance, 1960.

Table A 13 for Guyana, shows the percentage of the various types of assets that are local and foreign. In 1967, of the 50 million of assets, \$14,405,000 or 29% was invested abroad, with foreign securities being 75% of foreign investment. For the foreign insurance companies, in Guyana, the percentage invested abroad is higher. Despite the substantial amount of foreign investment, insurance companies still make a significant contribution to GDP, directly and indirectly. Table A 14 shows the comparative contribution of insurance and others to GDP in Jamaica.

Effects on the Monetary System

Technically, insurance companies can affect monetary policy because they are in a position to influence the price of long term government securities or the supply of money.

Insurance companies can influence the price of long term government securities in Guyana, because they are virtually monopsonists i.e. monopoly buyers. Table II below shows the percentage of long-term government securities that is held by insurance companies in Guyana:

TABLE II: INSURANCE HOLDINGS OF SECURITIES - GUYANA (\$000)

YEAR	TOTAL AMOUNT BOUGHT	AMOUNT BOUGHT BY INSURANCE CO <sup>s</sup>	SECURITIES BOUGHT BY INS. CO <sup>s</sup> AS A PERCENTAGE OF TOTAL
1965	5,348.2	1,253.0	23.4
1966	1,044.2	504.2	48.3
1967	1,021.3	408.2	40.0

SOURCE: Bank of Guyana, 1968

If, for instance, insurance companies thought that securities prices did not reflect/sufficiently high price of time and price of risk, relative to other asset prices, they would change their tastes or asset preferences and buy less securities in order to arrive at their optimal investment position. Such an action should cause a fall in securities prices. In reality, however, such a fall is unlikely to happen, because the capital market is an imperfect one - insurance companies tend to go for securities at the long end of the liquidity spectrum, because most of their commitments are of a predictable long term nature. To the extent, therefore, that insurance companies do not adjust their portfolio policy to changing asset price patterns (re inflation or deflation in sectors or sub-sectors), they are not profit maximizers, taking due account of brokers' fees for switching. Such rigidity in the behaviour of insurance companies gives credence to the argument that there exists a gap between the longest period for which the banks prefer to lend and the minimum period sought by the insurance companies.



insurance companies."<sup>12</sup>

Life insurance companies can affect the money supply because, like banks, they can create debts; however, perhaps this class of debt does not significantly affect the unwillingness of the corresponding creditors to spend, as much as bank debt does, because of differences in liquidity. But a major constraint on the ability of insurance companies to increase the money supply in Caribbean countries is the fact that a large portion of their assets are held by non-residents of the area;<sup>13</sup> this also has balance of payments implications. Today, there is a movement away from the rather 'sterile' arguments about deposit money creation, credit creation, credit expansion or near money creation, towards a more rewarding comparison of the relative sizes of bank and non-bank (c.g. insurance) assets.

### SECTION III: ANALYSIS OF THE LIABILITIES STRUCTURE OF INSURANCE COMPANIES

In the same way that an examination of the changing distribution within the asset portfolio of insurance companies might give clues as to their inefficiency, so can an analysis of certain basic liabilities ratios.

One criterion of efficiency is a comparison of a claims/liabilities ratio and a reserves/liabilities ratio. If the claims/liabilities ratio is falling, but the reserves/liabilities ratio is not falling, then insurance companies could be considered to be operating inefficiently. Unfortunately, insurance liabilities (stock) statistics are not available for Trinidad, but premium income (a flow component) might be considered a useful proxy measurement in a claims/premium income and reserve funds/premium income comparison. Table A 15 shows that claims as a percentage of premium income has been increasing rapidly between 1954 and 1966, mainly because life policy surrenders increased by 400% during the period, whereas premium income only increased by 200%. This phenomenon has important implications for the theory of insurance saving, since it implies that people now regard life insurance as a medium term rather than a long term form of saving. Unfortunately, reserve funds statistics are not available and so it was not possible to calculate the reserve funds/premium income ratio.

A second ratio, which might indicate the degree of efficiency of insurance companies, is the premium income/assured value ratio. According to insurance theory, such a ratio might be expected to fall for three reasons. The first is that with continuous post-war inflation the assets of insurance companies should appreciate in value (faster than management

<sup>12</sup> See Radcliffe Report: Committee on the Working of the Monetary System  
H.M.S.O August 1959

<sup>13</sup> See A.N. McLeod: "Credit Expansion in an Open Economy"; Economic Journal  
September 1962.  
Also see C.Y. Thomas: "The Balance of Payments and Money Supplies of a Colonial Monetary Economy" in  
Social and Economic Studies: Vol. 12 No. 1 Mar. 1963

expenses) and such windfalls should be passed on in the form of lower premiums. The second reason why the premium income/assured value ratio might be expected to fall is that as companies become larger, risk bearing becomes more possible and so investment can be made in assets with higher yields, part of which should be passed on to the consumer. The third reason is that the average life span has been increasing, and so premium rate charged should fall. Table A 16 shows that the premium income/assured value ratio has indeed been falling; however such a fall might also be due to a relative rise in the number of 'whole of life' policies and a relative fall in the number of higher premium endowment policies.

A third ratio, which might indicate the degree of efficiency of insurance companies is the tax/premium income ratio; if this ratio is increasing, it would show the ability of insurance companies to economize on expenses (given a constant tax rate). Table A 15, which was previously referred to, shows that tax as a % of premium income has indeed been increasing. However, Table A 15 also shows that total expenditure (including management expenses) also increased from 59.1% of premium income to the incredibly high figure of 91.7% of premium income in 1966. Such a paradoxical situation has important implications for insurance theory; it implies that insurance companies have increasingly to rely on interest income from previous investments, rather than on premium income, (i.e. reinvestment) for further accumulation of assets. In the case of non-life companies in Trinidad, Table A 7 shows that expenditure has also been increasing, being 62.2% premium income in 1954 and 85.0% of premium income in 1966; however, the increase has not been even, fluctuations probably occurring owing to the unpredictable nature of non-life claims e.g. fire.

A fourth ratio, which relates to the efficiency of the economic system as a whole, rather than to insurance companies, is the external assets/total assets ratio. (local assets ratio). Recently introduced laws in Trinidad and Guyana are designed to 'encourage' insurance companies to hold a higher percentage of local assets in order to increase local capital formation. In Trinidad, as a result of the introduction of the 1966 Insurance Act, the local component of the 1966 increase in asset holdings of life companies rose to 80.4% (59.7% in 1965), the new legal minimum being 60% of the stock of assets. In Guyana, in 1967, the amount of foreign assets held was still as high as 29% of total assets.

#### SECTION IV: THE FUTURE OF INSURANCE COMPANIES AND POLICY IMPLICATIONS

In this section, we shall attempt to determine the future relative importance of insurance companies and to highlight some factors which would tend to influence the growth of insurance intermediation. We shall also consider the policy implications of some of the conclusions, given the limited empirical evidence currently at our disposal.

### Future of Insurance Companies

Insurance Companies will probably increase in relative importance as a financial institution because the demand for insurance has a high income elasticity. The demand has its voluntary and compulsory aspects. On the voluntary side, one reason for faster growth will be the fact that life insurance provides both a form of collateral security as well as a means of entry into the loans market. Another reason is the fact that interest paid on mortgage loans is tax deductible; also insurance premium (up to  $\frac{1}{5}$  of the year's income in Guyana) is deductible from taxable income. These factors should be especially appealing to people with rising incomes, particularly in countries where the direct tax rate is rising. Some non-life insurance is compulsory e.g. third party motor insurance. The demand for motor cars should have a high (even if lagged) income elasticity. With the trend towards industrialisation and trade in the Caribbean, the increase in other non-life business should continue but not quite as fast as the increase in economic activity.

One factor that can probably cause a reduction in the growth of private insurance intermediation in the Caribbean is the possible introduction of a comprehensive national insurance (or pensions) scheme. Such an introduction may cause a reduction of the growing "managed fund" and "annuity" business of insurance companies.

A useful indication of the future development of the insurance business might be had from a comparison with other more developed countries. In 1962 assured value per household in Canada was \$11,000 (Canadian)<sup>14</sup> whereas in Trinidad it was only TT \$2,595 per household. Life insurance assets as a percentage of GDP was 24% in Canada in 1962, 20% in Britain in 1958, based on the assets figure shown in Table A 18, and 7.56% in Guyana in 1967. These percentages are a good indication of the scope for potential development of insurance business in the Caribbean. Table A 18 also shows that, even in developed countries, insurance companies have been developing faster than most other financial institutions e.g. in 1938 in Britain, insurance assets were 75% as large as bank assets, whereas in 1958 they were 82%. Table A 19 shows that the annual rate of growth of life insurance assets in Canada was 6.6% from 1945 to 1950, 7.0% from 1950 to 1955 and 7.4% from 1955 to 1962. Such rapid growth of life business in Canada indicates that the greater relative importance of insurance business in developed countries is hardly due to greater industrialization. In fact, the life funds of insurance companies in Britain, at the end of 1957 amounted to £4,042 m and the general (non-life) funds amounted to only £399m and these funds represented over 97 percent of the invested assets of all insurance companies in respect of business transacted in Britain.<sup>15</sup>

<sup>14</sup> See Royal Commission on Banking and Finance, Canada 1964 Pg. 238

<sup>15</sup> Radcliffe Report: Op. cit P. 82

Thus the relatively high percent (33.5% in 1966) for non-life business in Trinidad, as previously shown in Table A 7, is unlikely to continue in the future, despite the apparent stability in the ratio for the period 1954 - 1966.<sup>16</sup>

But Caribbean and other underdeveloped countries may not necessarily tread an identical 'insurance path' to that taken by the present developed countries. The growth of non-bank intermediaries, e.g. insurance companies, may depend on the degree to which expansion of output is based on external financing, the pattern of interest rates (monetary and real) and general monetary policy.<sup>17</sup> It is not surprising, therefore, that the relative financial importance of insurance companies is less in Mexico than it is in the less developed Commonwealth Caribbean, probably, partly because of a large non-monetized sector and the inhibiting effects of inflation on long term saving. Table 20 for Mexico<sup>18</sup> shows that life insurance saving was 0.1% of GNP from 1955 - 1959, whereas in Guyana and Trinidad in 1967, it was 5% and 1.6%, respectively. The fact that insurance business is relatively greater in Guyana, than in Trinidad, reinforces the point that there is no fixed pattern or rule concerning the relationship between the size of the insurance sector and the level of economic development.<sup>19</sup> The relative importance of insurance institutions within a country will increase with economic growth, but it is possible for the relative size of the insurance sector to be greater in country A than in Country B, which may be more economically advanced than Country A. Nor is the pattern of distribution of assets likely to be the same for countries at the same stage of development or for countries at different stages of development, as Table III below shows.

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16 In Trinidad non-life business may be 'high' because of the skewed distribution of income and the need to insure against riot, and fire to the many wooden buildings.

17 See Gurley and Shaw: Op. Cit. P. 228 - 231

18 See R.W. Goldsmith: The Financial Development of Mexico.  
Development Centre Studies, O.E.C.D. Paris 1966

19 In this regard, it is interesting to note that commercial bank deposits as a percentage of national income (See Table A6) is almost the same in Trinidad, Guyana and Jamaica.

TABLE III: A COMPARISON OF THE ASSET PORTFOLIO DISTRIBUTION OF DEVELOPED AND UNDERDEVELOPED COUNTRIES

ASSET TYPE	TRINIDAD (LOCAL ASSETS) 1966	GUYANA (1966)	MEXICO (1963)	CANADA (1962)	U.K (1956)
Cash and Bank Deposits	(Included in securities)	2.5	8.8	0.5	2.1
T.B. and other Government Securities	26.4	33.2	20.7	47.5	48.6
Mortgages	46.4	44.3	5.3	39.6	12.3
Policy Loans	22.0	12.4	7.8	4.1	(Included in Mortgage)
Shares, Real Estate & Mortgage Loans to Private sector	5.2	3.0	23.1	6.4	31.0
Other	(Included in securities)	4.6	34.3	2.1	6.0

Policy Implications and considerations

What is said in this sub-section is mainly tentative since it is difficult to make definite policy suggestions on the basis of limited statistical evidence. However, with insurance premium or saving such a large percentage of incremental capital formation in Caribbean territories, it is wise for there to be a review of the role and efficiency of insurance companies in distributing these saved resources between various sectors and sub-sectors (in keeping with a policy of less preoccupation with banks).

A major point of interest is the extent to which the savings of the community are transferred abroad, thus creating a net drain. At the moment, foreign securities held is still a very significant percentage of total assets of insurance companies of many Caribbean countries e.g. in Guyana it is 29%. The relatively large foreign holdings leads to a comparison with the external portion of the national debt and raises the argument whether Caribbean governments would not indeed find themselves internally financially independent if there is a 'closing' of the financial sector.<sup>20</sup> It can be argued that an enforced reduction

<sup>20</sup> Here the problem of the foreign exchange consideration is a very involved one. We have to take into account the net of claims and premiums paid to and collected from non-residents and income and dividends accruing from foreign securities and mortgage investments.

See R.A. Sowelem: Towards Financial Independence in a Developing Economy  
G. Allen and Unwin 1967

of foreign securities would cause insurance companies to feel that their portfolios are riskier and this may cause them to invest in 'safer' assets e.g. mortgages, rather than equities, and this may not lead to optimum allocation of resources in the country. However, this supposed qualitative loss in resource allocation would have to be carefully compared with the overall quantitative gain. In the light of the above, the 60% local assets ratio enactment in 1966, seems rather small.

The tax system can be used to persuade insurance companies to hold a higher percentage of local assets. In Guyana, life policy holders are only allowed an income tax allowance if their policies are held in companies, which have a 60% local assets ratio. This has the desired effect of penalising the main offenders, foreign companies, and 'forces' them to hold more local assets. A tax allowance on interest paid on mortgages encourages the expansion of the mortgage market, and it can be argued whether the direct welfare effects from such a policy outweigh the benefits to be derived from formulating tax policies to stimulate the equity capital market in the region. Are insurance complementing or duplicating the efforts of building societies?

We also ought to consider whether there are any economies (or diseconomies) of scale in the insurance business. The number of insurance companies seems rather larger in relation to the volume of business transacted (and in relation to the number of banks). Despite, for example, Guyana's legal registration requirement of \$50,000 from each insurance company, there is an increase in the number of companies, rather than a trend towards amalgamation. Amalgamation may reduce the rate of increase of "management" and "commission expenses" (50% of expenditure in Guyana in 1967) which is evidenced in the balance sheet of companies, and may lead to a higher level of company tax paid by insurance companies. Table IV shows the amount of tax paid by insurance companies in Guyana as a percentage of premium income in 1968.

TABLE IV: INCOME TAX PAID BY ALL INSURANCE COMPANIES IN GUYANA \$

YEAR	PREMIUM INCOME	TAX	TAX/PREMIUM INCOME
1964	N.A	583,508	N.A
1968	24,154,800*	769,807	3.2%

\* Estimate based on 1966 and 1967 figures

Tax paid, as 3% of premium income, by all insurance companies in Guyana, seems rather small compared with a 5.2% for life companies in Trinidad, as shown in Table V:

TABLE V: INCOME TAX PAID BY LIFE COMPANIES IN TRINIDAD TT\$

YEAR	PREMIUM INCOME	TAX	TAX/PREMIUM INCOME
1964	19,823,000	1,028,000	5.2%
1966	21,779,000	1,205,000	5.5%

The difference between the Guyana and Trinidad percentages might be due to differences in asset earnings, "expenses", tax rate or the fact that non life business is less 'profitable'<sup>21</sup> than life business. In Guyana there is also a difference in the per unit tax paid by local and foreign companies, as seen in the difference between the percentage of foreign companies' tax/ local companies' tax (80% in 1964 and 41% in 1968) and the percentage of foreign companies' assets / local companies' assets (75% in 1967). Thus it appears that foreign companies were more profitable than local companies in 1964, but much less efficient than local companies in 1968. Life business was supposed to be 72% of total business in 1967 but in 1964, tax paid on life business as a percentage of total business was, 84 and in 1968, it was 46. Thus life business was more 'profitable' than non-life in 1964, but much less profitable in 1968. Such extreme fluctuations between 1964 and 1968 may be due to non-vigilance on the part of the Inland Revenue Department. In 1968, the apparent overall rate of return on insurance business in Guyana was only 7%. This raises the point whether a "premium income tax" should not be imposed in Guyana. Such a tax may force insurance companies to seek higher yielding assets (rather than safe low yielding assets), to cut down on management/commission "expenses" and to be generally more efficient.

/ Table A 21 .....

<sup>21</sup> Profitability should be distinguished from efficiency, since the latter refers to the optimality of the asset portfolio distribution, from the point of view of returns to the whole economy (which includes the sum of external economies). However, profitability should somewhat reflect efficiency in allocation of resources in a perfect world.

Table A 21 also shows that the tax paid by commercial banks in Guyana is probably greater than that paid by insurance companies, despite the smaller assets size of the latter. These figures, although not necessarily reflecting the profitability of investments by banks to the economy as a whole, may reduce the enthusiasm of those who, believing non-banks to be rivals to banks and at the same time inferior allocators of resources, would like to restrict the expansion of non-banks. Arguments have been put forward in favour of bringing non-bank financial institutions within the scope of Central Bank (or 'central non-bank') control by requiring them to maintain minimum cash reserves and empowering the central bank to vary the required minimum. It has also been suggested that non-banks should not be allowed without permission to accept deposits subject to less than seven (7) days notice, thus reducing the degree of perfection of substitution between non-bank deposits and the deposit liabilities of commercial banks. However, it has been pointed out that the ability of non-bank intermediaries to defeat the restrictive purposes of monetary policy is not entirely unrelated to the size of the money supply, and that by controlling the money supply the authorities may be able to exert a powerful influence on the activities of non-bank financial intermediaries.<sup>22</sup>

Finally, some insurance companies have branches in the other territories of the Caribbean Free Trade Area. With respect to the building up of their financial superstructure, these territories are basically on the same "financial path".<sup>23</sup> Thus the current trend towards trade and production integration should be paralleled by a movement towards financial integration. A strategy of pooling the foreign exchange reserves of the Caribbean Area, would be more effective when combined with a 'pooling of savings' policy. The first step in the direction of financial self-sufficiency should be the closing of the financial sector of these economies to movements outside of the area, thus causing 'regional financial creation'. The result of such a

/policy .....

<sup>22</sup> See T.W. Newlyn: "The Supply of Money and its control" Economic Journal, June 1964, pp. 343 - 5

<sup>23</sup> For a discussion of alternative financial paths, see J.G. Gurley, "Financial Structures in Developing Economies", in Fiscal and Monetary Problems in Developing Countries. Conference at Rehoveth, Israel, 1967



policy may eventually make possible 'financial diversion' to the Caribbean area including 'import substitution in foreign aid'. Table VI suggests the possible effects of such a policy on the external public debt position in Guyana.

TABLE VI: EXTERNAL DEBT COMPARED WITH FOREIGN SECURITIES HELD BY SOME INSTITUTIONS in 1967 IN GUYANA

INSTITUTION	FOREIGN SECURITIES HELD *	TOTAL EXTERNAL DEBT (PUBLIC)
Insurance Co <sup>s</sup>	24,516,300	---
Commercial Banks	14,281,000	---
P.O.S Bank	7,518,000	---
Building Societies	594,000	---
Government Pensions	3,600,000	---
Sugar Welfare Fund	5,500,000	---
Sugar Rehabilitation Fund	900,000	---
Sugar Price Stabilisation Fund	900,000	---
SUB-TOTAL	57,809,300	124,967,000
CENTRAL BANK	36,913,000	---
TOTAL	\$ 94,722,300	\$ 124,967,000

\* Does not include the Pension Funds for all firms, institutions or individuals.

STATISTICAL

APPENDIX

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TRINIDAD: PREMIUM INCOME AS A PERCENTAGE OF G.D.P. AT FACTOR COST (1954 - 1966)

(Comparison with Commercial Banks and Post Office Savings Bank)

Table A1

Year	G.D.P. at Current Factor Cost	% Increase in G.D.P.	New Life Premiums	Renewal Life Premiums	Total Life Premiums	Life Premium % of G.D.P.	Non-life Premium	Life and Non-life Premium	Life and Non-life as % of G.D.P.	Total Bank Deposits	Bank Deposits as % of G.D.P.	Comm. Banks Savings Deposits as % of G.D.P.	Post Office Deposits	Post Office Deposits as % of G.D.P.
	(TT\$ m.)		(TT\$000)	(TT\$ 000)	(TT\$ 000)		(TT\$ 000)	(TT\$000)		(TT\$ 000)			(TT\$ 000)	
1954 <sup>1)</sup>	430.6		1,214	6,097	7,311	1.697	4,328	11,639	2.703	105,060	24.40	9.5	6,863	1.594
1955	499.4	16.0	1,591	7,093	8,684	1.739	5,201	13,885	2.462	111,527	22.33	9.4	6,522	1.306
1956	556.300	11.4	1,487	8,334	9,821	1.765	5,556	15,377	2.497	121,494	21.84	9.5	5,472	.9836
1957	659.100	18.5	1,673	9,382	11,055	1.677	6,100	17,155	2.603	163,937	24.87	8.2	4,895	.7427
1958	719.400	9.1	1,993	10,566	12,559	1.746	6,884	19,443	2.703	162,777	22.63	9.6	4,806	.6681
1959	799.100	11.1	2,522	12,939	15,461	1.935	7,898	23,359	2.923	190,285	23.81	9.8	5,101	.6383
1960	865.900	8.4	2,677	15,019	17,696	2.044	9,400	27,096	3.129	193,913	22.39	10.0	4,835	.5584
1961	954.800	10.3	2,659	16,751	19,410	2.033	10,488	29,898	3.131	189,912	19.89	9.9	4,878	.5109
1962	1005.700	5.3	2,654	16,192	18,846	1.874	11,395	30,241	3.007	202,771	20.16	9.6	3,663	.3642
1963	1094.200	8.8	2,596	17,669	20,265	1.852	12,126	32,391	2.960	240,533	21.98	8.9	n.a.	
1964	1148.600	5.0	3,115	16,708	19,823	1.726	12,617	32,440	2.824	247,703	21.57	10.0	n.a.	
1965	1188.000	3.4	3,460	17,946	21,406	1.802	12,260	33,666	2.834	267,663	22.53	10.2	2,748	.2313
1966	1326.500	11.7	4,807	16,972	21,779	1.642	10,965	32,744	2.468	273,186	20.59	9.7	2,511	.1893
Average						1.808			2.788		22.23	9.6		.4706

1) Estimated figure for one (1) company included.

2) This item includes the "New Premiums" and "Consideration for Annuities" of some companies who did not report separate figures:

For 1954 - 1957 there were two (2) companies, and in 1958 one (1) company, which did not provide the split between new and renewal premiums.

1959 and 1960: "New Premiums" of two (2) companies and "Consideration for Annuities" of one (1) company included.

1961: "New Premiums" of three (3) companies and "Consideration for Annuities" of one (1) company included.

1962: "New Premiums" of four (4) companies and "Consideration for Annuities" of one (1) company included.

1963: "New Premiums" of two (2) companies included.

1964: "New Premiums" of one (1) company included.

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TABLE A2:

GUYANA

Premium Income as Percentage of GDP at Factor Cost - Comparison  
with Commercial Banks  
and Post Office Savings Banks

Year	GDP at Factor Cost G\$M.	Premium Income			% of GDP	No. of Policy Life	Com. Bank Depo- sit G\$M.	% of GDP	Post Office Savings Bank	
		Life G\$'000	Gen. G\$'000	Total G\$'000					Depo- sits G\$'000	% of GDP
1950	135.0	n.a.	n.a.	n.a.	n.a.	n.a.	17.0	12.7	7,917	5.9
1951	150.6	"	"	"	"	"	21.2	14.1	8,250	7.7
1952	158.6	"	"	"	"	"	22.0	13.9	10,094	6.3
1953	175.8	"	"	"	"	"	30.0	16.9	10,545	5.9
1954	191.7	"	"	"	"	"	30.2	15.9	12,058	6.3
1955	191.5	"	"	"	"	"	30.3	15.9	14,472	7.7
1956	207.0	"	"	"	"	"	31.5	15.2	11,645	5.6
1957	231.7	"	"	"	"	"	34.6	15.0	11,166	4.8
1958	234.1	"	"	"	"	"	37.1	15.9	11,768	5.0
1959	239.4	"	"	"	"	"	38.6	16.1	11,148	4.8
1960	263.5	"	"	"	"	"	44.8	16.9	11,886	4.5
1961	289.8	"	"	"	"	"	40.0	13.9	11,142	3.8
1962	307.2	"	"	"	"	"	48.4	15.9	8,397	2.7
1963	275.4	"	"	"	"	"	62.7	22.7	7,216	2.6
1964	302.9	"	"	"	"	"	71.9	23.8	8,565	3.5
1965	328.3	"	"	"	"	"	78.1	23.8	7,870	4.2
1966	350.9	"	"	19,870	5.7	"	83.0	23.8	8,101	2.3
1967	377.5	15,999	6,013	22,012	5.8	"	93.6	25.0	7,859	2.1
1968										

## NOTE:

In 1966 Foreign Companies collected \$2.702M. in premium income or 45% of the total Non-Life Premium Income.

In 1966 Foreign Insurance Companies' (Life) premium income was \$4.664M. or 31.6% of the market (Life Premium Income)

TABLE A4: TRINIDAD

Comparison of the Percentage Growth of Life and General (Non-Life) Insurance Premium with GDP at Factor Cost

T3Mn.

Year	GDP	Life	Non-Life	Life and Non-Life as % of GDP
1954	-	-	-	-
1955	16.0	18.8	20.2	19.3
1956	11.4	13.1	6.8	10.7
1957	18.5	12.6	9.8	11.6
1958	9.1	13.6	12.9	13.3
1959	11.1	23.1	14.1	20.1
1960	8.4	14.5	19.0	16.0
1961	10.3	9.7	11.2	10.3
1962	5.3	-2.9	8.6	1.1
1963	8.8	7.5	6.4	7.1
1964	5.0	-2.2		0.2
1965	3.4	8.0	- 2.3	3.8
1966	11.1	1.7	-10.6	- 2.7
Average over period	9.9	9.8	8.4	9.2

In 1966 in Trinidad Life Business was 66.0% of the insurance market (premium income)

In 1967 in Guyana Life Business was 72% of the insurance market (premium income)

SOURCE: Computations based on figures obtained from The Annual Statistics Digest, C.S.O., Trinidad & Tobago

Table A5

: Trinidad: Correlation of rate of increase in GDP per head with rate of increase in Life Premiums

Year	G.D.P. (mn.)	Population	G.D.P. per head	Rate of (%) Increase in G.D.P. per head	Life Premium (TT \$000)	Rate of (%) Increase in Premiums
1954	430.6	697,550	617.3	-	7,311	-
1955	499.4	720,800	692.8	12.50	8,684	18.78
1956	556.3	742,500	749.2	8.14	9,821	13.09
1957	659.1	764,900	861.7	15.02	11,055	12.56
1958	719.4	788,600	912.2	5.86	12,559	13.60
1959	799.1	817,050	978.0	7.21	15,461	23.11
1960	865.9	841,150	1,029.4	5.26	17,696	14.46
1961	954.8	867,650	1,100.4	6.90	19,410	9.69
1962	1,005.7	900,450	1,116.8	1.49	18,846	-2.91
1963	1,094.2	924,250	1,183.9	6.01	20,265	7.53
1964	1,148.6	951,050	1,208.7	2.09	19,823	-2.18
1965	1,188.0	973,900	1,219.8	0.92	21,406	7.99
1966	1,326.5	994,850	1,333.4	9.31	21,779	1.74
Average				6.73		9.8

Source: Computations based on figures obtained from Statistical Digest, C.S.O. Trinidad and Tobago.

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Table A6

## Some Indices of Efficiency of Insurance Companies 1966/1967

	No. of companies	No. of Policies	Premium Income (Life)	Premium Income (Life & Non-Life)	Assured Value (Life)	Assets (Life & Non-Life)	Percent of Premium Income (Life) to assured Value (Life)	Percent of Premium Income (Life) and Non-Life) to Assets	Percent of Premium Income (Life) to National Income	Percent of Premium Income (Life) and Non-Life) to National Income	Percent of Premium Income (Life) to National Income per head	Percent of Premium Income to House-hold Saving	Percent of Commercial Bank Deposits of National Income
GUYANA	7 Local 34 Foreign (24 Total Life)	12,631 (10 Life companies)	16.0m.	22.0m.	145.1m. (10 Life companies)	50.0m.	n.a.	44%	5%	7%	23.1%	n.a.	27.9%
TRINI-DAD	24 Life 42 Non-Life	707,408	21.8m.	32.7m.	822.3m.	n.a.	2.6%	n.a.	1.6%	2.5%	21.0%	30%	25.7%
JAMAICA	24 Life 116 Non-Life (1962)	110,476 (17 Life) 1965	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	28.8%



Table A7

Trinidad: Distribution of Premiums between Life and Non-Life

Year	TT \$000			% Distribution		
	Life	Non-Life	Total	Life	Non-Life	Total
1954	7,311	4,328	11,639	62.8	37.2	100
1955	8,684	5,201	13,885	62.5	37.5	100
1956	9,821	5,556	15,377	63.9	36.1	100
1957	11,055	6,100	17,155	64.4	35.6	100
1958	12,559	6,884	19,443	64.6	35.4	100
1959	15,461	7,898	23,359	66.2	33.8	100
1960	17,696	9,400	27,096	65.3	34.7	100
1961	19,410	10,488	29,898	64.9	35.1	100
1962	18,846	11,395	30,241	62.3	37.7	100
1963	20,265	12,126	32,391	62.6	37.4	100
1964	19,823	12,617	32,440	61.1	38.9	100
1965	21,406	12,260	33,666	63.6	36.4	100
1966	21,779	10,965	32,744	66.5	33.5	100
Total	204,116	115,218	319,334	AV63.9	AV36.1	100

Source: Computations based on figures provided in the Annual Statistical Digest, C.S.O., Trinidad and Tobago

Table A8

Trinidad: Rate of Growth of Assets of Insurance Companies, Commercial Banks,  
Building Societies and P.O. Savings Bank

Year	TT \$000								
	Insurance Companies' Assets*	Percent Increase	Com- mercial Banks	Percent Increase	Building Societies	Percent Increase	P.O.S.B.	Percent Increase	Percent Increase in GDP
1954	46,556	-	112,364	-	5,962	-	14,654	-	-
1955	49,176	5.6	118,739	5.7	5,856	-1.8	14,900	+1.7	16.0
1956	55,560	13.0	131,076	10.4	5,859	0.1	14,696	-1.4	11.4
1957	68,620	23.5	174,001	32.7	5,863	0.1	14,616	-0.5	18.5
1958	77,772	13.3	172,500	-0.9	6,136	4.7	14,515	-0.7	9.1
1959	93,736	20.5	199,510	15.7	6,471	5.5	13,939	-4.0	11.1
1960	108,384	15.6	205,021	2.8	6,888	6.4	13,912	-0.2	8.4
1961	119,592	10.3	199,927	-2.5	6,994	1.5	12,819	-7.9	10.3
1962	120,964	1.1	212,219	6.1	7,507	7.3	12,578	-1.9	5.3
1963	129,564	7.1	252,999	19.2	8,060	7.4	12,346	-1.8	8.8
1964	129,760	0.2	267,107	5.6	8,340	3.5	12,109	-2.0	5.0
1965	134,664	3.8	286,157	7.1	8,467	1.5	11,311	-6.6	3.4
1966	130,976	-2.7	300,538	5.0	9,338	10.3	9,644	-14.8	11.7
1967	n.a.	-	311,502	3.6	10,015	7.2	9,224	-4.4	-
Average		9.3		8.7		4.2		-2.7	14.7

\* Estimated on the basis of a premium/asset ratio of 1:4.

Source: Computations based on figures obtained from the Annual Statistical Digest, C.S.O., Trinidad and Tobago.

Table A9

Guyana: Rate of Growth of Assets of Insurance Companies, Commercial Banks, Building Societies and P.O.S.B.

Year	Insurance Companies' Assets (G\$ mn.)	Percent Increase	Com-mercial Banks	Percent Change	Building Societies	Percent Change	G\$ 000	
							P.O.S.B.	Percent Change
1954	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	16,699	-
1955	n.a.	n.a.	34,445	-	3,066	-	16,619	-0.5
1956	"	"	34,324	- 0.4	3,970	+29.5	15,540	- 6.5
1957	"	"	37,334	+ 8.8	4,787	+20.6	14,930	- 4.0
1958	"	"	41,067	+10.0	5,483	+14.5	15,541	+ 4.9
1959	"	"	43,418	+ 5.7	6,923	+26.2	17,703	+13.9
1960	"	"	53,987	+24.3	8,136	+17.4	16,808	- 5.1
1961	"	"	51,254	- 5.1	8,406	+ 3.3	17,095	+ 1.7
1962	"	"	51,381	+ 0.2	7,533	-11.4	15,394	- 9.9
1963	"	"	64,845	+26.2	6,836	- 9.3	15,318	- 0.5
1964	"	"	74,690	+15.2	6,162	- 9.9	14,851	- 3.1
1965	"	"	84,199	+12.7	6,984	+13.3	13,279	-10.6
1966	87.7*	-	90,468	+ 7.4	7,322	+ 4.8	13,135	- 1.1
1967	91.9*	4.8	101,736	+12.5	8,138	+11.1	13,026	- 0.8
Average				+ 9.75		+ 9.17		- 1.8

\* Estimate has been made for Foreign Companies' component based on premium income.

Source: Computations based on data obtained from the Annual Reports, Bank of Guyana.

Table A10

## Trinidad: Local Assets in Portfolio of Life Companies

TT \$000

Year	Total	Mortgage Loans	% of Total	Policy Loans	% of Total	Real Estate	% of Total	All* Other	% of Total
1954	14,437	5,583	40.5	4,572	31.7	1,407	9.7	2,605	18.1
1955	18,524	7,757	41.9	5,238	28.3	1,935	10.4	3,594	19.4
1956	20,971	8,799	42.0	6,224	29.7	2,902	13.8	3,046	14.5
1957	23,834	10,576	44.4	7,202	30.2	2,835	11.9	3,221	13.5
1958	26,298	13,191	50.2	7,991	30.4	2,114	8.0	3,002	11.4
1959	34,797	15,203	43.7	8,862	25.5	2,190	6.3	8,542	24.5
1960	42,466	18,845	44.4	9,720	22.9	2,216	5.2	11,685	27.5
1961	48,652	21,504	44.2	11,248	23.1	1,474	3.0	14,426	29.7
1962	53,223	23,866	44.8	12,443	23.4	1,658	3.1	15,256	28.7
1963	58,739	26,579	45.2	13,339	22.7	2,868	4.9	15,952	27.2
1964	60,972	27,236	44.7	13,780	22.6	3,342	5.5	16,614	27.2
1965	65,763	30,377	46.2	14,527	22.1	3,552	5.4	17,307	26.3
1966	72,586	33,686	46.4	15,976	22.0	3,736	5.1	19,188	26.5
Averages			44.5		25.7		7.1		22.7

\* Includes Government Securities.

Source: Computations based on figures obtained from the Annual Statistical Digest, C.S.O., Trinidad and Tobago.

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GUYANA

TABLE A11: ASSET PORTFOLIO FOR LOCAL INSURANCE COMPANIES

G\$'000

Year	Total Assets	Deposits	% of Total Assets	Treasury Bills	% of Total Assets	Security	% of Total Assets	Real Estate Mortgages	% of Total Assets	Other Loan	% of Total	Fixed Assets	% of Total	Other Assets	% of Total
1966	46,473	1,437	3.1	508	1.1	15,045	32.3	20,134	43.3	5,807	12.5	1,369	2.9	2,173	4.6
1967	53,042	1,250	2.5	630	1.3	15,981	31.9	22,141	44.3	6,236	12.4	1,510	3.0	2,294	4.5

SOURCE: Computations based on figures obtained from the Annual Reports, Bank of Guyana

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TABLE A12:

TRINIDAD

Life Insurance - Accretions to holdings of Local and Foreign Assets

TT\$ '000

Year	Total Income	Total Expenditure	Funds available for Investment	Income	Accretions to Local Investment	% of Total Accretions	Accretions to foreign Investment	Total Accretions as % of Total Income
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1954	8,564	4,321	4,243	49.5	2,075	48.9	2,168	51.1
1955	10,282	5,145	5,137	49.9	4,087	79.5	1,050	20.5
1956	11,430	6,383	5,047	44.1	2,447	48.4	2,600	51.6
1957	12,884	6,942	5,942	46.1	2,863	48.1	3,079	51.9
1958	14,907	8,541	6,366	42.7	2,464	38.7	3,902	61.3
1959	18,727	10,750	7,977	42.6	8,499	106.5	- 522	- 6.5
1960	22,789	12,008	10,781	47.3	7,669	71.1	3,112	28.9
1961	24,894	15,220	9,674	38.9	6,186	63.9	3,488	36.1
1962	23,323	16,337	6,986	30.0	4,571	65.4	2,415	34.6
1963	26,657	17,093	9,564	35.9	5,516	57.7	4,048	42.3
1964	26,520	18,973	7,547	28.5	2,233	29.6	5,314	70.4
1965	28,152	20,130	8,022	28.5	4,791	59.7	3,231	40.3
1966	28,476	19,986	8,490	29.9	6,823	80.4	1,667	19.6
Total	257,605	1,611,829	95,776	Av. 37.2	60,224	Av. 62.8	35,552	Av. 37.2

SOURCE: Computations are based on figures obtained from the Annual Statistical Digest, C.S.O., Trinidad & Tobago.

Table A13

Guyana: Local and Foreign Assets in Asset Portfolio of Local Insurance Companies

Year	Local Assets	Local Deposits	Percent of Total	Foreign Deposits	Percent of Total	Local Treasury Bills	Percent of Total	Foreign Treasury Bills	Percent of Total	Local Securities	Percent of Total	Foreign Securities	Percent of Total	Local Real Estate Mortgage	Percent of Total	Foreign Real Estate Mortgage	Percent of Total	Local Other Loans	Percent of Total	Foreign Other Loans	Percent of Total	Fixed Assets	Percent of Total	Local Other Assets	Percent of Total	Foreign Other Assets	Percent of Total	Other	Percent of Total
1986	46.5	992	2.1	445	1.0	459	1.0	49	.1	48	10.2	10.3	22.1	17.0	36.6	3.1	6.7	3.4	7.4	3.7	7.9	1.4	2.9	790	1.7	467	1.0	916	2.0
1987	50.0	989	1.9	261	0.5	630	1.2	-	-	5.0	10.0	10.9	22.0	18.9	37.7	3.3	6.5	2.4	5.1	2.6	5.1	1.5	3.0	875	1.7	452	0.9	967	1.9

Source: Computations based on figures obtained from the Annual Reports, Bank of Guyana.

TABLE A14:

## JAMAICA

Contribution to GDP at Factor Cost  
(Current Prices) 1962-1966

£ Million								
Year	GDP	Banking	%	Insurance	%	Real Estate	%	Total
1962	240.4	2.81	1.2	4.83	2.0	3.27	1.4	10.91
1963	255.8	2.76	1.1	4.93	1.9	1.75	0.7	9.43
1964	273.9	3.12	1.1	5.18	1.9	2.14	0.8	10.84
1965	297.1	4.10	1.4	6.28	2.1	2.82	0.9	13.17
1966	322.5	4.85	1.5	6.41	2.0	3.44	1.1	14.70
1967	336.5	5.71	1.7	7.16	2.1	3.26	1.0	16.14

SOURCE: Economic Survey, Jamaica 1967 (Central Planning Unit, Jamaica)



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TABLE A15:

TRINIDAD

Life: Claims, Taxation, Expenses of Management, as a ratio of Premium Income

TT\$'000

Year	Premium Income	Surrenders	Total Claims	Total Claims as % of Premium Income	Tax	Tax as % of Premium Income	Expenses of Management	% of Premium Income	Total Expenditure	% of Premium Income
1954	7,311	,635	2,250	30.8	59	.8	1,585	21.7	4,321	59.1
1955	8,684	,845	2,637	30.3	84	.9	1,989	22.9	5,145	59.2
1956	9,821	1,323	3,640	37.1	100	1.0	2,088	21.3	6,383	65.0
1957	11,055	1,241	3,882	35.1	113	1.0	2,330	21.1	6,942	62.8
1958	12,559	1,557	4,671	37.2	104	.8	3,047	24.3	8,541	68.0
1959	15,461	1,928	5,811	37.6	138	.9	3,831	24.8	10,750	69.5
1960	17,696	2,177	6,327	35.7	282	1.6	4,290	24.2	12,008	67.8
1961	19,410	3,234	8,313	42.8	289	1.5	5,401	27.8	15,220	78.4
1962	18,846	4,099	9,571	50.8	330	1.7	5,117	27.1	16,337	86.6
1963	20,265	3,660	9,401	46.4	539	2.6	5,591	27.6	17,093	84.3
1964	19,823	4,897	10,541	53.1	1,028	5.2	5,808	29.3	18,973	95.7
1965	21,406	3,192	10,851	50.7	1,189	5.5	6,254	29.2	20,130	94.0
1966	21,779	3,275	10,129	46.5	1,205	5.5	6,890	31.6	19,986	91.7

SOURCE: Computations based on figures obtained from the Statistical Digest, C.S.O., Trinidad & Tobago

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TABLE A16: LIFE PREMIUM INCOME AS A PERCENTAGE  
OF ASSURED VALUES

TT\$ '000

Year	Premium Income Life	Assured Values Life	Pre. Inc. as % of Ass. Val.
1954	7,311	139,898	5.2
1955	8,684	164,788	3.6
1956	9,821	189,893	5.2
1957	11,055	226,507	4.9
1958	12,559	243,507	5.1
1959	15,461	308,160	5.0
1960	17,696	372,283	4.8
1961	19,410	438,654	4.4
1962	18,846	459,570	4.1
1963	20,265	486,936	4.1
1964	19,823	566,902	3.5
1965	21,406	592,265	3.6
1966	21,779	707,408	3.1

SOURCE: Computations based on figures obtained from  
The Annual Statistics Digest, C.S.O.,  
Trinidad & Tobago.

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TABLE 17:

TRINIDAD

Relationship between Premium Income and Expenditure and Profit for Non-Life Companies

TT\$'000

Year	Income			Expenditure		Income Tax & Other Expenses	Profit	Profit as % of Gross Premium	Total Expenditure as % of Premium Income
	Total Income	Gross Premium Income	Other Income Interest Rent, etc.	Total Expenditure	Claims paid & Other Expenses				
1954	4,470	4,328	141	2,691	2,339	352	+1,779	41.1	62.2
1955	5,361	5,201	160	3,269	2,969	299	+2,092	40.2	62.9
1956	5,748	5,556	192	3,726	3,418	308	+2,022	36.3	67.0
1957	6,294	6,100	193	4,049	3,673	376	+2,621	42.9	66.3
1958	7,095	6,884	211	7,389	6,254	1,135	- 294	- 4.2	107.3
1959	8,138	7,898	241	5,311	4,454	857	+2,827	35.7	67.2
1960	9,686	9,400	286	6,894	5,795	1,099	+2,792	28.8	73.3
1961	10,824	10,488	337	9,975	8,434	1,540	+ 849	8.1	95.1
1962	11,766	11,395	370	8,708	7,478	1,230	+3,058	26.8	76.4
1963	12,631	12,126	505	9,949	8,677	1,272	+2,682	22.1	82.0
1964	13,384	12,617	767	9,762	9,003	759	+4,881	38.7	77.3
1965	12,870	12,260	610	10,020	9,148	872	+2,850	23.2	81.7
1966	11,462	10,965	497	9,323	8,650	673	+2,139	19.5	85.0
		115,218					30,298	26.3	

SOURCE: Computations based on figures obtained from the Annual Statistical Digests, C.S.O., Trinidad & Tobago

TABLE A18:

## Assets of Financial Institutions outside the Public Sector in Britain

£mn.

	1938	End 1958	Annual changes						
			1952	1953	1954	1955	1956	1957	1958
1. London clearing banks .....	2,320	7,300	130	240	250	-330	50	270	300
2. Scottish banks .....	340	930	10	30	-30	-60	-10	30	10
3. Northern Irish banks .....	50	150	-	5	10	-5	5	-	5
4. Members of B.B.A. not included elsewhere .....	50	120	...	...	...	...	...	...	...
5. C.W.S. and S.C.W.S. banks .....	110	200	-5	5	10	-	-5	-5	-20
6. Accepting houses .....	...	260	-10	20	25	-10	-	-	60
7. Overseas and foreign banks: banking offices in U.K. ..	...	1,060	10	50	120	-60	-90	-	190
8. Discount houses .....	...	1,050	40	20	-	-20	110	-	100
9. Trustee Savings Banks (Special Investment Departments).	100	350	10	20	50	30	50	30	30
10. Members of the Finance Houses Association .....	...	280	...	...	...	50	-	70	60
11. Insurance companies established in Great Britain .....	1,740+	5,990	220	280	350	390	380	390	400
12. Superannuation funds .....	...	2,500	(140)*	*	*	*	*	*	(250)
13. Collecting Societies .....	90	300	10	15	15	15	15	15	15
14. Building Societies .....	760	2,620	120	160	220	200	160	180	200
15. Investment trusts quoted in the London Stock Exchange.	...	710#	-	10	25	25	25	15	15
16. Unit trusts .....	80	90	...	...	...	...	...	...	...
17. Finance Corporation for Industry .....	...	40	9	-2	-5	-13	2	-13	-13
18. Industrial and Commercial Finance Corporation .....	...	40	3	2	1	3	1	3	2
19. Agricultural Mortgage Corporation .....	10	40	5	-	-	2	4	2	3
20. Public (quoted) non-finance companies (financial assets) .....	...	1,700#	50	170	70	20	-100	-	...
21. Private individuals (excluding pension rights, life assurance policies, household goods, trade assets, land and buildings)	15,000/	25,000/	The information available does not allow adequate estimates of annual changes to be made, but the annual changes in the market value of assets held is sometimes very large.						

\* Annual increase rises from about £140 mn. in 1952 to about £250 mn. in 1958

/ Order of magnitude: market prices. 1932-34 figure.

# Order of magnitude: market prices.

+ 1937 figure.

# 1957 figures.

SOURCE: Radcliffe Report, August 1959, H.M.S.O., Britain.

Table A19

LIFE INSURANCE ASSETS IN CANADA<sup>1/</sup>

(C\$ millions)

	1935	1945	1950	1955	1961	1962
Federal Companies	1,828	2,886	3,997	5,599	8,574	9,183
Provincial Companies	28	54	84	162	307	767 <sup>1/</sup>
Fraternal Benefit Societies	135	185	223	282	400	
TOTAL	1,991	3,125	4,304	6,043	9,281	9,950 <sup>1/</sup>

<sup>1/</sup> All federally registered companies, provincial companies and fraternal benefit societies registered for business in Quebec or Ontario. A small amount of assets held by Companies and societies in other provinces is not included.

SOURCE: Royal Commission on Banking and Finance, Canada 1964.

Table 20

GROSS AND NET SAVING, 1955-1959 IN MEXICO

TYPE OF SAVING	Amounts (bill.pesos)	Relation to GNP (percent)
1. Total gross saving	100.00	17.5
2. Capital consumption allowances	40.00	7.1
3. Total net saving (1-2)	60.00	10.4
4. Capital imports	9.87	1.7
5. Gross domestic saving (1-4)	90.13	15.7
6. Net domestic saving (3-4)	50.13	8.7
7. Internal gross saving of government	9.22	1.6
8. Internal gross saving of for.corp.	1.41	0.2
9. Other saving, gross (5-7-8)	79.50	13.9
10. Other saving, net (6-7-8)	39.50	7.0
11. Financial saving through instit.	9.68	1.7
a) Bank of Mexico	1.37	0.2
b) Commercial and saving banks	1.39	0.2
c) Private Financieras	4.11	0.7
d) Other (excl. e and f)	0.32	0.1
e) Life insurance companies	0.69	0.1
f) Govt. insurance and pension funds	1.80	0.3
12. Fixed interest bearing securities	3.71	0.7
13. Other forms of saving, gross (9-11-12)	66.11	11.5
14. Other forms saving, net (10-11-12)	26.11	4.5

SOURCE: The Financial Development of Mexico by  
Raymond W. Goldsmith O.E.C.D. Paris, 1966.

TABLE A18:

## Assets of Financial Institutions outside the Public Sector in Britain

£mn.

	1938	End 1958	Annual changes						
			1952	1953	1954	1955	1956	1957	1958
1. London clearing banks .....	2,320	7,300	130	240	250	-330	50	270	300
2. Scottish banks .....	340	930	10	30	-30	-60	-10	30	10
3. Northern Irish banks .....	50	150	-	5	10	-5	5	-	5
4. Members of B.B.A. not included elsewhere .....	50	120	...	...	...	...	...	...	...
5. C.W.S. and S.C.W.S. banks .....	110	200	-5	5	10	-	-5	-5	-20
6. Accepting houses .....	...	260	-10	20	25	-10	-	-	-60
7. Overseas and foreign banks: banking offices in U.K. ..	...	1,060	10	50	120	-60	-90	-	190
8. Discount houses .....	...	1,050	40	20	-	-20	110	-	100
9. Trustee Savings Banks (Special Investment Departments).	100	350	10	20	50	30	50	30	30
10. Members of the Finance Houses Association .....	...	280	...	...	...	50	-	70	60
11. Insurance companies established in Great Britain .....	1,740 <sup>+</sup>	5,990	220	280	350	390	380	390	400
12. Superannuation funds .....	...	2,500	(140)*	*	*	*	*	*	(250)*
13. Collecting Societies .....	90	300	10	15	15	15	15	15	15
14. Building Societies .....	760	2,620	120	160	220	200	160	180	200
15. Investment trusts quoted in the London Stock Exchange.	...	710 <sup>#</sup>	-	10	25	25	25	15	15
16. Unit trusts .....	80	90	...	...	...	...	...	...	...
17. Finance Corporation for Industry .....	...	40	9	-2	-5	-13	2	-13	-13
18. Industrial and Commercial Finance Corporation .....	...	40	3	2	1	3	1	3	3
19. Agricultural Mortgage Corporation .....	10	40	5	-	-	2	4	2	3
20. Public (quoted) non-finance companies (financial assets) .....	...	1,700 <sup>#</sup>	50	170	70	20	-100	-	...
21. Private individuals (excluding pension rights, life assurance policies, household goods, trade assets, land and buildings)	15,000 <sup>+</sup>	25,000 <sup>+</sup>	The information available does not allow adequate estimates of annual changes to be made, but the annual changes in the market value of assets held is sometimes very large.						

\* Annual increase rises from about £140 mn. in 1952 to about £250 mn. in 1958

<sup>+</sup> Order of magnitude: market prices. 1932-34 figure.<sup>#</sup> Order of magnitude: market prices.

+ 1937 figure.

<sup>#</sup> 1957 figures.

SOURCE: Radcliffe Report, August 1959, H.M.S.O., Britain.

Table A19

LIFE INSURANCE ASSETS IN CANADA<sup>1/</sup>

(C\$ millions)

	1935	1945	1950	1955	1961	1962
Federal Companies	1,828	2,886	3,997	5,599	8,574	9,183
Provincial Companies	28	54	84	162	307	767 <sup>1/</sup>
Fraternal Benefit Societies	135	185	223	282	400	
TOTAL	1,991	3,125	4,304	6,043	9,281	9,950 <sup>1/</sup>

<sup>1/</sup> All federally registered companies, provincial companies and fraternal benefit societies registered for business in Quebec or Ontario. A small amount of assets held by Companies and societies in other provinces is not included.

SOURCE: Royal Commission on Banking and Finance, Canada 1964.



Table 20

GROSS AND NET SAVING, 1955-1959 IN MEXICO

TYPE OF SAVING	Amounts (bill.pesos)	Relation to GNP (percent)
1. Total gross saving	100.00	17.5
2. Capital consumption allowances	40.00	7.1
3. Total net saving (1-2)	60.00	10.4
4. Capital imports	9.87	1.7
5. Gross domestic saving (1-4)	90.13	15.7
6. Net domestic saving (3-4)	50.13	8.7
7. Internal gross saving of government	9.22	1.6
8. Internal gross saving of for.corp.	1.41	0.2
9. Other saving, gross (5-7-8)	79.50	13.9
10. Other saving, net (6-7-8)	39.50	7.0
11. Financial saving through instit.	9.68	1.7
a) Bank of Mexico	1.37	0.2
b) Commercial and saving banks	1.39	0.2
c) Private Financieras	4.11	0.7
d) Other (excl. e and f)	0.32	0.1
e) Life insurance companies	0.69	0.1
f) Govt. insurance and pension funds	1.80	0.3
12. Fixed interest bearing securities	3.71	0.7
13. Other forms of saving, gross (9-11-12)	66.11	11.5
14. Other forms saving, net (10-11-12)	26.11	4.5

SOURCE: The Financial Development of Mexico by  
Raymond W. Goldsmith O.E.C.D. Paris, 1966.

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Table A21

Guyana: Tax Paid by Insurance Companies and Commercial  
Banks - Comparison between 1964 and 1968

	Amount of taxes paid in 1964	Amount of taxes paid in 1968
<u>Insurance Companies</u>	\$ 583,508.52	\$ 769,807.31
(a) <u>Local:</u>	\$ 324,514.25	\$ 546,289.52
(i) Life	\$ 101,500.02	\$ 93,300.06
(ii) General	\$ 223,014.23	\$ 452,987.46
Life as % of General	46%	21%
(b) <u>Foreign</u>	\$ 258,994.27	\$ 223,517.79
(i) Life	\$ 165,365.52	\$ 150,912.48
(ii) General	\$ 93,628.75	\$ 72,605.31
Life as % of General	177%	208%
Commercial Banks	\$ 75,743.48 <sup>a)</sup>	\$ 583,051.57 <sup>b)</sup>

a) This figure is for only one of the two commercial banks which were operating in the country in 1964.

b) This figure is for two of the largest commercial banks in the country. The other three banks were recently established and the amount they paid in taxes would only slightly increase this figure.

Source: Department of Inland Revenue, Ministry of Finance, Guyana.