

**Insurance Sector Issues
in the Caribbean**

**Conference on Financial Stability,
Interconnectedness and Risk Assessment
in the Caribbean**

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INSURANCE SECTOR ISSUES IN THE CARIBBEAN AGENDA

- **A HISTORICAL SUMMARY OF INSURANCE SECTOR ISSUES AND REGULATORY DEVELOPMENTS**
- **KEY ISSUES TODAY**
- **POLICY AND OTHER INITIATIVES TO STRENGTHEN FINANCIAL STABILITY/FRAMWORK IN THE CARIBBEAN**

HISTORICAL SUMMARY OF ISSUES

10 YEARS AGO

- **Regulators' key issues:**
 - **Risk of deficits in the Statutory Deposits and Statutory Fund**
 - **Inadequate capital**
 - **Credit risk of intercompany transactions**
 - **Inadequate Regulatory Tools: legislation, resources and data**

- **Insurers' key issues:**
 - **Asset/liability mismatch risk - limited investment opportunities**
 - **Strategic risk due to new products and expanded operations**
 - **Operational risk due to low productivity and no economies of scale**

SUMMARY OF ISSUES IN THE INTERVENING YEARS

- **Insurers' issues:**
 - **Significant growth in sales of annuity products**
 - **Certain interest rate guarantees came into the money when interest rates fell**
 - **Containment of contagion arising from the regional crisis**

- **Regulators' issues:**
 - **Crisis management**
 - **Need for risk-based supervision, consolidated supervision and macroprudential surveillance**

STRENGTHENING REGULATION AND SUPERVISION OVER THE LAST 6 YEARS

- **Updating of legislation and guidelines**
- **Changing the regulatory authority in some jurisdictions to either a Commission and a Central Bank**
- **Strengthening the collective skillset and expertise of staff**
- **Implementation of risk-based supervision in some jurisdictions**

KEY ISSUES IN THE INSURANCE SECTOR TODAY

- **Financial Stability and Macroprudential Issues**
 - **Systemic/contagion risk due to regional SIFIs**
 - **Contagion risk due to financial interconnections**
 - **Liquidity and solvency issues posed by group structures**

 - **Data collection, data integrity and analysis**
 - **Balance between disclosure for data for financial stability surveillance and confidentiality**

 - **Enhanced protection of policyholder interests**
 - **Crisis Management**

KEY ISSUES IN THE INSURANCE SECTOR TODAY

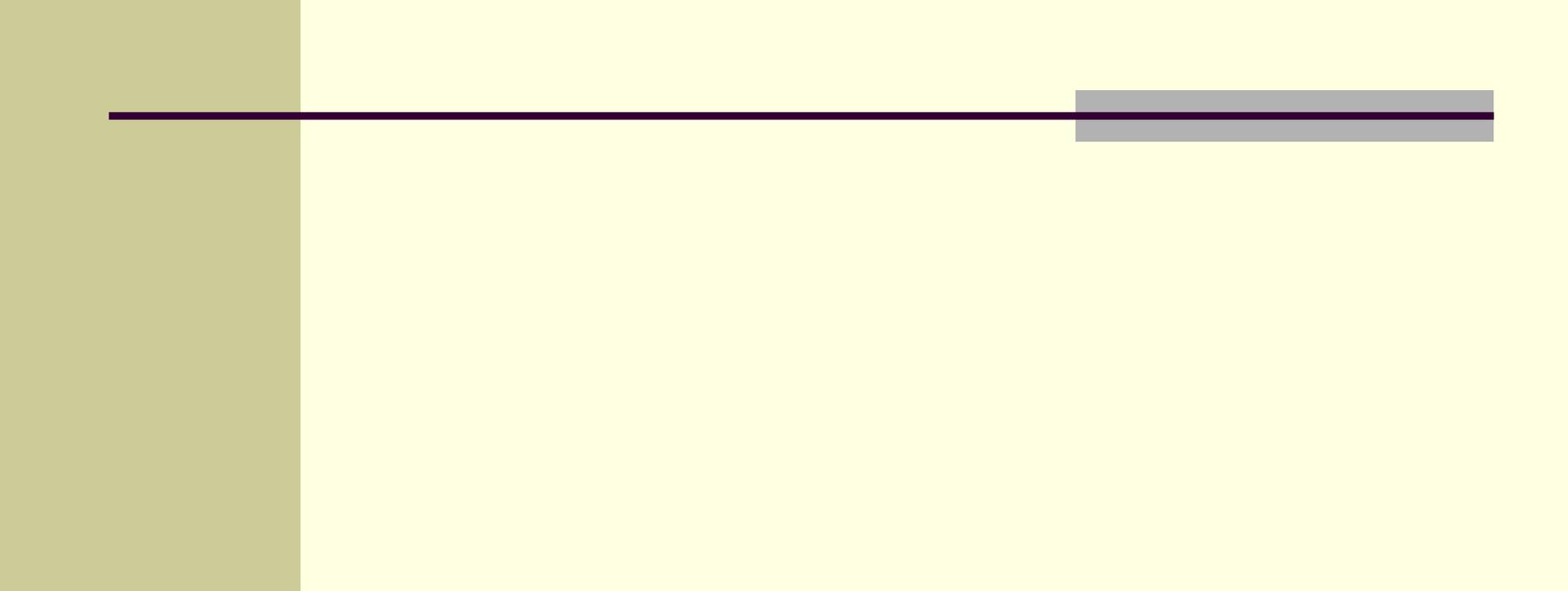
- **Regulators' and insurers' issues:**
 - **Constraints to investment and hedging strategies**
 - **Different methods for the valuation of liabilities**
 - **Risks in top 3 life insurance products: annuities, Universal Life and Unit-linked**

CURRENT INITIATIVES TO STRENGTHEN FINANCIAL STABILITY/FRAMEWORK

- **Regionally**
 - **Interconnectedness Map**
 - **Financial Stability Indicators and Reports**
 - **CAA – standards of practice**
- **CAIR**
 - **Regular Supervisory colleges and MOU**
 - **Partnering with AM Best for regional statistics**
- **Individual jurisdictions**
 - **Resolution strategies for Clico/BA**
 - **Updating legislation including risk-based capital**
 - **Establishment of a Single Regulatory Authority**

RECOMMENDATIONS FOR FURTHER STRENGTHENING

- **Harmonize regulatory capital and statutory reporting requirements**
- **Improve data collection**
- **Amend legislation for consolidated supervision and add supervisory tools**
- **Develop Market Conduct regulation and programs for consumer education**



QUESTIONS?

THANK YOU