

MINISTRY PAPER 62/2021

**JAMAICA DEPOSIT INSURANCE CORPORATION
ANNUAL REPORT FOR YEAR ENDED MARCH 31, 2020**

1.0 INTRODUCTION

1.1 The matter for tabling in the Houses of Parliament is the Annual Report of the Jamaica Deposit Insurance Corporation (JDIC) for the financial year ended March 31, 2020.

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 assistance 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 deposit taking institutions. The premium assessment rate is applied to the insurable deposits of Policyholders to determine deposit insurance premiums payable by Policyholders to the Corporation. 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. Commercial banks continued to account for 91% of the market share of the deposit taking institutions.

1.4 Policyholders generally remained adequately capitalized, maintaining assets well within the statutory requirement. The deposit-taking institutions recorded growth of 10.3%, with total assets moving by \$176.29 billion at December 2019, relative to the expansion of 10% in 2018. Generally, data for insured deposits relate to calendar year performance. Total insurable deposits grew to \$1,131 billion, an increase of 13.2% above the \$999.40 billion at December 2018. Similarly, the number of insurable deposit accounts increased from 4.2 million to 4.4 million. Asset growth was largely driven by increases in loans and advances which increased by \$130.56 billion or 16.1%. With the onset of the Covid-19, member institutions announced moratoria to assist with easing the pressures of the pandemic on customers.

2.0 DISCLOSURES

2.1 Auditors' Report

2.1.1 JDIC's auditors, KPMG, conducted the audit of the financial statements for the 2019/20 financial year 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, details of the compensation packages for JDIC's senior executives are enclosed. For the review period, salaries and emoluments totalled \$54.61 million (2018/19: \$46.46 million) and accounted for approximately 28% of total staff costs. The report also includes details of compensation paid to the directors which totalled \$0.30 million (2018/19: \$0.57 million).

3.0 FUND MANAGEMENT AND ADEQUACY

3.1 The Deposit Insurance Fund (DIF) has increased consistently over the past five (5) years. As in prior periods there was no call on the DIF and the end of year balance increased by 17.6% to \$24,737.12 million. The Corporation completed its annual Deposit Insurance Fund Adequacy Evaluation (DIFAE), during the review period in keeping with its regulatory obligation under the DIA. The completed Evaluation indicated that the assessed risks of the member institutions were considered low. Consequently, the DIF was determined to be adequate to cover the Corporation's existing and potential liabilities for the reporting period.

3.2 The Corporation's annual survey of insurable deposits at the end of December 2019 indicated that the average balance in deposit accounts was \$258,278 (December 31, 2018: \$240,297). The survey also revealed that approximately 95.20% (2018: 95.40%) 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 financial system.

4.0 FINANCIAL HIGHLIGHTS

Table 1: Summary of Financial Statement for Year ended March 31,20 (J\$'m)

Particulars	2019/20	2018/19	Variance \$	Variance %
Total Income	4001.29	2549.33	1451.96	57%
Total Expenses	291.75	301.41	-9.66	-3%
Net Surplus	3709.54	2247.92	1461.62	65%
			0	
Cash & Cash Equivalents	863.48	190.82	672.66	353%
Investment Securities	24031.16	21650.88	2380.28	11%
Total Assets	25199.92	22063.98	3135.94	14%
Unearned Premium	2.94	0	2.94	100%
Total Liabilities	58.84	57.76	1.08	2%
Deposit Insurance Fund	24737.12	21027.58	3709.54	18%
Total Liabilities & Equity	25199.92	22063.98	3135.94	14%

4.1 Income and Expenses

4.2 JDIC's net surplus of \$3,709.54 million from operations at March 2020 was \$1,461.62 million or 65% above the surplus of \$2,247.92 recorded at March 31, 2019. This is attributed primarily to foreign exchange gains of \$1,307 million due to gains realised from fair value of disposed

Government bonds, increases in investment income (\$175.60 million) and premium income (\$144.90 million). The increase in investment income resulted from the depreciation of the Jamaican dollar versus the United States dollar, while the increase in premium income was primarily due to an increase in insurable deposits held in member institutions. Administration expenses were \$9.66 million or 3% below the \$301.41 million in the prior year.

5.0 Balance Sheet Highlights

5.1 Total assets of the Corporation improved by \$3,135.94 million to \$25,199.92 million (2018/19: \$22,063.98 million). The 14% increase in assets is a reflection of the improvement primarily in investment securities (\$2,380.28 million) comprised of Government securities as well as cash and cash equivalents (\$672.66 million) and fixed assets (\$82.28 million).

5.2 At the end of the period total liabilities were \$61.78 million (2019/20: \$57.76 million). The marginal increase of \$4.12 million was due primarily to unearned premium income (\$2.94 million) and trade payables (\$1.08 million). Unearned premium income represents the portion of insurance premiums received from policyholders relating to the period subsequent to March 31, 2020.

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. JDIC's annual Deposit Insurance Fund Adequacy Evaluation determined that the DIF was adequate to cover the Corporation's existing and potential liabilities for the reporting period.



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