Government of the Republic of Trinidad and Tobago

Ministry of Finance and the Economy

Communications Unit

MEDIA ADVISORY

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Attention: All Editors

Finance Minister Delivers Insurance Bill 2013…

Protection against 'undue risk' in insurance sector

GOVERNMENT has moved to protect citizens from undue risks and ensure the development of a robust insurance sector that will avoid crises such as experienced with Clico in 2009, said Finance and the Economy Minister Larry Howai on Tuesday.

Howai was speaking as he delivered the Insurance Bill 2013 in the Senate. Describing the move as a decisive intervention by the Government, the Minister recommended that the Bill be referred to a Joint Select Committee for further consideration "as an additional measure of caution and completeness."

As he laid the Bill, Minister Howai stated: "Over the past few decades, there has been rapid development in the financial services sector in Trinidad and Tobago, to the extent that the banking and insurance sectors now have assets of close to $169 billion or about 110 percent of GDP."

"In fact, as of the middle of 2012, the Insurance sector alone amounted to 19.4 percent of GDP, therefore in seeking to strengthen the regulatory framework for the Insurance sector, we are not only safeguarding our citizens, we are safeguarding one of the pillars of our economy."

He added: "And to delay any further the upgrade of our existing insurance legislation would be to leave our citizens and our country far too exposed to undue risk."

The Bill introduces best practices in the areas of corporate governance, risk management, consolidated supervision and consumer protection to the insurance industry. Among the measures brought by the Bill will be the strengthening of the powers of the Inspector of Financial Institutions of the Central Bank of Trinidad & Tobago, which is legally empowered to oversee the operations of the insurance industry and also intervene in the sector where it becomes necessary.

In addition, the Insurance Bill 2013 will bring credit exposure limits, which monitors the amount of risk arising through the extension of credit by an insurer, under better control. This limit seeks to minimize the maximum loss an insurer might suffer if a counterparty fails.

A major change is the elimination of the Statutory Fund and replacement with risk based capital guidelines which will significantly increase the capital held by insurance companies to protect the interest of policy holders. The Minister pointed to the example of Clico, which was only required to have capital of $3million. With the new legislation, given the size of its asset base at the time, the company would have been required to hold more than $2billion of capital.

The Minister stated that criminal fines will also be increased for contraventions of the new legislation. The perpetration of fraud on policyholders will carry the highest fine of ten million dollars ($10,000,000) and imprisonment for ten (10) years in the case of a director or officer; and a fine of twenty million dollars ($20,000,000) in the case of an entity.

In telling Senators that the risks faced by insurance service clients have become all too great to delay the Bill any longer, the Minister stated: "The recent global financial crisis and nearer to home the CL Financial crisis have shown the impact of insufficient regulation on the financial system and consumers of financial services. It is therefore imperative that we take the necessary steps to introduce a robust regulatory framework that would mitigate systemic crises."

"As an additional measure to ensure that citizens are also aware of these new protective and regulatory measures," the Minister said, "the Ministry of Finance and the Economy will post on its website a summary of the Bill".

Thanking you in advance for your usual cooperation

Kind regards,

Regards,

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