

# Life of Jamaica Limited 1999

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## Life of Jamaica Ltd. - Commentary on First Quarter results

LOJ EXPERIENCES STRONG SALES PERFORMANCE

### OVERVIEW

The quarter reflected positive performance by LOJ's overseas subsidiaries, particularly Global Life (Bahamas), which continues to experience strong sales growth and competitive investment performance. The Puerto Rican operations, Atlantic Southern Insurance Company, eliminated the historical losses in the first quarter as it continued its turnaround.

The Jamaican economic environment continues to be a demanding one for business with little or no growth expected this year. In order to meet the challenges of this environment, LOJ continues to restructure its local operations to achieve greater accountability by line of business, and ultimately achieve targeted profitability.

### LINE OF BUSINESS PERFORMANCE

#### Employee Benefits

The Employee Benefits Division reported strong performance in the first quarter, with new sales of \$55.8 million, more than triple the new sales for the same period last year. Strong persistency for existing business was also maintained. The line reported improved profits, ahead of target for the period and 75% above last year. Pension Funds under management of \$10.4B declined by 19% of the previous year reflecting the drop in Real Estate assets of the funds. Life of Jamaica still remains the dominant Pension Fund Manager with 61 % of the Funds under management by Insurance companies. We have recently completed the implementation of our new Pension Administration System. This will enable us to provide superior service to our Pension Clients.

**Individual Life**

In the first quarter of 1999, the Individual Line of business focussed on the recruitment of new agents and motivation of the entire field force to achieve its sales targets. The Agency Force, now 288 strong, is 70% larger than the same time last year. These efforts have already started to show results in the second quarter of 1999 where sales for the second quarter is 107% over 1998 with June being a record sales month for the past five years. Notwithstanding the positive sales expectations, the earnings from profits of the Individual Line of business were below target in the first quarter and management's focus for the remainder of the year will be to restore this line of business to expected profitability.

LOJ has substantially completed the implementation of the Individual Life Insurance & Administrative systems. This has not been without its challenges and LOJ continues to improve the level of service provided to our customers and agents. The focus now is on ensuring the ongoing stability and reliability of the systems.

**FINANCIAL PERFORMANCE**

The un-audited consolidated Financial Statements for the first quarter for 1999 for LOJ and its subsidiaries reflect a profit of \$7.8 million compared to a profit of \$8.1 million for the same period last year. Operating profits for LOJ and Global Life for the same period amount to \$28.4 million compared with \$22.4 million in 1998, an improvement of over 20%. The difference between net and operating profits reflects the continuing burden of debt, being carried by the company which continues to depress profits.

On behalf of the Board

|                |           |
|----------------|-----------|
| M. M. REYNOLDS | President |
| D. H. Lalor    | Chairman  |

Unaudited Consolidated Results

3 Months ended March 31, 1999

|   | 1999       | 1998       |
|---|------------|------------|
|   | \$'000     | \$'000     |
| Gross Income                                  | 1,363,860  | 1,306,441  |
| Profits/(Losses) for the period               | 7,820      | 8,060      |
| Profits/(Losses) before extraordinary items   | 7,820      | 8,060      |
| Extraordinary Item                            | 0          | 0          |
| Preference Dividend                           | 0          | 0          |
| Profits/(Losses) Attributable to Shareholders | 7,820      | 8,060      |
| Earnings per share                            | 0.014      | 0.015      |
| Shareholders' Funds                           | 885,076    | 868,292    |
| PolicyHolders' Funds                          | 7,856,670  | 7,733,879  |
| Total Group Assets                            | 11,217,636 | 11,297,717 |
| Managed Pension Funds not included above      | 10,367,655 | 12,722,242 |

On behalf of the Board

M.M. REYNOLDS    President

D.H. LALOR        Chairman

LIFE OF JAMAICA LIMITED AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEET  
MARCH 31,1999  
(UNAUDITED)

|                                 | THOUSANDS OF DOLLARS |                |
|---------------------------------|----------------------|----------------|
|                                 | 1999                 | 1998           |
| SHAREHOLDERS' FUND\$            |                      |                |
| Share Capital                   | 1,110,993            | 1,110,993      |
| Share Premium                   | 128,985              | 128,985        |
| Capital Redemption Reserve Fund | 2,675                | 2,675          |
| Profit & Loss Account           | (357,577)            | (374,361)      |
|                                 | <u>885,076</u>       | <u>868,292</u> |

POLICYHOLDERS' FUNDS

|                             |                  |                  |
|-----------------------------|------------------|------------------|
| Life Assurance Fund         | 6,843,173        | 6,900,863        |
| Policy Dividends On Deposit | 739,508          | 670,825          |
| Superannuation Funds        | 273,988          | 162,191          |
|                             | <u>7,856,669</u> | <u>7,733,879</u> |

|                     |                   |                   |
|---------------------|-------------------|-------------------|
| BANK LOANS          | 0                 | 0                 |
| INVESTMENT RESERVES | 39,047            | 38,518            |
| MINORITY INTEREST   | 322,109           | 269,540           |
| OTHER LIABILITIES   | 2,114,734         | 2,387,488         |
|                     | <u>11,217,636</u> | <u>11,297,717</u> |

Represented By

|  |           |           |
|--|-----------|-----------|
| INVESTMENTS  |           |           |
| Leased Assets                                      | 2,732     | 10,773    |
| Real Estate  | 1,370,341 | 1,807,292 |
| Hotel Investment                                   | 364,419   | 415,370   |
| Quoted Securities                                  | 636,255   | 595,322   |
| Govt. of Jamaica & other Fixed Interest Securities | 2,350,659 | 2,316,340 |
| Unit Trust   | 88,424    | 100,813   |
| Term Loans & Deposits                              | 1,059,317 | 1,080,843 |
| Bank Loans   | 0         | 0         |
| Mortgage Loans                                     | 1,499,955 | 1,433,541 |
| Policy Loans                                       | 1,453,354 | 1,367,809 |
|  | 8,825,456 | 9,128,103 |

|                      |                   |                   |
|----------------------|-------------------|-------------------|
| ASSOCIATED COMPANIES | (8,250)           | (8,250)           |
| FIXED ASSETS         | 174,337           | 203,899           |
| OTHER ASSETS         | 2,226,093         | 1,973,965         |
|                      | <u>11,217,636</u> | <u>11,297,717</u> |

On behalf of the Board

M. M. REYNOLDS      President  
D. H. LALOR          Chairman

**LIFE OF JAMAICA LIMITED**  
**CONSOLIDATED LIFE ASSURANCE FUND**  
**3 Months ended March 31, 1999**  
**(UNAUDITED)**

|                              | THOUSANDS OF DOLLARS |                  |
|------------------------------|----------------------|------------------|
|                              | 1999                 | 1998             |
| Balance at Beginning of Year | 6,883,640            | 7,035,696        |
| Foreign Exchange Adjustment  | 170,464              | 108,798          |
| Decrease in Provision        | 100,302              | (194,187)        |
| Net Adjustment               | <u>270,766</u>       | <u>( 85,389)</u> |
| Balance at June 30.          | <u>7,154,406</u>     | <u>6,950,307</u> |

NOTE 2

**LIFE OF JAMAICA LIMITED**  
**PROFIT & LOSS ACCOUNT**  
**3 Months ended March 31, 1999**  
**(UNAUDITED)**

|                                  | THOUSANDS OF DOLLARS |           |
|----------------------------------|----------------------|-----------|
|                                  | 1999                 | 1998      |
| Balance at Beginning of Year     | (365,397)            | (474,533) |
| Net Profit/(Loss) for the period | 7,820                | 8,060     |
| Balance at June 30               | (357,577)            | (466,473) |

**LIFE OF JAMAICA LIMITED AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF OPERATIONS**  
**3 Months ended March 31, 1999**

| (UNAUDITED)  | Alico<br>1998 | LOJ<br>1998     | GLOBAL<br>1999  | THOUSANDS OF DOLLARS |                  |
|--|---------------|-----------------|-----------------|----------------------|------------------|
|  |               |                 |                 | 1999                 | 1998             |
| INCOME   |               |                 |                 |                      |                  |
| Net Premiums   | 0             | 707,482         | 335,742         | 1,043,224            | 1,012,924        |
| Investment & Other Income                                      | 0             | 203,312         | 117,324         | 320,636              | 293,517          |
| Share of Earnings of Assoc. Co., (net)                         |               | 0               | 0               | 0                    | 0                |
| Losses of non-life Subsidiaries                                |               | 0               | 0               | 0                    | 0                |
|  | 0             | <u>910,794</u>  | <u>453,056</u>  | <u>1,363,860</u>     | <u>1,306,441</u> |
| BENEFITS & EXPENSES  |               |                 |                 |                      |                  |
| Policy Benefits  | 0             | 415,820         | 246,591         | 662,411              | 653,292          |
| Interest   |               | 54,762          | 3,369           | 62,131               | 75,758           |
| Increase/(Decrease) in Provision<br>for Future Policy Benefits |               | 123,116         | (22,814)        | 100,302              | 36,894           |
| Administrative Expenses  | 0             | 211,043         | 124,788         | 335,831              | 322,562          |
| Commission & Sales Expenses                                    | 0             | 81,924          | 65,074          | 146,998              | 141,362          |
| Stamp Duty on Policy contracts                                 |               | 9,024           | 0               | 9,024                | 11,027           |
|  | 0             | <u>899,089</u>  | <u>417,007</u>  | <u>1,316,696</u>     | <u>1,240,895</u> |
|  | 0             | 11,105          | 36,058          | 47,163               | 65,546           |
| Investment Reserve Transfers                                   |               | 23,051          | (1,837)         | 8,812                | 6,506            |
| Taxation   |               | (9,003)         | (8,421)         | 17,424               | (14,565)         |
| (Depreciation)/Appreciation on Unit<br>Linked Policy Funds     | 0             | <u>(17,333)</u> | <u>(1,416)</u>  | <u>(18,749)</u>      | <u>(43,110)</u>  |
|  | 0             | 7,820           | 24,383          | 19,801               | 14,377           |
| Minority Interest  | 0             | <u>0</u>        | <u>(11,981)</u> | <u>(11,981)</u>      | <u>(6,317)</u>   |
| Profit/(Loss) Attributable to Group                            | 0             | 7,820           | 12,402          | 7,820                | 8,060            |
| Extraordinary Income   |               | 0               | 0               | 0                    | 0                |
| Profit /(Loss) for the period                                  | 0             | <u>7,820</u>    | <u>0</u>        | <u>7,820</u>         | <u>8,060</u>     |
| Preference Dividends   | 0             |                 | 0               | 0                    | 0                |

|  |              |          |              |              |
|--|--------------|----------|--------------|--------------|
| Transfer to Capital Redemption Reserve |              | 0        | 0            | 0            |
| Transfer to Statutory Banking Reserve  |              | 0        | 0            | 0            |
| Net Profit/(Loss) for the period       | <u>7,820</u> | <u>0</u> | <u>7,820</u> | <u>8,060</u> |
| Earnings per Share                     |              |          | <u>0.014</u> | <u>0.015</u> |

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