



CENTRAL BANK OF TRINIDAD & TOBAGO

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Feature Address

at the

Launch of

ScotiaLife Trinidad and Tobago Limited

by

Ewart S. Williams
Governor, Central Bank of Trinidad and Tobago

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Let me congratulate Scotiabank on the formal launch of your new subsidiary, ScotiaLife Trinidad and Tobago Limited. While there have been other excursions in the field of BancAssurance, the model whereby a bank actually establishes an insurance company is new in Trinidad and Tobago and Scotiabank deserves credit for attempting to exploit the synergies and economies of scale to be derived from the selling of banking products to insurance clients and vice versa.

It may be a cliché to talk about the rapid changes taking place in the financial sector. The reality is, however, that perhaps second only to energy, the financial sector has been a major source of dynamism in our

economy over the past several years. This dynamism is being reflected on several fronts.

Firstly, through product innovation (that continues apace), and the blurring of the frontiers between financial institutions. Thus it is becoming increasingly difficult to delineate where banking stops and insurance and investment activities begin. Nowadays many banking products are indistinguishable from annuities or from mutual funds.

Secondly, the dynamism is being reflected in the structural changes taking place in the sector, as competition leads the various players to seek to reposition themselves both within the domestic market and regionally.

The ongoing restructuring of the sector is being seen through the formation of large **corporate financial groups** which now cover a range of financial service firms (banks, insurance companies, securities), through the offshore acquisitions by local financial institutions, through the shake-out in the insurance sector, and through strategic alliances between firms operating in different niches of the industry.

Thirdly, the dynamism of the financial services industry is being reflected in the expanded use of information technology as well as through the use of highly sophisticated marketing techniques to increase market share.

Scotiabank has been in the forefront of this process of financial sector evolution, for example, through initiatives in the area of tele-banking services and your innovations in auto, mortgage and trade financing. Scotiabank should also be commended on its efforts to enhance customer service.

In this context, I note from your 2002 Annual Report that Scotiabank was singled out by Latin Finance for “**excellence in consumer services in the region**”. In the same report, I was also very impressed by the Managing Director’s avowed goal of “**making Scotiabank the best loved bank in Trinidad and Tobago**”.

Let me caution you, Richard, that if you think that bank customers are slow to give love, the insurance clients are even more difficult to court.

The rapid pace of change in the financial sector has provided several **challenges for the Central Bank as regulator**, and I must confess, has left us playing “catch-up”.

One such challenge is to strengthen the regulation of the insurance industry. As you know, this is being done, in the first instance, through an amendment to the current insurance legislation which would transfer the authority for the regulation and supervision of the industry from the Office of the Supervisor of Insurance, to the Central Bank. The Bill is currently in Parliament and passage is expected before the end of this month.

When the Central Bank assumes this new mandate, it plans to implement a new supervisory framework within the limits of the existing legislation. One important aspect of this new framework will be **the introduction of on-site, risk-based supervision**. While this will be new for many insurance companies, it should present no problems for ScotiaLife, since its parent Scotiabank, has been subject to this inspection methodology for the past several years.

The second challenge that the Central Bank would need to address is the comprehensive reform of the Insurance Act. This legislation, which dates back to 1980, was framed at a time when insurance companies operated in an entirely different environment. We have already started discussions with the stakeholders of the industry to arrive at new insurance legislation which meets international best practices but fits the local environment. From our discussions, so far, there is a clear consensus that the new legislation needs to address (among other things):

- higher minimum capital requirements;
- modern standards of corporate governance;
- enhanced powers for the supervisor;
- clear exit rules; and
- new standards of market conduct.

In the course of our preparations to assume regulatory oversight of the insurance industry, we in the Central Bank have found the **issue of market conduct** to be a major area of concern. Given Scotiabank's emphasis on customer service and its commitment "**to be a customer-centric, relationship-focussed bank**", I might well be preaching to the converted. Nevertheless, I think that for the management and staff of ScotiaLife, the importance of **good market conduct** is still worth stressing.

As you know, good market conduct has several dimensions. In addition to the **prompt settlement of claims**, it includes:

- honest and clear advertising, including the frank disclosure of the fine print;
- fair product pricing;

- an efficient mechanism to meet the information needs of policy holders; and
- a transparent, easily accessible dispute resolution process.

I like to remind insurance sales officers that potential clients are almost always at a tremendous disadvantage, relative to the company and its representatives, on insurance matters. I also like to advise them that **true professionals always resist any temptation to use this asymmetric relationship to their advantage.**

Obvious pre-requisites to good market conduct practices are the provision of intensive and relevant training (that emphasises, for instance, product knowledge, customer service, as well as needs-based selling), and the right type of corporate culture.

Over the years Scotiabank has demonstrated that it has the right customer focus and the right corporate culture. ScotiaLife thus comes from a good family and, as such, is a most welcome addition to the insurance industry.

In closing, let me take the opportunity to congratulate Scotiabank for the constructive role it has played in the development of our financial sector and for its **good corporate citizenship.** Let me welcome Scotialife to the insurance industry and wish the company every success.