



# CENTRAL BANK OF TRINIDAD & TOBAGO

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## ADDRESS

at the

### **“National Financial Literacy Programme” Launch of Booklets**

by

*Mr. Ewart S. Williams*  
*Governor, Central Bank of Trinidad and Tobago*  
*September 30, 2008*

Sincere thanks for accepting our invitation to attend this seminar on “*Focus on Insurance*”, being sponsored by the Bank and two of the Bank’s units – the Office of the Financial Services Ombudsman and the National Financial Literacy Programme.

We plan to use this opportunity to do three things:

- (i) inform you about what the Bank has been doing to improve regulation and market practice in the industry;

- (ii) launch two important publications designed to educate the population about motor vehicle insurance and improve the level of service provided by our insurance companies; and
- (iii) give a short update of the work the Bank has been doing to improve financial literacy.

In the course of our NFLP Survey, conducted early this year, it was clear that many people were not happy with the service provided by the Insurance industry. I guess you would not be surprised if I tell you that the image of your industry needs a bit of polishing. I would admit that some of the bad-name you receive has to do with inadequate knowledge on the part of consumers and we are doing our part to correct that.

You may recall that the legislation shifting regulatory control of the insurance industry from the Office of the Superintendent of Insurance, Ministry of Finance to the Central Bank took effect June 2004.

Since then the Bank has taken a number of initiatives in the industry.

- (i) In 2005 the Office of the Banking Services Ombudsman became the Office of the Financial Services Ombudsman as its mandate was extended to cover complaints made by consumers of insurance services.
- (ii) To improve regulation while we engaged the industry in dialogue to upgrade the Insurance Act, the Bank issued a series of guidelines in the areas of **corporate governance: combating money laundering and terrorist financing, prudent person approach to investment and lending**, and fit and proper.

- (iii) We have been trying to ensure that companies meet their statutory fund and other legal requirements. Companies that are found to be in breach are given time to correct their shortcomings. Unfortunately, if things are not corrected, the Regulator is required to act. Thus, two companies have been intervened and we are keeping tabs on a few others.
- (iv) At the present time the Central Bank, in collaboration with, the Caribbean Actuarial Association, ICATT and ATTIC, **has been working on a common actuarial valuation methodology for long term insurance business.**
- (v) The Central Bank is also consulting with general insurers to arrive at **a consistent methodology for loss reserves.**

An acceptable actuarial valuation methodology for long term insurance business and an acceptable methodology for calculating loss reserves for general insurance business are both necessary requirements for the **implementation of a Risk-Based Capital Adequacy Framework** which is one of our major strategic objectives.

As to the substantive legislation, we are close to having the first draft of a new **Insurance Bill**, ready for review by the industry. This has been in the process for a while but sometimes it takes time to get it right. We hope to have new insurance legislation in place around the middle of next year.

### **About the publications**

Over the last eighteen months the OFSO and the NFLP Secretariat have worked closely on improving the level of financial literacy of the population.

In 2007, the OFSO released a booklet entitled “**Dollars and Sense**”. The booklet was a compilation of banking tips which had been published in the newspapers. As a parallel to this document, on the insurance side, we are now launching “**In the Driver’s Seat**” which is intended to be a comprehensive guide to **understanding motor insurance**.

Work on this motor insurance guide was prompted by the review of the OFSO files which indicated that many of the complaints received resulted from a lack of understanding of motor insurance. While most insurance companies provide copious information about their insurance policies, policyholders are not sufficiently aware of their rights and obligations either because they do not take time to read the policies or because the information is not sufficiently reader-friendly. This booklet tries to fill this gap.

The “**Claims Guideline**”, the second publication that we are launching today is of great importance to the industry.

As you may be aware, consumers very often experience significant challenges with respect to **satisfactory settlement of claims both in terms of timeliness and the proposed settlement amount**. This is particularly so for motor insurance claims. This criticism is directed towards some companies more than others as the vast majority of insurers have well developed market conduct practices in place. The number of complaints received by the Office of the Financial Services Ombudsman, while declining, suggests that there is a need to formally address this problem.

A committee comprising representatives from ATTIC, the Association of Brokers and Adjusters and Central Bank staff worked to develop a Claims Guideline. **This Guideline is intended to outline the broad steps that all parties, including the policyholder, should follow in order to ensure smooth claims**

**settlement.** This document not only focuses on timelines for the various steps but also the required documentation that is required in order to process the claim. We believe that **this degree of transparency in the claims settlement process** should go a long way to eliminating some of the market conduct challenges that currently exist, and thus enhance the image of the insurance industry.

I would like to thank:

- Mrs. Judy Chang, for initiating this project when she headed the Ombudsman's office. Her advice and support, even after she left office, was most helpful in the completion of the booklet;
- Special thanks are also due to Mrs. Rani Lakhan-Narace, President of the Association of Trinidad and Tobago Insurance Companies (ATTIC) who provided full and enthusiastic support;
- Mr. Henry Harper, General Manager of Trinidad and Tobago Association of Insurance and Financial Advisers (TTAIFA) who provided valuable feedback on the content;
- Mr. Bernard Aquing, who served as Consultant and was responsible for producing the first draft of the document; and
- Mr. Bertrand Nicholas, Insurance Consultant, who reviewed and provided input to the document.

Finally, my sincere congratulations go to our Central Bank team, the Office of the Ombudsman and the Secretariat of the NFLP, that had the final responsibility for these publications.

Ladies and Gentlemen, I want to publicly acknowledge the considerable support that the industry has given to the Bank in all our projects. We have adopted a strategy of close consultation and collaboration ... and it has worked ... **sometimes we disagree on details .. but we always find a way of reaching a compromise .... sometimes consultation involves overly painstaking dialogue** resulting in inordinate delays. But it's the cost of making progress and getting your "buy-in".

So thanks for your support. We are going to need every bit of it to produce a good Insurance Act.

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