

# **“A NEW FRONTIER for INSURANCE SERVICES within an INTERNATIONAL FINANCIAL CENTRE”**



**Presented by: Mrs. Rani Lakhan-Narace  
President of The Association of Trinidad and  
Tobago Insurance Companies (ATTIC)  
Wednesday 2<sup>nd</sup> April, 2008**



## *A New Frontier...*

### **AREAS OF DISCUSSION:**

- Common features of IFC's
- Key focus areas of IFC's
- Pre-requisites to be an attractive IFC destination
- Overview of Trinidad and Tobago's Insurance market
- Opportunities for Insurance Services in Trinidad and Tobago
- Competing with the region
- The way forward in this New Frontier



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## **COMMONALITIES OF IFC'S**

- Proximity with people in related fields
- High quality of life - safe environment, easy access/reach, vibrant night life, quality restaurants and good infrastructure
- Low or no taxes
- Modern, predictable legislative and regulatory frameworks
- Highly skilled labour force
- Banking services *viz* capital markets, wealth management and fund management
- Insurance and Reinsurance services complement banking services



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## **FOCUS OF IFC'S**

- **Banking Services**
- **Capital Markets**
- **Asset Management**
- **Reinsurance**
- **Catastrophe Insurance Schemes**
- **Insurance**
- **Insurance Broking**



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## **TYPICAL IFC ENVIRONMENT**

- Management of Captives
- Back Office Operations
- Low tax rate
- Double taxation treaties
- Network of professional advisors and captive management expertise
- Highly qualified staff
- Pro-business environment



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## **PRE-REQUISITES FOR T&T TO BECOME AN ATTRACTIVE DESTINATION**

- Strong regulatory / legislative environment for insurance and other financial services
- Risk-focus supervisory approach instead of prescriptive
- Integrated supervision across industry and consolidated (geography)
- Higher standard of living
- Facilitative and pro-business climate
- Highly skilled labour force
- Cost competitive
- Robust infrastructure



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## **DO WE MEET THE CONDITIONS AS AN ATTRACTIVE DESTINATION?**

- **Current outdated Insurance Act 1980 is being replaced by a new Act that will meet the 28 Insurance Core Principles (ICP's)**
- **Modern legislation as well as effective oversight**
- **Inadequate transportation infrastructure – ground and air**
- **Safety and security are prime considerations**
- **Supply of skilled insurance and professionals from related fields are in short supply**
- **Stronger Anti-Money Laundering legislation**
- **Improvements in business and legal climate are needed to become more facilitative and predictable**



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## **OVERVIEW OF THE INSURANCE INDUSTRY IN TRINIDAD & TOBAGO**

■ Life (Long-term) Companies	9
■ General (Non-life) Companies	18
■ Composite Companies	<u>5</u>
	32

Life Premiums TT\$ 4.097 Billion

General Premiums TT\$ 1.721 Billion

TT\$ 5.818 Billion

Insurance penetration: (Premiums in % of GDP) **6.1% of GDP** (CBTT 2005)

13 Trinidad and Tobago insurance companies operate branches / subsidiaries outside of the country mainly in the Caribbean region

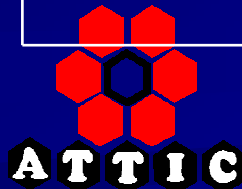




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## **INSURANCE STATISTICS (Life & Non-Life)**

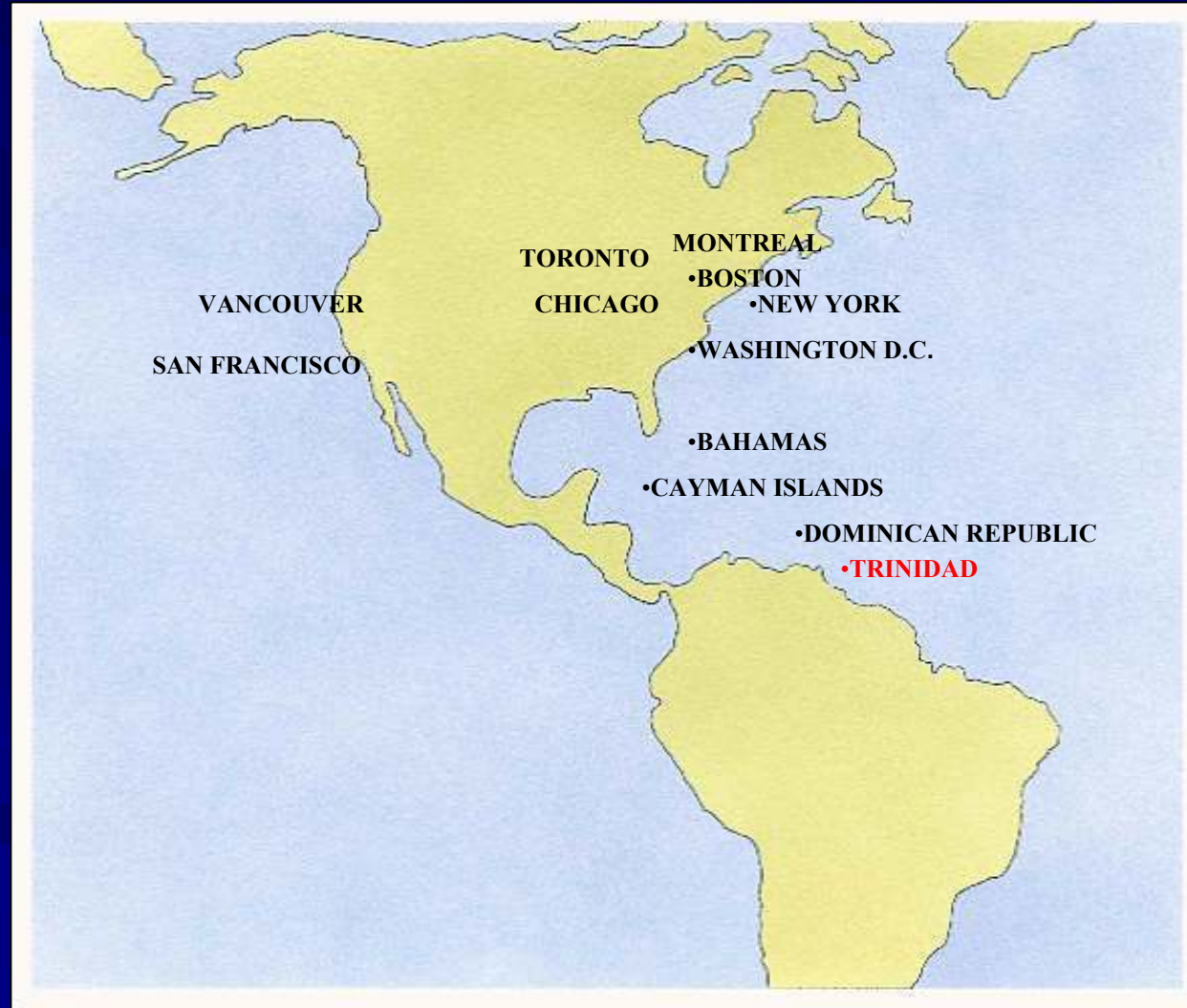
Country	Insurance Penetration (%)	Premium Per capita (USD) (Non-Life)	Insurance Penetration (%)	Premium Per capita (USD) (LIFE)
USA	3.6	1,614.6	3.4	1,375.25
Japan	1.5	528.8	4.0	1,366.1
France	2.4	881.7	7.9	2,894.3
UK	2.9	1,152.0	10.0	3,391.7
Cayman	15.8	6,721.3	1.6	695.9
Canada	2.4	933.5	3.0	1,182.2
Australia	2.4	871.4	3.6	1,315.7
South Africa	1.8	95.1	8.9	471.5
Ireland	2.1	1,109.0	7.6	4,014.2
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<b>Trinidad</b>	<b>1.8</b>	<b>280.0</b>	<b>4.3</b>	<b>496.8</b>



Source: Axco World 4<sup>th</sup> Quarter, 2007

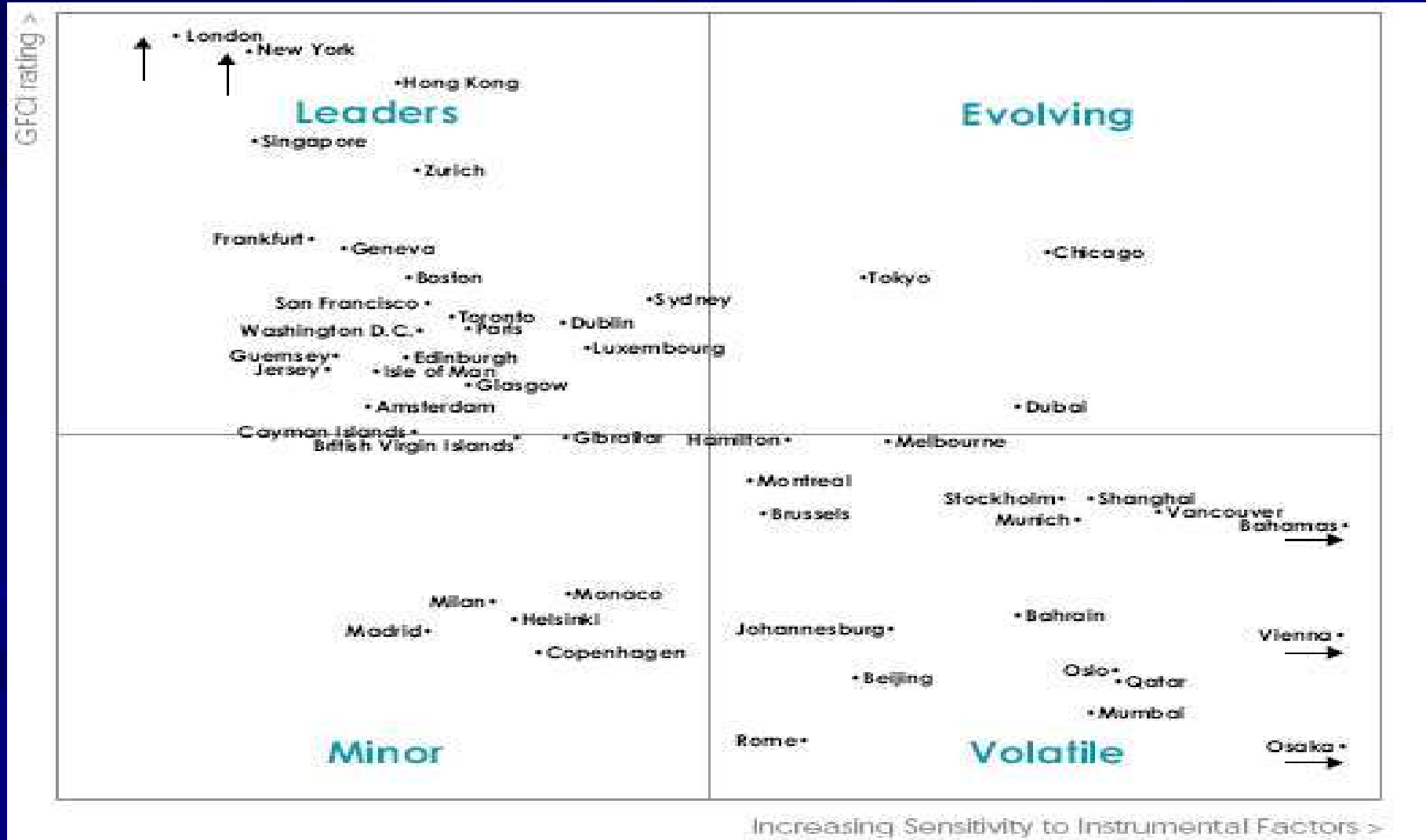
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## FINANCIAL CENTRES OF THE AMERICAS



# A New Frontier...

## The Top 50 Financial Centres GFCI 3 rating vs Sensitivity to Change In the Instrumental Factors



## ***A New Frontier...***

# **OPPORTUNITIES FOR INSURANCE SERVICES**

- Domestic companies can play an increasing role in the region - 40% already do
- More can operate cross border in the regional market providing retail (direct) insurance to consumers when financial services are permitted in the CSME – need for the financial services chapter
- Attract international reinsurers to set up offices to service domestic/ regional and Latin markets
- Become a destination for offshore captives - Alternative Risk Transfer schemes (ART)
- Backroom processing operations



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## **REGIONAL COMPETITION**

- **Miami is already used by international insurers / reinsurers to service the Caribbean / Latin America - it is easily accessible by air travel**
- **Bermuda is a recognized international reinsurance centre rivalling London for catastrophe reinsurance - 3rd largest market in the world**
- **Already there are other offshore centres for captives / exempt insurance - e.g. Cayman, Barbados, St. Lucia**
- **Cayman is a domicile for captives and market leader for hedge funds**
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# **REGIONAL COMPETITION (cont'd)**

- **British Virgin Islands ranked #27 in General Financial Centre Index 2008**
- **Bahamas is ranked #36 - it is a leader in ship registry**
- **Even Jamaica is urged by its business community to explore becoming an IFC**
- **Dominican Republic's Independent Financial Centre of the Americas to be established by 2009**



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## **THE WAY FORWARD**

- **Define what niche is intended to be served – avoid copying a model wholesale**
- **Dominance in the wider regional markets is the first step towards setting the stage to achieving IFC status**
- **Enter into markets with large Caribbean population**
- **Benchmark against established IFC's**
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- **Attract international players as insurers and reinsurers to service the region and Latin America**
- **Complete double taxation treaties with countries from which the IFC expects to attract entrants**
- **Adopt strategies to overcome its severe skills shortage not only for Insurance services but also related professional services**
- **Solve its infrastructure problems – transportation, communications, business support**
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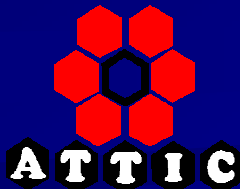
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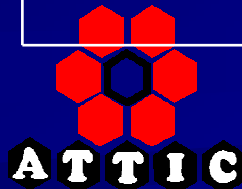
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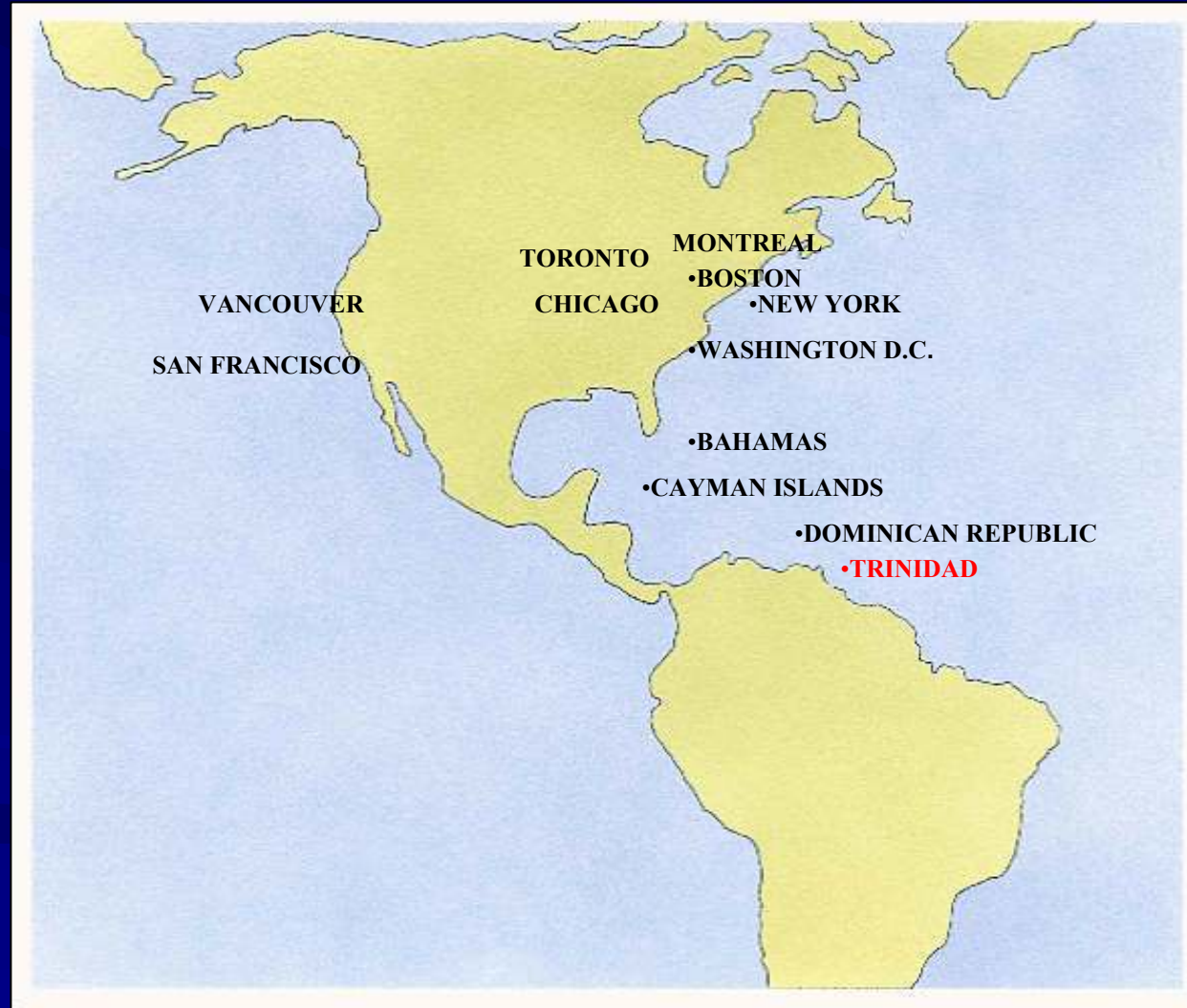
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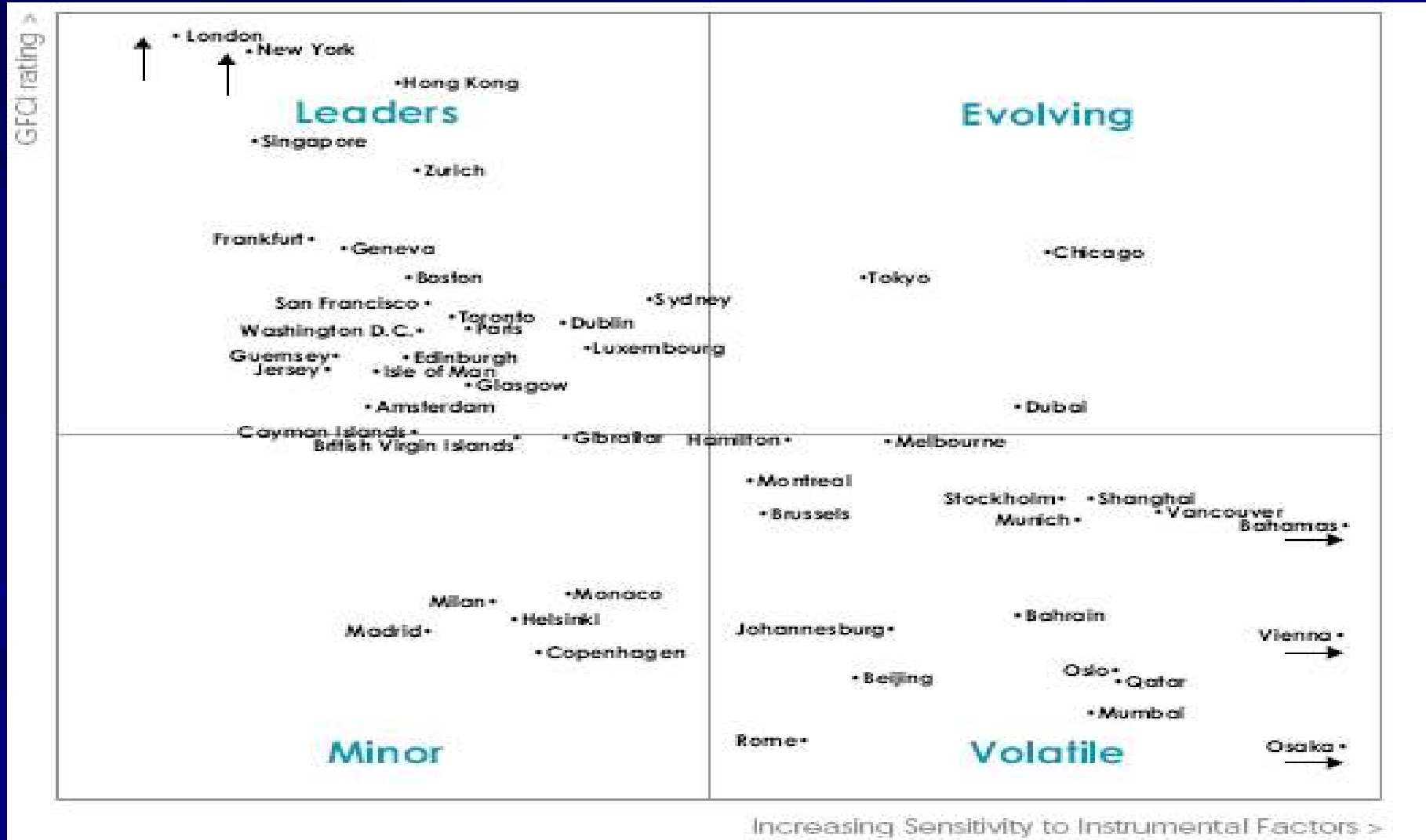
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