

MINISTRY PAPER # 77/20

**JAMAICA DEPOSIT INSURANCE CORPORATION
ANNUAL REPORTS FOR YEARS ENDED MARCH 31, 2018 AND MARCH 31, 2019**

1.0 INTRODUCTION

1.1 The matter for tabling in the Houses of Parliament is the Annual Reports of the Jamaica Deposit Insurance Corporation (JDIC) for the financial years ended March 31, 2018 and March 31, 2019.

1.2 JDIC was established in accordance with the Deposit Insurance Act (DIA) in 1998 and commenced operations on August 31, 1998. The Corporation manages the Deposit Insurance Scheme (DIS) to insure against the loss of deposits held in insured financial institutions up to a maximum of \$600,000 per depositor per member institution. The members of the DIS are deposit-taking financial institutions which are licensed and regulated by the Bank of Jamaica. In pursuing its objectives JDIC seeks to minimize its exposure to loss and manages the Deposit Insurance Fund (DIF). The DIF was established to pay depositors of failed but insured financial institutions and to offer financial help to Policyholders.

1.3 In keeping with the DIA requirements, JDIC continued to collect insurance premiums from Policyholders (based on the premium assessment rate of fifteen basis points) to cover deposits held in different ownership categories by member institutions. The number of Policyholders remains at eleven (11), as it was in the previous financial year. The eleven Policyholders include eight (8) Commercial Banks, two (2) Building Societies and one (1) Merchant Bank.

1.4 Policyholders generally remained adequately capitalized, maintaining assets well within the statutory requirement. The deposit-taking institutions recorded growth of 10%, with total assets moving by \$147.90 billion at December 2018, relative to the expansion of 10% in 2017. Total insurable deposits also grew to \$998.90 billion, an increase of 11% above the \$902.20 million at December 2017.

2.0 DISCLOSURES

2.1 Auditors' Report

2.1.1 JDIC's auditors, KPMG, conducted the audit of the financial statements for the 2017/18 and 2018/19 financial years in accordance with International Standards on Auditing and expressed an unqualified opinion. The auditors indicated that the evidence obtained was sufficient and appropriate to provide a basis for their opinion and stated that the financial statements give a true and fair view of the financial position of the Corporation, in keeping with International Financial Reporting Standards and the DIA.

2.2 Compensation for Senior Executives and Directors

2.2.1 Pursuant to the Second Schedule (Part 1) of the Public Bodies Management and Accountability Act (2011), details of the compensation packages for JDIC's senior executives are enclosed. For the review period, salaries and emoluments, totalled \$46.46 million (2017/18: \$49.46 million) and

accounted for approximately 27% of total staff costs. The report also includes details of compensation paid to the Directors which totalled \$0.57 million (2017/18: \$0.33 million).

3.0 FUND MANAGEMENT AND ADEQUACY

3.1 Over the past five years to March 31, 2019, the Deposit Insurance Fund (DIF) has increased by \$8,857.69 million or 73% to \$21,027.58 million. The DIF balance at the end of the 2018/19 financial year was \$2,183.58 million or 12% above the \$18,844.00 million recorded in the previous financial year (2016/17:\$16,542.22 million). There has been no requirement for a payout.

3.2 The Corporation's annual survey of insurable deposits at the end of December 2018 indicated that the average balance in deposit accounts was \$240,283.00 (December 31, 2017: \$226,664). The survey also showed that approximately 95.40% (2017: 95.50%) of deposit accounts were fully covered up to the coverage limit of \$600,000. This coverage level is consistent with JDIC's policy objective of protecting the majority of small retail depositors and remains in line with the international standard of 90-95% coverage for deposit accounts in the system.

4.0 FINANCIAL HIGHLIGHTS

Table 1: Summary of Financial Statement for Years 2017/18 and 2018/19

PARTICULARS	2018/19	2017/18	2016/17	CHANGE 2017/18 & 2018/19		CHANGE 2016/17 & 2017/18	
				\$	%	\$	%
Income Statement	\$M	\$M	\$M				
Total Income	2,549.33	2,546.24	2554.21	3.09	12	-7.97	-31
Total Expenses	301.41	244.46	212.11	56.95	23	32.25	15
Net Surplus	2,247.92	2,301.78	2342.10	-53.86	-2	-40.32	-2
Balance Sheet							
Cash and Cash Equivalents	190.82	313.52	1075.89	- 122.70	-39	-762.37	-71
Investment Securities	21,650.88	18,825.97	17,235.82	2,824.91	15	1590.1	9
Total Assets	22,063.98	19,363.24	18,490.22	2,700.74	14	873.02	5
Unearned Premium Income	-	100.92	1,239.56	-100.92	-100	-1138.64	-92
Total Liabilities	57.76	158.42	1,468.56	-100.66	-64	-1310.14	-89
Deposit Insurance Fund	21,027.58	18,844.00	16,542.22	2,183.58	12	2301.78	14
Total Liabilities and Equity	22,063.98	19,363.24	18,490.23	2,700.74	14	873.01	5

4.1 Income and Expenses

4.2 JDIC's net surplus of \$2,247.92 million from operations at March 2019 was marginally below the surplus of \$2,301.78 recorded at March 31, 2018. This is attributed primarily to the \$56.95 million or 23% increase in administration expenses over the \$244.46 million incurred in 2017/18. Income during the 2018/19 financial year was influenced by improved interest earned and insurance premiums resulting in total income of \$2,549.33 million remaining flat with the \$2,546.24 million for financial year 2017/18.

4.3 The increase in total expenses of \$56.95 million or 23% was driven by increased operating activities during the financial year. This increased expenditure was attributed mainly to public

education (\$32.01 million), staff costs (\$18.29 million) and professional fees (\$4.47 million). Increased staff costs resulted primarily from the filling of vacancies, pay increments due to movements within salary scales, provision for the 2% increase in wages, as well as merit payment to staff determined by performance appraisals.

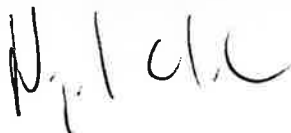
5.0 Balance Sheet Highlights

5.1 Total assets of the Corporation improved by \$2,700.74 million to \$22,063.98 million (2017/18: \$19,363.24 million). The 14% increase in assets is a reflection of the improvement primarily in investment securities (\$2,824.91 million). This was negated partially by reductions in cash and cash equivalents (\$122.70 million).

5.2 At the end of the period total liabilities were \$57.76 million (2017/18: \$158.42 million). The decrease of \$100.66 million or 64% was due primarily to unearned premium income (\$100.92 million). Unearned premium income represents the portion of insurance premiums received from policyholders relating to the period subsequent to March 31, 2019. JDIC continued to demonstrate its ability to meet its current and long term obligations and is expected to continue as a going concern.

6.0 CONCLUSION

6.1 The Corporation continued to pursue its mandate of protecting depositors and contributing to confidence and stability in Jamaica's financial system. The Corporation continued to manage the DIS to insure against the loss of deposits held in insured financial institutions up to a maximum of \$600,000 per depositor per member institution. For the period under review, JDIC showed positive financial performance as reflected in the improvement of the DIF balance.



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July 16, 2020

