

# STATEMENT

for the

## CIB/CLICO MEDIA CONFERENCE

by

*Mrs. Karen Nunez-Tesheira*  
*Minister of Finance*  
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Mr. Chairman, Governor, Mr. Duprey, members of the media. I would like to make a short statement with respect to this issue.

Since the enactment of the Insurance Act over twenty-eight (28) years ago, the Act has remained fundamentally unchanged. Over that period, however, the regulatory authority for insurance companies and pension funds shifted from the Ministry of Finance to the Central Bank, and in keeping with international standards and best practices, the Bank has been updating the regulatory framework governing licensed and registered financial institutions so as to maintain an effective, fair, safe and stable financial sector for the benefit and protection of policyholders.

The insurance industry has adapted to the forces of globalization through continuous financial innovation, a blurring of the boundaries between its various sub-sectors (banks, insurance companies and other institutions) and through the adoption of new structures, including conglomerates and holding companies. Another major change over the past few years has been the cross-border expansion of our financial sector. Currently, locally-owned insurance companies operate throughout the English and Dutch-speaking Caribbean.

The present international financial crisis also gives a new urgency to strengthen our regulatory system. While there are many reasons for the crisis, clearly one of them is inadequate risk management systems and lax regulation of financial institutions. We have seen over the past few years Insurance companies in Trinidad and Tobago getting more and more involved in innovative instruments which heightens the importance for having proper risk management policies and ensuring that good governance practices are in place.

In the US, UK, Europe and the Far East countries, Governments have undertaken massive support and intervention programmes into various parts of their financial sectors and increasingly into their productive sectors. The strategies adopted by the world's major governments were agreed to last October and set out clearly by the G20 group. These strategies centered around the intervention in the financial

sectors, the strengthening of regulatory oversight over financial operations and the removal of the significant gaps in regulatory oversight and capacity

In order to protect the interests of our citizens, The Central Bank and the Government of Trinidad and Tobago have maintained our commitment to maintain the integrity of the financial sector as a whole, and thus protect the interests of each of our citizens and our business community, whether it relates to savings, investments, loans and insurances, or any other kind of financial trust.

More specifically, as we have heard previously, in the last fortnight it has become clear that a situation has arisen within the CL Financial Group which requires intervention by the Central Bank and, where necessary, the Government, into the operations of the financial institutions comprising the Group.

The proposed action will be initiated with Clico Investment Bank (CIB) which is the institution over which the Central Bank currently has the greatest leverage under the new Financial Institutions Act. At the same time, the scope of the oversight will be broadened to include CLICO, the insurance entity, and British American Insurance Company. The proposed strategy for these institutions requires the Government to gain a degree of leverage over the operations of the holding company, CL Financial, in order to allow the orderly rationalization of assets and

liabilities of the Group. Many of the Group's transactions are interwoven, not only among and between the separate CL subsidiaries, but in almost all cases with the parent holding company.

The wide scope of coverage and the sheer size of the Group mean that the Central Bank and the Government are particularly cautious about the potential impact of its financial problems. It is our assessment that the present circumstances may require not only an infusion of liquidity, but substantial additional steps undertaken for the express purpose of protecting the depositors and other liability holders of the Group, especially life insurance clients and pension fund beneficiaries.

The Government supports the intended action of the Central Bank which we believe will permit an orderly restructuring of the institutions and safeguard the interests of our citizens who are depositors, insurance clients and pension fund members.

Moreover, the Government and Central Bank have agreed to contract an international firm to assist in the restructuring of the companies along the lines agreed to by the Central Bank.

To you, citizens of Trinidad and Tobago, many of whom may have a financial tie of one kind or another, to a greater or lesser degree, with the CL Financial companies, and all of whom are dependent on the financial institutions of our country, this is a time when we must show our mettle. This intervention is timely and thorough, and it is geared to

protect, to the greatest extent possible, the jobs and the hard earned money of our citizens and commercial sector. I will keep you abreast of developments as they happen.

I wish to reiterate this Government's commitment to ensure that depositors assets will not be at risk. (REPEAT)

We are going to weather the storm. All of us. And the only way to do it is to take action swiftly and decisively. In this way our financial sector will remain healthy and our people will be able to depend on those systems which are so integral to our present security and future prosperity.

I Thank You.

**END**