National Report for Jamaica

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The Population

The most recent statistics available are for 1993. These show total population close to 2.5 million, primarily centred around Kingston, St. Andrew, St. Catherine and Clarendon. In total 54% of the population is between the ages of 18 and 65, with 24% between the ages of 18 and 30 and only 22% between the ages of 30 and 50. Migration, primarily to the US but also to Canada and the UK, has certainly played a part in skewing the population towards the younger ages. Of most significance is the lack of experienced and productive workers in the 30-50 age band.

Many family units have made sacrifices to send one member abroad to work. Money and goods are then sent regularly to support the extended family in Jamaica, but some concern has been expressed about the resulting generation of children who are growing up without one or both of their parents. Transferring money from abroad is consequently big business in Jamaica and, at present, many wonder how the economy can be sustained without these inflows.

The Actuarial Population

At the end of 1995 there were fifteen actuaries resident in Jamaica, five of whom are Jamaicans. Three are FSAs, one is an FFA and the remainder are FIAs. Many attended the annual conference of the Caribbean Actuarial Association in December, which this year was held in Trinidad. Its focus was "The Way Forward" and discussion centred on how to facilitate social and legislative changes in the various islands.

The two actuarial consultancies in Jamaica employ three actuaries and seven students. They provide advice to the Government on the supervision of insurance companies, on pension plans and on the National Insurance Fund. Advice is also provided to life insurance companies, private pension plans and, on occasion, to general insurance companies.

The remaining actuaries are employed by insurance companies. Many of these companies also use overseas actuarial consultants.

Many school children will know about actuaries through the sponsorship of a mathematics competition in high schools by the Life Insurance Companies Association ("LICA"). In 1994 compound interest and life contingencies courses were introduced in Jamaica by the University of the West Indies. In 1995 the actuarial courses available were extended to cover all subjects to the expanded associate level of the Society.

The Economy

The start of 1995 saw a relatively stable exchange rate and an inflation rate of about 1% per month. The year ended with a drifting exchange rate, down 16% on the year, and inflation running at just under 3% per month. In an attempt to halt the drift of the exchange rate the Government has pushed up short-term money market interest rates from around 20% to over 40% and prime lending rates are now in the 50-60% range.

In 1993 it took some 16% of gross domestic product (GDP) to service the internal debt. In 1995 the internal debt rose to J$50 billion, representing 27% of GDP, and attempts during the year by the Government to increase the maturity of this debt failed. The short-term perspectives of investors remain and the interest rates available on Government paper reduce the attraction of the stock market (according to the World Bank, the best performing stock market in 1992) and capital intensive projects. The national savings rate is approximately 12% of GDP, 11% of which represents private domestic saving.

1995 was marred by a number of industrial disputes. One union defied an order by the Industrial Disputes Tribunal to return to work and the Tribunal subsequently backed down. The economy is not growing, yet wages are being adjusted at an annual average rate in excess of 3% in real terms. Officially some 16% of the work force are currently unemployed.

Key economic indicators over the past six years are as follows.

	December					
	1990	1991	1992	1993	1994	1995
Exchange rate (US$1=J$)	8.2	20.9	22.2	32.7	33.3	39.8
Consumer Price Index (12 month increase)	29.8	80.2	40.2	30.1	26.7	21.2
Stock market index	2,539	7,682	25,746	13,100	16,677	14,203

Taxation

The Government has just announced measures to catch many more self-employed persons in the income tax net. Those companies employing service companies and persons on contract are now required to deduct income tax and other statutory contributions from fees payable.

At present it is tax efficient for an employee's accommodation rental to be paid by their employer. Regardless of the size of these rental payments, employees are taxed on 15% of their taxable salary for this benefit. Some employees had arranged to reduce this tax further by receiving a nominal salary from one company which then pays their rent whilst receiving the remainder of their salary from another company. The Government has moved against this particular abuse but resisted taxing employees on the full value of the rental benefit provided.

General Consumption Tax (GCT) was increased in 1995 from 12.5% to 15%. Recently there have been rumours, denied by the Government, that GCT will be increased further in the new year.

The National Insurance Scheme

Normal retirement age under the Scheme is 60 for females and 65 for males. From the most recent statistics available, only 2.6% of Jamaicans over these ages receive a National Insurance old age pension. From 1 January 1996 the full flat pension has been increased to J$300 (US$7.5) per week, up from J$84 (US$2.1), with the small additional wage-related pension remaining unchanged. Employees and employers continue to be required to contribute 2.5% of insurable wage to the Scheme, but the ceiling for insurable wage was raised from J$15,072 (US$377) per annum to J$250,000 (US$6,250) per annum.

Occupational Retirement Pensions

The primary legal basis for pension schemes is the 1971 Income Tax Act, which imposes few restrictions on the operation of schemes, the benefits that can be offered or the investments that can be made. There is no specific pensions legislation in Jamaica and, because of the limits that apply to contributions and benefits, no individual pensions market.

Most large employers sponsor self-administered pension schemes. There are no preservation requirements and on termination employees can reclaim their contributions. The majority of insured schemes are invested through mutual funds, although there are still some deposit administration arrangements around. The real estate market is buoyant and mutual funds investing in this market are popular.

In October 1995 a committee consisting of actuarial representatives of the LICA membership submitted to the Government a number of proposals that they would like to see included in group pensions legislation. Although the proposals addressed many important issues, there was some consternation because the consultants had not been invited to participate in the discussions. The Government has now appointed a committee, which includes both representatives of the consultants and LICA, to consider the proposals and make recommendations.

Financial Institutions

The financial sector is divided into a number of large financial groups. Most groups include a retail bank, a merchant bank, a building society and an insurance company. There is particular interest in building societies and insurance companies because both can be used as tax efficient means of raising capital for other companies in the group.

Two significant events during 1995 were the failure of one financial institution and the need for the Bank of Jamaica to provide a liquidity support facility to another institution. As a result many depositors moved savings from smaller institutions to the larger ones. The Government has accepted that shortcomings in the regulatory framework and in the monitoring systems were partly to blame for the failure. They have announced their intention to implement a deposit insurance scheme in 1996/97 fiscal year but details are not yet available.

Latest published figures show that outstanding balances on consumer-oriented loans represent some 37% of total loans outstanding to commercial banks. In comparison, outstanding loans to the productive sector and the Government represent 29% and 10% respectively of this total. In the light of the substantial profits made by retail banks in the 1994/5 fiscal year the Government levied an additional tax on their profits.

The Government has been threatening for some time to penalise those building societies who have not issued any residential mortgages, but nothing has materialised yet.

Insurance companies enjoy a number of advantages over banks in the competitive market for fixed deposits. For example, insurance companies are not subject to the 25% Statutory Reserve Requirement and corporation tax is levied at the rate of 7.5% on investment income rather than at 33.3% on profits. The Government is expected to deal with building societies before they address insurance companies and so these advantages may continue for some time.

The Superintendent of Insurance spoke out during the year about lax insurance companies who failed to submit annual returns within the required timescale, threatening to close offenders to new business. He also complained about insurance companies investing in the shares of fellow subsidiaries which are not regulated by him and asked for more resources to assist him in monitoring the unit trust industry.

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