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CENTRAL BANK OF
TRINIDAD & TOBAGO

Financial
STABILITY REPORT

Mid-Year Review, June 2012

Central Bank of Trinidad and Tobago
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EXECUTIVE SUMMARY

International Environment

- Hopes of a recovery in the global economy faltered in the face of rising concerns about the resolution of the sovereign debt crisis in the Euro area. While the European Central Bank's (ECB) long-term refinancing operations (LTRO) helped to improve funding conditions for Euro-area banks and provided some temporary respite in the early months of 2012, optimism in the financial markets began to recede since April 2012, in light of renewed concerns about conditions in Spain and Italy. Growth in the Euro area has been weaker than expected, declining by 0.3 per cent in the fourth quarter of 2011 followed by flat growth in the first quarter of 2012.

- The slower momentum of recovery in the United States and the contraction in the United Kingdom added strains to an already uncertain outlook for global growth. Real GDP growth in the United States was revised downwards to 1.9 per cent for the first quarter of 2012 while in the United Kingdom, economic activity contracted by 0.2 per cent.

- Rising uncertainty about the performance of the advanced economies, especially in Europe, is undermining trade, tourism, and to some extent confidence in emerging markets and has already prompted some moderation in the high growth rates of some emerging market economies. Real growth rates in China and India slowed in the first quarter of 2012 to 8.1 per cent and 5.3 per cent, respectively (from 8.9 per cent and 6.1 per cent in the final quarter of 2011), in the face of weaker export demand and tighter domestic measures aimed at curbing inflationary pressures.

- The increased uncertainty in Europe has weighed heavily on investor sentiment and resulted in greater volatility in equity and bond markets. Immediately following the policy actions by the ECB, yields on Spanish and Italian bonds declined, equity prices recovered and credit spreads in Europe narrowed as investor fear subsided. However, as strains in the Euro area returned in May and June, sovereign bond yields have begun to rise once more while credit spreads have widened. Global equity markets have also become more jittery with both the volatility stock index (VIX Index) and VSTOXX Index – measures of perceived market volatility - on the US and European stock markets, respectively rising sharply between March and May 2012.

- The financial performance of large and complex banking groups in the Euro area worsened as banks' net income and other measures of profitability were affected by sovereign debt write-downs. Several European banks, particularly in Spain and Italy, have been downgraded by the rating agencies. Although the liquidity support measures have temporarily eased pressures for rapid deleveraging, many European banks have announced plans to restructure their balance sheets.

Domestic Environment

- The economic environment in which financial institutions operated in Trinidad and Tobago in late 2011 into 2012 continued to be fairly sluggish. Real GDP is estimated to have declined by 2.6 per cent in each of the third and fourth quarters of 2011 and by 1.4 per cent for 2011 as a whole. While much of this decline resulted from lower output in the energy sector as a result of on-going maintenance work in several energy plants. Non-energy sector activity, particularly in the construction and manufacturing sectors, was also negatively impacted by industrial action at Trinidad Cement Limited.

- Sluggish credit demand along with fewer issues of public sector bonds contributed to a surge in excess liquidity in the financial system in late 2011 and during the first four months of 2012. This high level of liquidity has however receded since April as fiscal injections lessened and as the Central Bank deployed liquidity absorption measures.

- Short-term domestic interest rates have declined to unprecedented lows in the highly liquid environment and with US Treasury rates rising, the interest rate differential between TT and US short-term rates has narrowed substantially.

- Financial institutions continue to face challenges in the slower economic environment. Despite the sharp fall in interest rates, deposits in the banking system have been increasing at a faster pace than loans, contributing to the significant excess liquidity in the financial system. With the fall in rates, deposit-taking institutions have been earning less income on their investments and other assets. Insurance companies also experienced greater challenges with respect to asset-liability matching. Despite the lack-lustre performance of the domestic economy, the financial system remains stable and well capitalized.

The Banking Sector

- Lower lending rates and more aggressive loan marketing campaigns have helped to bolster credit extended by commercial banks. Private sector credit extended by banks grew by 6.3 per cent in the twelve months to March 2012, up from 1.5 per cent a year earlier. Notwithstanding the improved lending conditions, commercial banks were still faced with declining interest income, as interest rates dropped and as fewer viable investment opportunities became available.

- Nevertheless, banks successfully managed both their interest expenses and other operating expenses and therefore recorded relatively strong, though, somewhat lower profits. Net profit before taxes declined to $574.6 million in the year to March 2012 from $699.0 million, a year earlier. Banks' profits were supported by lower funding costs as interest expenses fell by 31.2 per cent (year-on-year) in the year to March 2012. Banks' return on equity as well as return on assets also declined to 15.0 per cent and 2.1 per cent, respectively in March 2012 from 17.2 per cent and 2.4 per cent in December 2011.

- Credit quality fell slightly as the ratio of non-performing loans to gross loans inched up to 6.8 per cent in March 2012 from 6.3 per cent in December 2011. The modest deterioration in credit quality however, is not indicative of any broad-based increase in non-performing loans, but rather mainly reflects the impact of two loans in the more exclusively-priced segments of the real estate mortgage market. If these loans were excluded, the ratio of non-performing loans to total loans would fall to 4.7 per cent in the quarter ending March 2012 from 6.3 per cent in December.

- In the quarter ending March 2012, banks increased their provisioning for non-performing loans. The ratio of commercial banks' specific and total provisions to impaired loans rose to 31.2 per cent and 37.9 per cent, respectively in March 2012 from 28.3 per cent and 35.2 per cent in December 2011.

- Commercial banks remained well capitalized as the ratio of regulatory capital to risk-weighted assets increased to 26.1 per cent in March 2012 from 25.1 per cent in December 2011. These capital adequacy ratios are among the highest in the CARICOM region.

- Banks continued to maintain large excess liquid balances at the Central Bank which grew to a daily basis of $5.6 billion in March 2012, up from $1.7 billion in March 2011. As a consequence, the ratio of liquid assets to total assets and the ratio of liquid assets to short-term liabilities were higher by 390 basis points and 540 basis points, respectively in March 2012, compared to a year earlier.

- Faced with the limited availability of investment instruments and narrow differentials among interest rates on deposits of varying maturities, depositors opted to hold a larger proportion of their funds in very short-term instruments. Consequently, while time deposits held by individuals declined by 2.7 per cent (year-on-year) in March 2012, savings and demand deposits increased by 15.6 per cent and 13.9 per cent, respectively. In total, demand and savings deposits in commercial banks grew by 20.5 per cent and 12.1 per cent, respectively.

- Commercial banks invested more heavily in low-risk US treasury bills which increased their foreign country exposure to 6.2 per cent in March 2012 from 5.2 per cent one year earlier. Exposure to CARICOM economies remained unchanged at 3.2 per cent of gross assets.

Non-Bank Financial Institutions

- Non-bank financial institutions (NFIs) experienced a reduction in their activity largely on account of limited investment opportunities and increased competition from commercial banks. Investment portfolios of the NFIs contracted by 9.8 per cent in the year to March 2012 following a decline of 10.3 per cent in December 2011.

- The non-bank sector experienced a steeper decline in profitability than its commercial bank counterparts. Profits before tax fell by 52.7 per cent (year-on-year) in March 2012 on account of a steep decrease in interest income (52.0 per cent) and fee income (19.4 per cent) from capital market activities.

- The asset quality of the NFIs was partly affected by weaker tourism activity in the Caribbean. A few non-banks reported increased delinquency in loans to the tourism and hospitality sector in the region. The ratio of non-performing loans to total loans increased to 5.0 per cent in March 2012 from 2.9 per cent, a year earlier.

- To provide for increased loan delinquencies, non-banks raised their specific provisions. The ratio of specific provisions to impaired assets rose to 44.8 per cent in March 2012 from 31.8 per cent in March 2011.

Life Insurance Companies

- Notwithstanding the sluggish domestic economic environment, the insurance industry maintained a steady path of recovery. Both traditional and non-traditional life companies recorded increases in net business on the books, despite higher levels of policy surrenders in wealth management products (primarily unit-linked business).

- With respect to financial stability, the financial soundness ratios showed that there had been no significant deterioration in the overall stability of life insurance companies.

- The asset quality of life companies has been improving as companies have been reducing their exposures to related parties in response to regulatory recommendations. The main assets of the life sector comprise government securities and high grade corporate bonds.

- Whereas capital adequacy ratios are somewhat stable, they have been trending downwards since 2009. Companies in the life sector have had to increase their actuarial reserves to compensate for the lower-than-expected investment income in their actuarial valuations.

- Earnings and profitability of the sector have been constrained by the low interest rate environment and by insufficient re-investment opportunities. The return on equity and the return on investment fell to 9.7 per cent and 5.7 per cent respectively in 2011 from 14.7 per cent and 6.2 per cent in the previous year.

- Liquidity levels in the sector remained relatively satisfactory as companies held more short-term assets in their portfolios in 2011. However, companies continue to confront challenges posed by re-investment risk in the absence of sufficient issues of longer-term securities in the market.

Non-Life Insurance Companies

- Higher premiums from property business contributed to a 4.6 per cent increase in gross premium income in the non-life sector in 2011. Premium income from motor vehicle business, the second largest category of business in the sector, stagnated in 2011.

- Non-life companies have continued to cede more property business to international reinsurers to reduce their direct risk exposure to the property sector. This has led to a decline in the retention ratio to 52.6 per cent in December 2011 from 54.8 per cent in December 2010.

- Asset quality has been deteriorating due to an increase in outstanding amounts owed by debtors. The Central Bank has emphasized the need for companies to strengthen their credit collection mechanisms.

- The ratio of net technical reserves held to net claims paid out (the net technical ratio) rose significantly in 2011 as companies moved to strengthen their claim reserves. Claim reserves in the motor vehicle business increased by $71.0 million in 2011.

- Liquidity levels in the sector remain satisfactory although there has been a decline in the liquidity ratio as companies held less treasury bills in their portfolios.

Regulatory Developments

- In preparation for the new risk-based capital regime, a fourth Quantitative Impact Study was completed for the financial year ended 2010. The results of this study revealed that life insurers were more adequately capitalized than the general insurers. Eight life insurance companies compared to six general insurance companies attained regulatory capital requirement ratios exceeding 200 per cent.

- The new Insurance Bill was laid in Parliament in November 2011 and is expected to be debated during 2012.

- The Central Bank issued two Guidelines for the Notification of New or Materially Different Products or Services for both the banking and insurance sectors. These new guidelines provide further clarification to financial institutions on what is deemed a new or significantly amended banking or insurance product or service.

- The Central Bank held a number of sessions to explain and clarify key sections of the Credit Union Bill to the industry during January, 2012. Draft regulations to govern the activities of the sector are to be issued during the second quarter of 2012.

- In April 2012, the Trinidad and Tobago Securities and Exchange Commission (the TTSEC) issued two guidelines to the financial sector: (a) the Repurchase Agreements Guideline; and (b) the Guidelines on Anti-Money Laundering & Combating the Financing of Terrorism.

- In 2010, the United States enacted the Foreign Account Tax Compliance Act (FATCA), which is intended to increase transparency for the Internal Revenue Service with respect to US citizens that may be investing and earning income through non-US financial institutions. The Central Bank is currently reviewing this legislation and its resulting impact on the local financial sector.

CHAPTER 1

THE MACROECONOMIC ENVIRONMENT

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Macro-economic Developments[1]

The global malaise intensified in the second quarter of 2012 amidst heightened uncertainty in the Euro area as a result of the region's debt conundrum. This was despite some important earlier policy steps which brought temporary relief to Europe's financial markets, including the increase in the combined lending ceilings of the European Financial Stability Facility (EFSF) and the European Stability Mechanism (ESM), the provision of financial support to Greece and agreement by some countries on a fiscal pact. However, the banking sector remains an area of weakness with banks challenged by exposure to sovereign debt and by inadequate capital cushions, in addition to the economic softness in the Euro area.

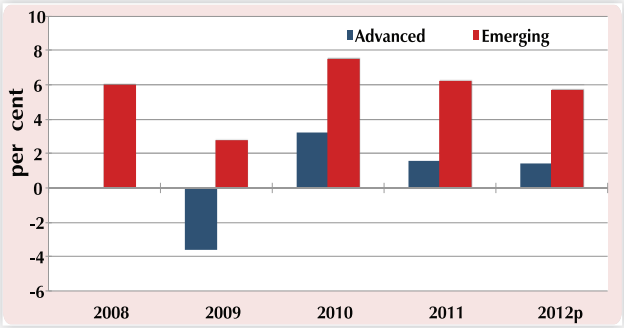
During the second quarter, Spain accepted European aid for recapitalizing its banks, which came under increasing pressure. Nonetheless, ongoing funding concerns and mounting borrowing costs pushed Spain and Italy closer to debt crises. In Greece and France, austerity fatigue has led to political changes which could possibly slow reform efforts and threaten global growth. However, in Greece, the results of the latest elections in June have allayed fears of the country's exit fron the Euro area, although implementing reforms and renegotiating the IMF-EU bailout remain formidable challenges for the new administration.

So significant are the problems of the Euro area that the Organization for Economic Cooperation and Development (OECD) has reduced its forecast for growth there for 2012 and 2013 while stressing the serious risk that the region's debt crisis poses for the global economy. The effects have already begun to filter through to some emerging markets where growth has begun to slow.

Within this context, the United States' economy grew in the first quarter of 2012, although at a slower pace of 1.9 per cent (quarter-on-quarter). However, the labour market performance remains fragile with disappointing job growth in April 2012. Meanwhile, in the United Kingdom, the economy contracted by 0.2 per cent (quarter-on-quarter) and the outlook for the near term remains bleak due to downside risks from the situation in the Eurozone.

Though the emerging markets continue to outperform industrialized countries, the effects of the Eurozone malaise are beginning to take hold in these economies **(Chart 1.1)**. Capital inflows to emerging markets have slowed markedly owing to events in Europe. Also, importantly, earlier stimuli are being withdrawn and monetary policy is being tightened to reduce credit

Chart 1.1
Real GDP Growth: Advanced and Emerging Countries
/Per cent Change/



Source: International Monetary Fund, World Economic Outlook Database, April 2012.

[1] For a more extensive discussion of macroeconomic developments, see Central Bank of Trinidad and Tobago, Monetary Policy Report, April 2012.

growth and to contain inflationary pressures. In China, however, the Bank of China, concerned by the relatively slow pace of economic expansion of late, cut its lending and deposit rates by 25 basis points in June- which was the first action of this nature since 2008. Indeed, fourth quarter growth in China, though still robust, was the slowest for the past seven quarters, reflecting in part weaker export demand and earlier domestic measures to prevent overheating. The Indian economy experienced a similar slowdown resulting from its tightened monetary stance in the face of a rebound in consumer prices.

On the regional front, overall growth in the Caribbean in 2011 measured 2.8 per cent but much of this was attributable to the commodity-producing countries of Suriname (4.5 per cent) and Guyana (5.4 per cent). In contrast, growth in the tourist-dependent economies was more modest: in Barbados, 0.5 per cent; Jamaica, 1.5 per cent; and in The Bahamas, 2.0 per cent **(Table 1.1)**. In general, growth continues to be stunted by high debt levels, rising international oil prices and relatively weak activity in tourism. To ease the burden of unsustainable debt levels, some Caribbean economies, most recently, St. Kitts and Nevis in March 2012, have pursued debt restructuring.

Against the background of a turbulent global environment, the Trinidad and Tobagop economy remained sluggish in 2011, despite signs of an improvement in financial sector credit to the private sector **(Table 1.2)**. In the twelve months to December 2011, the economy contracted by 1.4 per cent as output in the energy sector plummeted and real activity in the non-energy sector remained weak. Notwithstanding increased exploration activity, maintenance works in both the upstream and downstream areas of the oil and gas industry caused the energy sector to decline by 3.8 per cent. The non-energy sector is estimated to have grown marginally, by 0.1 per cent in 2011, which reflected mixed sectoral performances. While construction activity was fragile and distribution faltered, the finance sector is estimated to have grown by 0.8 per cent in 2011 on the strength of the banking and real estate sub-sectors.

Table 1.1
Real GDP Growth: Selected Caribbean Countries
/Per cent/

	2007	2008	2009	2010	2011	2012[f]
The Bahamas	1.4	-1.3	-5.4	1.0	2.0	2.5
Barbados	3.8	-0.2	-4.2	0.2	0.5	0.9
Belize	1.3	3.5	0.0	2.7	2.5	2.8
Eastern Caribbean	5.4	2.8	-5.7	-2.2	0.4	n.a.
Guyana	7.0	2.0	3.3	4.4	4.2	3.9
Jamaica	1.4	-0.8	-3.1	-1.4	1.5	1.0
Suriname	4.6	4.1	3.5	4.5	4.5	4.9

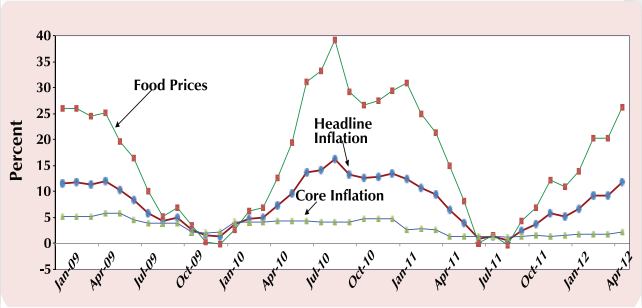
Sources: Eastern Caribbean Central Bank and International Monetary Fund, World Economic Outlook April 2012.
f Forecast.

The latest available data show that the economy contracted on a year-on-year basis by 2.6 per cent in the fourth quarter of 2011, similar to the third quarter. The lacklustre performance of the energy sector grew increasingly worse towards the end of the year, with activity declining by 7.8 per cent in the fourth quarter of 2011. On the other hand, growth was concentrated in the non-energy sector which grew by an estimated 1.2 per cent, buoyed by modest expansions in the distribution, finance, construction and water and electricity sectors. Furthermore, retail sales which are used as a gauge of the distribution sector were surprisingly resilient in the fourth quarter in spite of the existence of a curfew for much of the period. The improvement in construction activity stemmed from the acceleration of public road rehabilitation and the refurbishment and repair of public housing projects which caused higher local sales of cement, mined aggregates and hardware and other construction materials.

Preliminary data indicate that domestic economic activity remained sluggish in the first quarter of 2012. Preliminary data from the Ministry of Energy suggest that despite a substantial uptick in exploration activity, the energy sector may have contracted slightly in the first quarter of 2012. Lower output from BPTT as a result of ongoing maintenance operations was a principal contributor to this. Crude oil production continued on a declining path, falling by some 13.8 per cent from in the similar period in 2011. However, natural gas output was roughly the same as in the year-earlier period. As a result, activity in the refining sub-sector is estimated to have slowed.

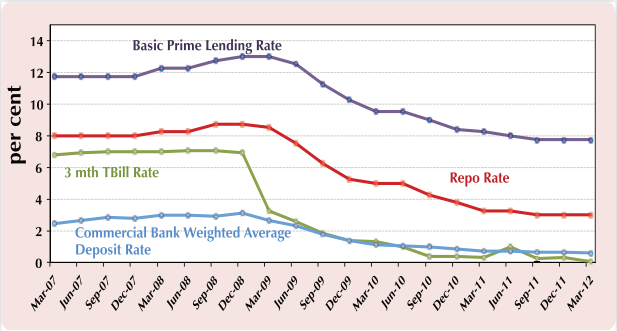
Although inflationary pressures were well contained in 2011, headline inflation reached double digits during the first four months of 2012. This rise, mostly reflects movements in food prices and was not generalized. On a year-on-year basis to April 2012, headline inflation rose to 11.8 per cent from 9.1 per cent in the previous month, while core inflation, which excludes food prices edged upwards to 2.2 per cent in the twelve months to April 2012 from 1.8 percent in March 2012 **(Chart 1.2)**.

Chart 1.2
Index of Retail Prices
/Year-on-Year Per cent Change/



Source: Central Statistical Office of Trinidad and Tobago.

Chart 1.3
Selected Interest Rates
/Per cent Change/



Source: Central Bank of Trinidad and Tobago.

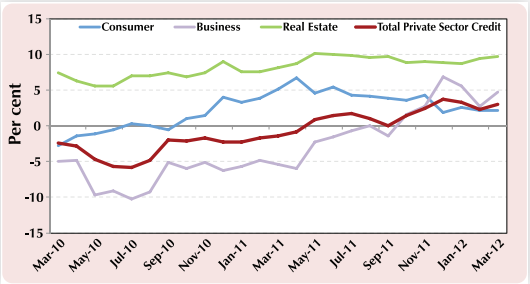
The Central Bank has maintained an accommodative monetary policy stance in light of the still-weak economy. The Bank kept the repo rate at 3.00 per cent, the rate which has been in force since July 2011 through to May 2012. In line with the slow rate of credit growth, commercial banks' rates have been on the decline. The banks' weighted average lending rate fell 3 basis points to 9.16 per cent in the quarter ending December 2011 and then a further 12 basis points to 9.04 per cent in March 2012. The weighted average deposit rate declined by 4 basis points to 0.61 per cent in December 2011 and a further 2 basis points to 0.59 per cent in March 2012 **(Chart 1.3)**.

Given lower lending rates and intensified marketing efforts by the commercial banks to sustain their loan portfolios, private sector credit has been growing at a slow but steady pace since the second quarter of 2011. After declining in the first four months of 2011, credit granted by the consolidated system began a slow recovery. By December 2011, private sector lending was up by 3.7 per cent (year-on-year) and by 3.1 per cent in March 2012 compared to 2.5 per cent in November and a decline of 2.2 per cent at the end of 2010 **(Chart 1.4)**. The recovery in private sector credit stemmed from bank lending, which rose in excess of 4 per cent from July 2011 onwards, and reached a high of 6.5 per cent in December 2011 (compared with 0.5 per cent in December 2010) and registered growth of 6.3 per cent in March 2012. Lending by non-bank financial institutions continue to register year-on-year declines (-12.7 per cent in December 2011 and -15.8 per cent in March 2012). For some time now, NFIs loan portfolios have been shrinking. This has been due to sharper competition for loans from banks and their strategic decision to return to their traditional line of business.

Despite the improvement in loan demand, financial system liquidity reached unprecedented levels owing to large net domestic fiscal injections associated with an acceleration of government's capital spending. Government therefore took the opportunity to issue a $1.5 billion government bond in November 2011 and zero coupon government bonds in the first quarter of 2012. Liquidity absorption measures adopted by the Central Bank including the voluntary placement of $1.5 billion by the commercial banks in a 1-year deposit facility at the Central Bank helped to bring liquidity conditions in check by the end of March 2012.

Abundant liquidity levels had served to drive short term interest rates to new lows but the tightening of liquidity conditions at the start of the second quarter of 2012 has prompted a small uptick. The three-month treasury bill rate rose to 0.10 per cent in April after falling to an historic low of 0.04 per cent in March. As a consequence, the interest rate differential between the TT and US three-month treasury bill rates which had turned negative in March became positive (0.02 per cent) again in April.

Chart 1.4
Credit by the Consolidated Financial System: Major Categories
/Year-on-Year Per cent Change/



Source: Central Bank of Trinidad and Tobago.

The global economic environment is at a critical stage, with weakness in the Advanced economies-especially the Euro area-threatening to unravel recent advances towards a sustained recovery. Emerging economies, who have hitherto been the engines of global growth, are themselves now being weighed down by events in Europe. This does not bode well for the Caribbean region, which is still struggling to overcome the effects of the slowdowns in its major trading partners on its trade, tourism and remittances. For Trinidad and Tobago, further global weakness could affect international demand for its energy and petrochemical products which could impact the non-energy sector, including ultimately, the financial sector.

Table 1.2
Selected Macroeconomic Indicators, 2005 – 2011
(in per cent unless otherwise indicated)

	2005	2006	2007	2008	2009	2010	2011
Real GDP Growth (year-on-year change)	6.2	13.4	4.8	2.7	-3.3	0.0	-1.4
Energy	8.3	21.8	1.7	-0.3	2.5	2.0	0.0
Non-Energy	5.0	6.4	7.6	4.9	-6.7	-3.8	-1.0
Construction	16.1	6.2	7.1	4.5	-7.1	-28.4	-7.9
Distribution	4.5	15.1	3.3	9.8	-21.2	-11.6	-8.5
Finance, Insurance and Real Estate	-2.4	1.0	10.4	3.1	-4.5	8.1	4.3
Inflation (12 month change)							
Headline	7.2	9.1	7.6	14.5	1.3	13.4	5.3
Food Inflation	22.6	22.0	16.8	30.6	-0.2	29.5	10.9
Core	2.7	4.6	3.9	7.1	2.2	4.7	1.5
Unemployment Rate (period average)	8.0	6.2	5.5	4.6	5.3	5.9	5.5*
Equity Prices							
Composite Stock Price Index (1000=1983)	1,067.4	969.2	982.0	842.9	765.3	835.6	1,012.9
Real Estate Prices							
Median House Price (TT$)	951,250	1,065,000	1,076,994	930,000	850,000	875,000	1,000,000
Fiscal Balance/GDP (fiscal year)	5.2	6.9	1.7	7.3	-4.9	0.1	-0.7
Public Sector Debt/GDP (end of fiscal year)^	35.6	39.5	38.0	36.5	48.1	53.9	51.7
External Current Account/GDP	22.4	38.6	23.8	30.3	8.3	19.9	5.1[e]
Net Official Reserves (US$Mn) (end of period)	3,998.8	5,117.6	6,658.7	9,364.2	8,651.6	9,070.0	9,822.7
Import Cover (months)	8.9	10.0	9.4	11.5	11.9	13.1	13.5
Energy Prices (period average)							
Petroleum (WTI - US$/bbl)	56.6	66.0	72.3	99.6	61.7	79.4	95.1
Natural Gas (Henry Hub - US$/mmbtu)	8.9	6.8	7.0	8.9	4.0	4.4	4.0
Methanol (US$/tonne)	284.1	376.4	434.2	504.0	241.0	338.3	430.0

Sources: Central Bank of Trinidad and Tobago, Central Statistical Office, Ministry of Finance and the Trinidad and Tobago Stock Exchange.

^ Total public sector debt expressed as a per cent of GDP excludes treasury bills and treasury notes issued for open market operations.

* For the period April-September 2011.

e Estimate for the period January-September 2011. Includes actual data for January to July 2011, and Central Bank estimates for August and September 2011.

CHAPTER 2

THE BANKING SECTOR AND FINANCIAL STABILITY

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THE BANKING SECTOR AND FINANCIAL STABILITY

A. Commercial Banks

The operations of the banking sector continued to be impacted by the sluggish economy as the non-energy sector underperformed and output from the energy sector declined substantially. Despite this lethargy, the commercial banking system remained stable and well capitalized. The prudential indicators confirm that the banking system's profits were strong and capital adequacy ratios were well in excess of the minimum 8 per cent threshold **(Table 2A)**. Although, there was an increase in the ratio of non-performing loans to gross loans, this was not indicative of any broad based increase in non-performing loans in the banking system.

In an environment of very high liquidity and relatively low interest rates, private sector credit gained some traction. Notwithstanding growing loan portfolios, commercial banks were still faced with declining interest income on account of lower interest rates and limited investment alternatives. Nevertheless, the banks were able to maintain their profitability as they successfully managed their interest expenses and other operating expenses. Faced with limited investment opportunities, the banks' customers opted to stockpile their funds in short-term instruments, which contributed to an expansion in deposit liabilities and added to the involuntary build-up of excess reserves in the banking system, while commercial banks increased their holdings of government securities.

Deposits

With few viable investment alternatives available, individuals increased their holdings of deposits in commercial banks. The deposit liabilities of banks increased by 10.2 per cent (year-on-year) in March 2012, which was significantly higher than the 1.2 per cent recorded in the year-earlier period **(Table 2.1)**. The compression of rates between classes of deposits seemed to have encouraged individuals to hold a greater proportion of their funds in near-liquid instruments. In particular, the expansion was concentrated in demand and savings deposits which grew by 13.9 per cent and 15.6 per cent, respectively on a year-on-year basis to March 2012. In the twelve months to March, time deposits held by individuals declined by 2.7 per cent. Holdings of demand deposits by the business sector in the banking system increased by 14.0 per cent while those held by the public sector rose by 19.3 per cent on a year-on-year basis in March. For the system as a whole, demand and savings deposits grew by 20.5 per cent and 12.1 per cent respectively, while time deposits fell by 10.6 per cent.

Deposit rates, which have been on the decline for the past two years fell further in March 2012. Much of this decline in interest rates occurred on time deposits. The median rates on 3-6 months time deposits declined to 0.61 per cent in March 2012 from 1.00 per cent in December 2011 while the rate on 6 month to 1 year deposits fell to 0.71 per cent from 1.51 per cent. However, rates on demand and savings deposits remained unchanged at 0.0025 per cent and 0.20 per cent from December 2011 **(Table 2.2)**.

The differential between TTD and USD deposit rates also narrowed sharply. Since March 2011, the rates have been converging with the differential falling to 4 basis points in

Table 2.1
Commercial Banks: TT Dollar Deposits (TT$)

	Total Outstanding Mar 2011 (TT$m)	Total Outstanding Mar 2012 (TT$m)	Year-on-Year Change Mar 2011 (Per cent)	Year-on-Year Change Mar 2012 (Per cent)
Demand Deposits				
Non Interest Bearing	7,360.3	10,523.4	17.3	43.0
Interest Bearing	20,047.8	22,503.0	7.6	12.2
Total	**27,408.1**	**33,026.4**	**10.0**	**20.5**
Saving Deposits				
Ordinary & Cheque	17,336.3	20,467.6	13.2	18.1
Special	12,934.2	13,473.2	6.8	4.2
Total	**30,270.5**	**33,940.8**	**10.4**	**12.1**
Time Deposits				
Call Deposits	459.0	131.8	-7.1	-71.3
16 days - 3 mths	1,952.9	1,749.1	-41.9	-10.4
Over 3 mths - 6 mths	1,145.4	1,181.5	-60.3	3.2
Over 6 mths - 1 year	10,667.5	7,592.7	-13.3	-28.8
Over 1 year	2,297.6	4,111.2	17.7	78.9
Total	**16,522.4**	**14,766.3**	**-21.3**	**-10.6**
Total Deposits	**74,200.9**	**81,733.5**	**1.2**	**10.2**

Source: Central Bank of Trinidad and Tobago.

Table 2.2
Commercial Banks: Median Deposit Rates
/Per cent/

	Dec-10	Dec-11	Mar-12
Demand Deposits			
Interest Bearing	0.0125	0.0025	0.0025
Saving Deposits			
Ordinary	0.3300	0.2000	0.2000
Special	0.2500	0.2000	0.2000
Time Deposits			
Call Deposits	0.0000	0.0000	0.0000
16 days - 3 mths	0.5555	0.1500	0.2300
Over 3 mths - 6 mths	0.7900	1.0000	0.6100
Over 6 mths - 1 year	1.3300	1.5100	0.7100

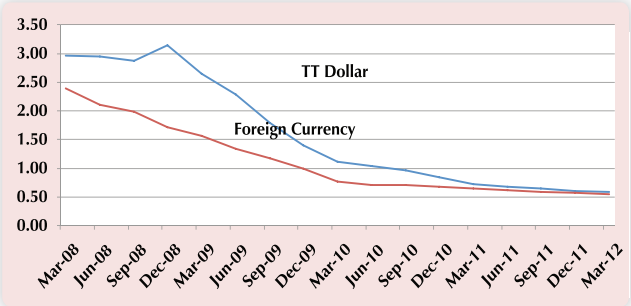
Source: Central Bank of Trinidad and Tobago.

March 2012 compared with 17 basis points in December 2010 **(Chart 2.1)**. The sharp decline in the differential seems to have led to a slight increase in the holdings of foreign currency deposits. After declining in the first half of 2011 by 3.8 per cent, foreign currency deposits grew by 4.4 per cent in the quarter ending December and then by 5.1 per cent in the first quarter of 2012 **(Table 2.3)**.

Commercial Bank Assets

Commercial banks continued to experience a build-up of highly liquid assets which grew by 28.8 per cent on a year-on-year basis to March 2012. As a proportion of total assets, the share of liquid assets to total assets increased to 24.5 per cent in March 2012 from 23.9 per cent in December 2011. However, the banking system's portfolio mix remained relatively unchanged with loans still accounting for the majority of assets at 42.3 per cent in both March 2012 and December 2011 **(Table 2.4)**.

Chart 2.1
Weighted Average Deposit Rates
TT Dollar and Foreign Currency
/Per cent/



Source: Central Bank of Trinidad and Tobago.

Table 2.3
Commercial Banks: Foreign Currency Deposits (TT$)

	Total Outstanding Mar 2011 (TT$m)	Total Outstanding Mar 2012 (TT$m)	Year-on-Year Change Mar 2011 (Per cent)	Year-on-Year Change Mar 2012 (Per cent)
Demand Deposits	4,590.2	6,123.8	-18.4	33.4
Saving Deposits	9,501.6	9,892.4	4.8	4.1
Time Deposits	5,572.8	4,652.1	-29.2	-16.5
Total Foreign Currency Deposits	**19,664.5**	**20,668.3**	**-12.8**	**5.1**

Source: Central Bank of Trinidad and Tobago.

Table 2.4
Commercial Banks: Distribution of Assets
/Percentage Share/

	Dec-06	Dec-07	Dec-08	Dec-09	Dec-10	Dec-11	Mar-11	Mar-12
Liquid Funds	18.0	15.3	21.2	23.2	22.2	23.9	21.9	24.5
Interbank Funds Sold	0.5	0.4	0.0	0.2	0.2	0.7	0.0	0.1
Investments (net)	14.3	15.1	12.5	17.3	18.2	18.6	18.7	19.1
Loans (net)	48.9	52.8	51.5	43.5	43.6	42.3	44.4	42.3
Businesses	20.8	22.7	22.2	17.5	16.6	16.8	16.7	16.7
Consumers	14.9	16.2	14.7	11.0	11.5	10.9	11.3	10.8
Real Estate	7.9	8.6	9.1	9.4	10.3	10.4	10.4	10.6
Other Assets	18.3	16.4	14.8	15.8	15.8	14.5	15.0	14.1
Customer Liabilities Acceptances	6.7	6.6	5.4	3.9	4.1	3.4	3.6	3.0
Equity in Subsidiaries and Affiliates	2.5	2.0	1.9	2.0	2.1	2.0	2.1	2.0
Accounts Receivable	4.4	3.2	2.9	6.2	5.6	5.1	5.4	5.2
Fixed Assets	2.2	2.1	2.0	1.8	2.0	1.8	2.0	1.8
Prepaid and Other Assets	2.6	2.5	2.5	1.9	2.0	2.2	2.0	2.0
Total Assets	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Central Bank of Trinidad and Tobago.

Private Sector Credit

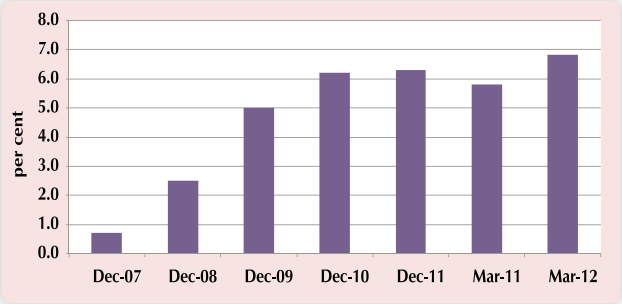
Loans granted by the commercial banks to the private sector sustained a slow recovery into 2012. Private sector credit extended by commercial banks grew by 6.3 per cent (year-on-year) to March 2012 compared to 1.5 per cent a year earlier. Most of this increase was due to business lending which grew by 8.5 per cent in the twelve months to March 2012, while lending to consumers grew by 2.1 per cent. Real estate lending remained robust, growing by 10.5 per cent (year-on-year) in March 2012, slightly higher than the 9.5 per cent recorded at the end of 2011.

Prudential Indicators

Credit Quality

The credit quality of commercial banks' loan portfolio worsened marginally in 2012. The ratio of non-performing loans to gross loans inched up to 6.8 per cent in March 2012 from 6.3 per cent in December 2011**(Chart 2.2)**. The increase in non-performing loans is largely because of two large projects in the luxury segment of the real estate market **(Chart 2.3)**. A closer interrogation of the data suggests that the modest deterioration in credit quality is not indicative of any broad-based increase in non-performing loans in the banking system. Indeed, when the two largest loans are excluded from the loan portfolio of commercial banks, the ratio declined to 4.7 per cent in March 2012.

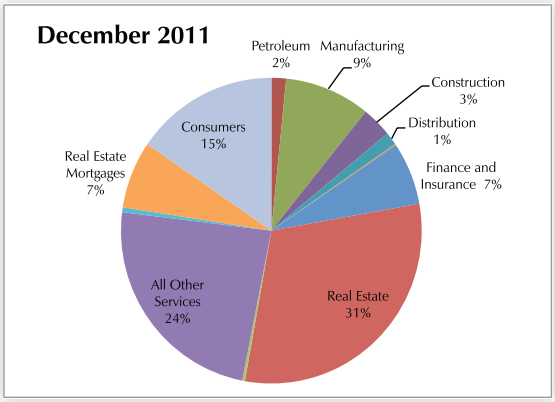
Chart 2.2
Commercial Banks: Non-Performing Loans to Total Loans
/Per cent/

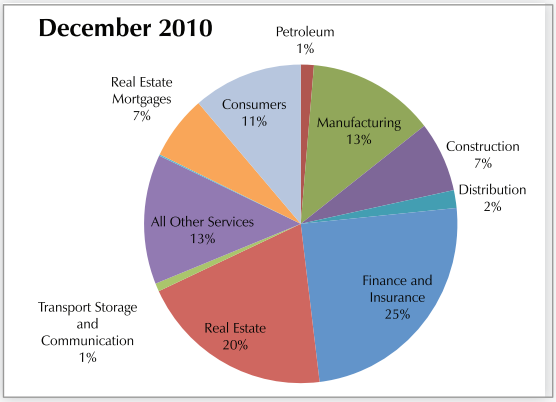


Source: Central Bank of Trinidad and Tobago.

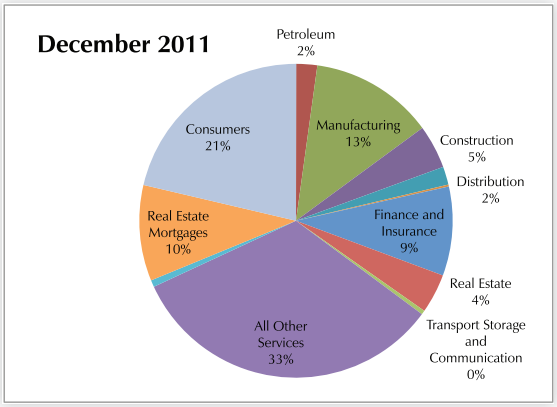
Chart 2.3
Commercial Banks Non-Performing Loans by Sector
December 2010 and December 2011

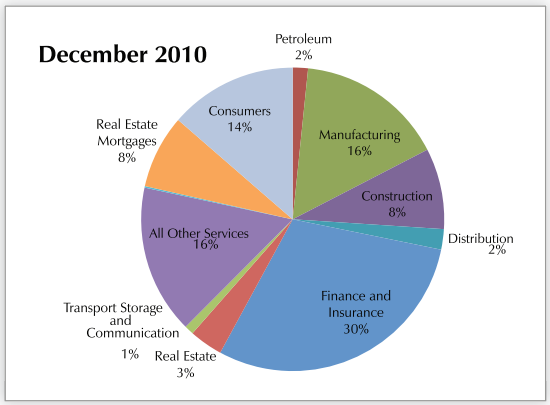
Including 2 Large Non-Performing Loans
/Per cent/





Excluding 2 Large Non-Performing Loans
/Per cent/





Source: Central Bank of Trinidad and Tobago.

Commercial banks' ratios of specific and total provisions to non-performing loans both declined to 28.3 per cent and 35.2 per cent, respectively in December 2011 from 33.4 per cent and 39.5 per cent in December 2010. This resulted from the write off of large non-performing loans as well as increased collateral for new loans contributed to this decrease. In March 2012, banks increased their provisioning which resulted in a rise in the ratios to 31.2 per cent and 37.9 per cent, respectively.

Capital Adequacy

Commercial banks remained well capitalized and as at March 2012 the capital adequacy ratio stood at 26.1 per cent, up from 25.1 per cent in December 2011. The increase in core capital attributed to higher retained earnings has been identified as the main factor behind the improvement in the capital position of commercial banks. This improvement has placed commercial banks in a stronger position to cope with periods of market stress.

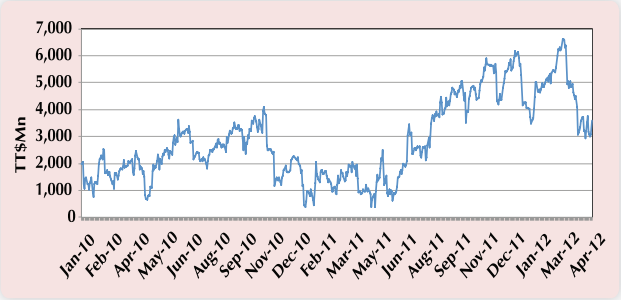
Liquidity

The financial system remained very liquid as commercial banks experienced an involuntary build up of excess reserves due to sluggish economic growth **(Chart 2.4)**. In March 2012, excess reserves balances in commercial banks rose to a daily average of $5.6 billion from $1.7 billion a year earlier. The ratio of liquid assets to total assets and the ratio of liquid assets to short term liabilities were 390 and 540 basis points higher, respectively in March 2012 than one year earlier.

Earnings and Profitability

Commercial banks' profits continued to grow, albeit at a slower pace in 2012. Net profit before tax slipped to $574.6 million in March 2012 from $699.0 million one year earlier and was underpinned by lower funding costs as commercial banks reduced their interest expenses by 31.2 per cent (year-on-year) in March 2012. As a consequence, interest rates offered on deposits fell by 13 basis points[2] between March 2011 and March 2012.

Chart 2.4
Commercial Banks' Excess Reserves
/TT $Million/



Source: Central Bank of Trinidad and Tobago.

On the investment front, the limited prospects for viable projects forced many commercial banks to increase their holdings of government paper. The low returns on these securities coupled with declining loan rates have contributed to lower than expected interest income. On a year-on-year basis to March 2012, interest income received by banks fell by 5 per cent following a 10 per cent decline, one year earlier. On the positive side, while not significant as a source of earnings for commercial banks, fee and other income grew by 13.5 and 8.5 per cent in March 2012 from 13.0 and 6.3 per cent a year earlier.

Despite the declining trends in income and the subdued asset growth, commercial banks have managed to maintain stable profitability indicators. The return on equity ratio remained relatively stable throughout 2011 ending the year at 17.2 per cent but slipped to 15.0 per cent in March 2012. The return on assets ratio also lost some ground falling to 2.1 per cent in March 2012 from 2.6 per cent in the previous quarter **(Table 2B)**.

[2] The weighted average deposit rate fell from 0.72 per cent in March 2011 to 0.59 per cent in March 2012.

Foreign Exposure

Commercial banks have been managing their exposure to foreign countries so as to mitigate the impact of declining economic activity in both the CARICOM region and internationally **(Table 2C)**. While exposure to foreign assets increased to 6.2 per cent in March 2012 from 5.2 per cent as at end March 2011, this growth was largely concentrated in lower-risk United States treasury bills. Commercial banks' investment in the latter increased to 2.2 per cent in March 2012 from 0.8 per cent at end March 2011.

Exposure to CARICOM has remained relatively unchanged at 3.2 per cent of gross assets. Several of the region's economies continue to feel the effects of the global economic and financial slump largely in the form of reduced activity in the tourism and hospitality sectors. Additionally, there has been a reduction in bond placements in the region which is perhaps attributable to downgrades in sovereign ratings of some regional territories. These two factors have restrained the degree to which local commercial banks invest in the CARICOM region.

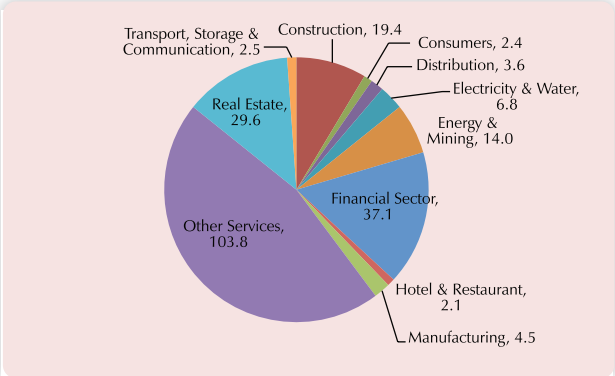
Exposure to other regions including Greece, Spain and Italy has either declined or remained unchanged, as commercial banks have moved quickly to reduce their asset holdings in these countries in the face of declining returns on loans and investments.

Large Exposures

There has been no significant change in the large exposures of the commercial banks. An examination of the distribution of large exposures of the commercial banks in the local economy indicate a relatively small concentration of loans in the Distribution, Energy and Mining, Transport Storage and Communication sectors **(Chart 2.5)**. Large exposures which represent more than 10 per cent of a bank's capital were mainly concentrated in the Finance, Real Estate and Other Services sectors.

Within the Other Services grouping though, the bulk of the exposure was in the form of loans and bonds to government bodies which carry government guarantees.

Chart 2.5
Large Exposures by Sector as a Per cent of Capital - March 2012
/Per cent/



Source: Central Bank of Trinidad and Tobago.

B. Non-Bank Financial Institutions

The non-banking sector has not coped as well as the commercial banks with the slow-down in economic activity. The sector faced a sharp reduction in business opportunities as well as increasing competition from the commercial banking sector. A paucity of investment opportunities has impacted investment portfolios of non-banks which contracted by 10.3 per cent in December 2011 and by a further 9.8 per cent in March 2012. Many non-banks especially finance houses and merchant banks have attempted to respond to the challenging economic environment by re-defining their business models and by re-packaging existing products.

Overall, the non-bank sector reported a significant deterioration in asset quality in March 2012. The ratio of non-performing loans to total loans increased to 5.0 per cent in March 2012 from 2.9 per cent one year ago **(Table 2.5)**. One small non-bank reported increased levels of delinquency in its hospitality and tourism portfolio, mainly on account of slow tourism activity in the Caribbean. However, to cater for higher delinquencies, non-banks have increased their specific provisions so that the ratio

of specific provisions to impaired assets rose to 44.8 per cent in March 2012, up from 31.8 per cent in March 2011 **(Table 2D)**.

Among the licensed non-banks, the trust and asset management companies have fared better given that their main source of business comes from the administration of pension funds and asset management. Finance houses repackaged their existing credit products by introducing insurance add-ons in an attempt to grow their loan portfolios. This loan product alteration resulted in creditable returns for the Finance houses.

Merchant banks have been realigning their business strategies away from mortgage lending towards core merchant banking business of loan origination and syndication as well as capital market activities. Since 2010, these institutions have been winding down their mortgage portfolios and have been transferring mortgage loans to affiliated commercial banks. Between 2010 and 2011, approximately $1.1 billion in mortgage and other commercial loans were transferred by merchant banks to their parent banks.

Profits before tax for the sector fell substantially by 52.7 per cent (year-on-year) in March 2012 because of a steep decrease in interest income (52.0 per cent) as well as income from fees on capital market activities (19.4 per cent). Faced with declining income levels, the sector undertook more active management of operating expenses, in particular by lowering interest rates on deposits and reducing bad debt expenses. However, the profitability indicators of the sector declined. The return on assets and the return on equity fell to 6.2 per cent and 15.9 per cent respectively in March 2012 from 9.2 per cent and 31.8 per cent in March 2011.

Capital levels for the non-banks strengthened from 35.3 per cent in March 2011 to 40.4 per cent. This position was well in excess of the statutory requirement of 8 per cent. The quality of the sector's capital has also improved as the Tier I capital ratio, bolstered from retained earnings, grew over the year from 33.4 per cent to 39.7 per cent.

Table 2.5
Non-Bank Financial Institutions*:
Summary Performance Indicators, 2007 - March 2012

/Per cent/

	2007	2008	2009	2010	2011	Mar-11	Mar-12
Profitability							
Return on Assets	4.5	3.3	2.1	2.4	6.8	10.9	6.2
Return on Equity	17.1	13.5	8.0	7.8	18.7	32.3	15.9
Net Interest Margin: Total Assets	1.3	1.4	2.9	2.8	4.2	6.4	2.8
Efficiency							
Total Operating Expenses: Total Operating Income	57.6	71.2	73.2	53.9	40.4	27.8	46.2
Asset Quality							
Nonperforming Loans: Gross Loans	1.3	2.1	1.6	2.8	4.0	2.9	5.0
Nonperforming Loans Net of Provisions: Capital	-0.4	1.7	1.3	2.0	1.8	2.2	2.7

Source: Central Bank of Trinidad and Tobago.

* Effective January 30, 2009, the Central Bank assumed control of Clico Investment Bank under Section 44(d) of the Central Bank Act. As a consequence, data reported does not include balances for Clico Investment Bank for comparability purposes.

Table 2A
Commercial Banks: Financial Soundness Indicators
2007 - March 2012

	2007	2008	2009	2010	2011	Mar-11	Mar-12
(in per cent unless otherwise indicated)							
Capital adequacy							
Regulatory capital to risk-weighted assets	19.1	18.8	20.5	24.2	25.1	24.6	26.1
Regulatory Tier I capital to risk-weighted assets	17.0	15.5	18.5	21.7	22.7	21.4	22.9
Regulatory Tier II capital-to-risk-weighted assets	2.1	3.2	2.0	2.5	2.4	3.2	3.3
Regulatory capital-to-total assets	12.4	12.1	10.7	12.2	12.1	12.3	12.5
Banking sector asset composition							
Sectoral distribution of loans-to-total loans							
Households	41.4	39.9	39.8	42.2	42.7	41.2	42.7
of which:							
Proportion secured as mortgage loans	26.1	28.4	36.7	37.4	39.5	38.2	40.5
Financial sector	22.5	19.8	18.8	16.3	17.0	18.0	17.1
Oil and gas sector	2.8	3.3	3.2	3.2	2.8	3.2	3.2
Construction	6.1	6.8	10.3	11.8	11.1	11.1	11.1
Transport and communication	2.8	1.8	2.2	2.0	2.1	2.1	2.1
Non-residents	7.1	6.6	5.9	4.5	4.5	4.6	4.5
Geographic distribution of loans-to-total loans							
Domestic	93.3	93.6	94.5	95.8	95.8	95.7	95.8
Foreign	6.7	6.4	5.5	4.2	4.2	4.3	4.2
Foreign currency loans-to-total loans	21.4	23.0	22.8	18.7	17.7	19.4	17.6
Banking sector asset quality							
Nonperforming loans-to-gross loans	0.7	2.5[r]	5.0	6.2[r]	6.3	5.7	6.8
Nonperforming loans (net of provisions)-to-capital	-0.3	6.7[r]	9.2	13.3[r]	14.5	13.2	14.6
Total provisions-to-impaired loans*	148.2	40.3[r]	55.1	39.5[r]	35.2	36.0	37.9
Specific provisions-to-impaired loans	109.7	29.3[r]	48.1	33.4[r]	28.3	29.0	31.2
General provisions-to-gross loans*	0.3	0.3	0.3	0.4	0.4	0.4	0.5
Specific provisions-to-gross loans	0.8	0.7	2.4	2.1	1.8	1.6	2.1
Banking sector earnings and profitability							
Return on equity	27.3	25.9	20.2	17.2	17.2	18.6	*15.0*
Return on assets	3.4	3.5	2.7	2.3	2.4	2.6	*2.1*
Interest margin-to-gross income	61.4	65.2	66.6	67.0	64.8	66.8	67.1
Non-interest expenses-to-gross income	48.3	49.7	58.1	63.3	62.1	60.6	69.3
Spread between average lending and deposit rates	7.9	8.3	10.1	9.1	8.6	8.8	8.5
Banking sector liquidity							
Liquid assets-to-total assets	17.0	22.1	25.0	24.3	27.7	23.8	27.7
Liquid assets-to-total short-term liabilities	22.6	30.0	32.5	31.9	36.6	31.4	36.8
Customer deposits-to-total (non-interbank) loans	118.0	124.7	165.2	163.0	172.4	161.8	173.8
Foreign currency liabilities-to-total liabilities	33.8	32.7	33.1	27.5	27.0	27.5	26.6

Source: Central Bank of Trinidad and Tobago.
Figures in italics are estimates for the period.
End of Period except for Banking Sector Earnings and Profitability.
*Note: These ratios are not the typically used measures of financial soundness, but they are included here for comparison purposes.

Table 2B
Commercial Banks: Summary Performance Indicators
2007 - March 2012
/Per cent/

	2007	2008	2009	2010	2011	Mar-11	Mar-12
Profitability							
Return on Assets	3.4	3.5	2.7	2.3	2.4	2.6	2.1
Return on Equity	27.3	25.9	20.2	17.2	17.2	18.6	15.0
Net Interest Margin/Total Assets	4.3	4.4	4.2	3.8	4.2	0.9	0.9
Efficiency							
Total Operating Expenses/Total Operating Income	64.7	63.9	61.5	55.7	15.3	62.5	62.5
Asset Quality							
Nonperforming Loans/Gross Loans	0.7	2.5[r]	5.0	6.2[r]	6.3	5.7	6.8
Nonperforming Loans net of Provisions/Capital	-0.3	6.7[r]	9.2	13.3[r]	14.5	13.2	14.6
Nonperforming Loans by Type							
Overdraft	0.1	0.2	0.3	0.8	0.2	0.1	0.2
Demand	0.2	1.7	2.9	2.8	3.2	3.0	3.7
Installment	0.2	0.3	0.9	1.2	0.4	1.3	0.4
Real Estate Mortgages	0.1	0.2	0.4	0.4	0.5	0.4	0.6
Credit Cards	0.0	0.1	0.1	0.1	0.1	0.1	0.1
Sources of Income							
As a per cent of total operating income							
Interest Income	75.1	76.0	75.2	72.9	69.7	72.4	70.7
Fee Income	11.3	11.5	11.7	13.3	14.3	13.0	13.5
Foreign Exchange Profit/Loss	6.3	7.4	6.8	7.8	7.7	8.3	7.4
Other Income	7.3	5.0	6.2	6.0	8.3	6.3	8.5

Source: Central Bank of Trinidad and Tobago.

Figures in italics represent estimates for the period.

Table 2C
Commercial Banks: Foreign Country Exposure
/TT$Millions/

	2007	2008	2009	2010	2011	Mar-11	Mar-12
Total Foreign Country Exposure	**6,259.1**	**5,959.6**	**7,158.1**	**5,764.3**	**7,265.8**	**5,445.7**	**6,954.8**
of which:							
USA	554.8	631.3	2,136.6	1,050.3	2,721.1	868.8	2,438.0
Loans	*27.9*	*44.3*	*38.0*	*31.9*	*41.6*	*32.9*	*55.8*
Investments	*527.0*	*587.0*	*2,098.6*	*1,018.4*	*2,679.4*	*824.1*	*2,382.2*
Equity	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
CARICOM	3,696.7	4,131.1	4,191.6	3,902.8	3,641.3	3,200.5	3,602.4
Loans	*1,396.5*	*1,754.5*	*1,743.4*	*1,308.0*	*1,393.3*	*1,291.1*	*1,278.3*
Investments	*1,078.9*	*1,043.1*	*1,105.0*	*1,224.7*	*948.4*	*1,034.1*	*919.7*
Equity	*1,221.3*	*1,333.5*	*1,343.2*	*1,370.2*	*1,401.7*	*1,374.9*	*1,404.3*
Non-CARICOM CARIBBEAN	1,076.0	921.0	638.6	495.6	541.2	748.1	571.0
Loans	*996.9*	*884.3*	*637.7*	*334.3*	*381.8*	*316.0*	*383.0*
Investments	*0.0*	*35.8*	*0.0*	*160.4*	*158.4*	*156.3*	*187.1*
Equity	*79.1*	*0.9*	*0.9*	*0.9*	*0.9*	*0.9*	*0.9*
EMERGING MARKETS	312.0	263.2	145.6	128.0	103.0	129.2	99.4
Loans	*220.1*	*213.4*	*145.6*	*122.5*	*103.0*	*118.5*	*99.4*
Investments	*91.9*	*49.8*	*0.0*	*5.5*	*0.0*	*5.3*	*0.0*
Equity	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
OTHER	619.6	13.0	45.7	187.6	259.3	152.9	244.0
Memo Item:							
Total Foreign Country Exposure as a per cent of Gross Assets	**8.2**	**6.7**	**6.8**	**5.5**	**6.5**	**5.2**	**6.2**
of which:							
USA	0.7	0.7	2.0	1.0	2.4	0.8	2.2
CARICOM	4.9	4.7	4.0	3.7	3.2	3.1	3.2
Non-CARICOM CARIBBEAN	1.4	1.0	0.6	0.5	0.5	0.7	0.5
EMERGING MARKETS	0.4	0.3	0.1	0.1	0.1	0.1	0.1
OTHER	0.8	0.0	0.0	0.2	0.2	0.1	0.2

Source: Central Bank of Trinidad and Tobago.

Note: Foreign Country Exposure is measured as the loans, investments and equity held by the commercial banking system in the respective country.

Table 2D
Non-Bank Financial Institutions Financial Soundness Indicators
2009 - March 2012

	2009	2010	2011	Mar-11	Mar-12
(in per cent unless otherwise indicated)					
Capital adequacy					
Regulatory capital to risk-weighted assets	27.9	34.4	38.3	35.3	40.4
Regulatory Tier I capital to risk-weighted assets	27.8	33.5	36.8	33.4	39.7
Regulatory Tier II capital-to-risk-weighted assets	0.1	0.8	1.5	1.9	0.7
Regulatory capital-to-total assets	24.3	30.9	34.0	31.8	35.6
Banking sector asset composition					
Sectoral distribution of loans-to-total loans					
Households	19.4	19.6	25.9	21.3	27.0
of which:					
Proportion secured as mortgage loans	19.2	16.3	0.4	16.1	0.4
Financial sector	40.4	24.4	20.7	26.0	17.0
Oil and gas sector	0.2	0.1	0.1	0.1	0.1
Construction	7.3	8.8	4.7	4.9	6.1
Transport and communication	2.6	2.4	3.3	2.8	3.5
Non-residents	28.6	13.2	2.4	10.8	8.8
Geographic distribution of loans-to-total loans					
Domestic	67.7	73.1	*83.5*	*76.1*	*80.8*
Foreign	32.3	26.9	*16.5*	*23.3*	*19.2*
Foreign currency loans-to-total loans	31.2	40.8	36.5	19.2	22.3
Banking sector asset quality					
Nonperforming loans-to-gross loans	1.6	2.8	4.0	2.9	5.0
Nonperforming loans (net of provisions)-to-capital	1.3	2.0	1.8	2.2	2.7
Total provisions-to-impaired loans*	54.8	49.9	66.5	48.2	68.9
Specific provisions-to-impaired loans	37.6	42.7	54.2	31.8	44.8
General provisions-to-gross loans*	0.3	0.2	0.5	0.5	1.2
Specific provisions-to-gross loans	0.6	1.2	2.2	0.9	2.2
Banking sector earnings and profitability					
Return on equity	6.3	8.3	19.0	*31.8*	*15.9*
Return on assets	1.1	2.2	5.8	*9.2*	*6.2*
Interest margin-to-gross income	52.1	37.7	39.9	46.5	56.8
Non-interest expenses-to-gross income	63.4	68.7	36.9	21.0	44.4
Spread between average lending and deposit rates	4.1	6.2	7.1	6.4	7.3
Banking sector liquidity					
Liquid assets-to-total assets	16.1	9.7	15.6	14.7	12.9
Liquid assets-to-total short-term liabilities	57.7	33.5	62.8	48.5	38.7
Customer deposits-to-total (non-interbank) loans	24.3	43.2	50.9	47.1	52.6
Foreign currency liabilities-to-total liabilities	59.3	55.5	42.4	45.2	41.0

Source: Central Bank of Trinidad and Tobago.
Figures in italics are estimates for the period.
End of Period except for Banking Sector Earnings and Profitability.
*Note: These ratios are not the typically used measures of financial soundness, but they are included here for comparison purposes.

Box 2.1
Update on the Stress Tests of the Commercial Banking System

The Central Bank of Trinidad and Tobago has been conducting stress tests of the commercial banking system at 6-month intervals since December 2009. The latest sets of tests use data as at June 2011 and December 2011, and are structured along the same lines as the previous tests, results of which were reported in the Financial Stability Reports of November 2010 and June 2011[2].

Broadly speaking, the most recent stress testing exercises indicated that the domestic commercial banking sector as a whole remains highly resilient and able to withstand significant temporary shocks originating from movements in interest rates, exchange rates or credit conditions, deposit runs or a sudden change in macroeconomic conditions.

The results of the latest two tests on the banking system were not significantly different from those recorded for previous periods (See Table). Nonetheless, as discussed in earlier Financial Stability Reports, some institutions exhibit greater vulnerability than others and need to pay particular attention to their specific risk profiles. The system's capital adequacy ratio (CAR) remained very high, averaging around 25 per cent in June and December 2011, up from 24.2 per cent at the end of December 2010.

Overall, the orders of magnitude of the effects of the various shocks were similar to those found in earlier tests. Variations in specific areas were closely related to some changes in asset composition, provisioning levels and credit concentration. In particular, the impact of the interest rate shock was somewhat larger, while the effects of shocks to energy prices or to the credit worthiness of large borrowers turned out to be lower than in previous exercises. The tests revealed that, alongside assuring the quality of collateral, banks need to carefully monitor their levels of provisioning in order to minimize possible vulnerabilities associated with credit risk.

Some of the system-wide results of the latest two tests based on June and December 2011 data are as follows:

- With respect to the **interest rate shock**, the 700 basis-point increase had the most significant adverse effect on the system CAR, which fell by 14.6, and 13.9 percentage points in June and December 2011, respectively. These represented even larger deteriorations from the drop of 11.6 per cent found in December 2010. This was as a result of the commercial banks holding more than twice the amount of assets in the greater than one (1) year repricing buckets than liabilities.

[2] Details on the structure of the tests can be found in the Central Bank of Trinidad and Tobago Research Paper, Vol 2 No 1 of December 2011 entitled "Exploring the Benefits of Stress Testing: The Case of Trinidad and Tobago" available at http://www.central-bank.org.tt/content/research-publications-0.

Box 2.1
Update on the Stress Tests of the Commercial Banking System (continued)

- The banking system performed well when following a hypothetical shock comprising a 40 per cent **depreciation** of the Trinidad and Tobago dollar against the United States dollar. This is due to the fact that banks' continued to hold long positions in foreign currency. The CAR improved, increasing by 1.5 per cent in December 2011 and 1.3 per cent in June 2011 compared with an improvement of 0.7 per cent in December 2010. This larger increase in 2011 was as a result of the banks holding larger long positions in 2011 than at December 2010.

- With respect to the **credit risk test,** the commercial banking system once again showed minimal vulnerability, with the CAR falling by a mere 2.1 per cent in December 2011 and 2.3 per cent in June 2011. These results also represented improvements when compared with a decline of 2.5 per cent seen in December 2010.

- The impact of a 30 per cent negative shock to **property prices** was minor, with the CAR declining 1.9 per cent, slightly higher than the 0.9 per cent decline recorded in the June 2011 tests. The greater sensitivity in 2011 is associated with the growth of the real estate mortgage portfolio of the commercial banks.

- The commercial banks performed well in the **large exposure tests**. Shocks to the sectors and borrower groups to which the banking system was most exposed evinced no significant change in the CAR.

- With respect to the **scenario shocks**, as in previous tests, the **energy price** scenario had the greatest impact on the CAR, which fell by 11.1 per cent in December 2011 and 13.0 per cent in June 2011. This represented a deterioration from the 10.3 per cent decline found in December 2010. As banks continued to limit their regional exposures, the CAR declined by less than 2.5 per cent in the **regional disaster** scenario, similar to earlier results. There was a decline in the impact of the **local disaster** scenario, as banks curtailed their holdings of sovereign securities in 2011.

Box 2.1
Update on the Stress Tests of the Commercial Banking System (continued)

Commercial Banks Stress Test Results – December 2009 to December 2011

2009-2011 Stress Testing Results		Capital Adequacy Ratio									
		Dec-09		Jun-10		Dec-10		Jun-11		Dec-11	
	Pre-Shock CAR	20.5%		22.1%		24.2%		25.0%		25.1%	
	Pre-Shock CAR Adjusted for Guideline Provisions	20.5%		22.1%		22.7%		21.6%		21.2%	
Single Factor Tests											
		Post-Shock CAR	Change from Pre-Shock Adjusted CAR	Post-Shock CAR	Change from Pre-Shock Adjusted CAR	Post-Shock CAR	Change from Pre-Shock Adjusted CAR	Post-Shock CAR	Change from Pre-Shock Adjusted CAR	Post-Shock CAR	Change from Pre-Shock Adjusted CAR
1 - Interest Rate Risk	Interest Rate ↑ 700 basis points	9.0%	-11.5%	10.0%	-12.1%	11.1%	-11.6%	7.0%	-14.6%	7.3%	-13.9%
	Interest Rate ↓ 100 basis points	22.0%	1.5%	23.7%	1.6%	24.2%	1.5%	23.6%	2.0%	23.1%	1.9%
2 - Foreign Exchange Risk	TT Dollar depreciates 40 per cent	21.3%	0.8%	22.4%	0.3%	23.4%	0.7%	22.9%	1.3%	22.8%	1.5%
3 - Credit Risk	Credit Portfolio worsens on a/c of 20 per cent decline in GDP	18.8%	-1.7%	20.0%	-2.1%	20.2%	-2.5%	19.3%	-2.3%	19.1%	-2.1%
4 - Credit Risk - Property Price Shock	Property Prices ↓ 30 per cent	18.5%	-2.0%	21.3%	-0.8%	21.8%	-0.9%	20.7%	-0.9%	19.3%	-1.9%
5 - Credit Risk - Large Exposures	Large Exposure – Sectors (50 per cent shock)										
	Sector 1	Real Estate: 18.7%	-1.8%	Financial Sector: 19.4%	-2.7%	Financial Sector: 22.0%	-0.7%	Financial Sector: 21.6%	0.0%	Financial Sector: 21.2%	0.0%
	Sector 2	Other Services: 19.4%	-1.1%	Real Estate: 20.7%	-1.4%	Real Estate: 22.6%	-0.1%	Real Estate: 21.6%	0.0%	Real Estate: 21.2%	0.0%
	Sector 3	Financial Sector: 19.5%	-1.0%	Other Services: 21.6%	-0.5%	Construction: 22.7%	0.0%	Energy & Mining: 21.6%	0.0%	Other Services: 21.2%	0.0%
	Large Exposure – Groups (50 per cent shock)										
	Group 1	GORTT Group: 14.7%	-5.8%	GORTT Group: 16.4%	-5.7%	GORTT Group: 14.4%	-8.3%	GORTT:18.6%	-3.1%	GORTT:19.7%	-1.5%
	Group 2	FCB Group: 20.4%	-0.1%	FCB Group: 22.1%	0.0%	FCB Group: 22.7%	0.0%	FCB Group:21.6%	0.0%	FCB Group:21.2%	0.0%
	Group 3	CL Financial: 20.5%	0.0%	CITI Group: 22.1%	0.0%	CL Financial: 22.7%	0.0%	CL Financial: 21.6%	0.0%	CL Financial: 21.2%	0.0%
Scenario Tests											
		Post-Shock CAR	Change from Pre-Shock Adjusted CAR	Post-Shock CAR	Change from Pre-Shock Adjusted CAR	Post-Shock CAR	Change from Pre-Shock Adjusted CAR	Post-Shock CAR	Change from Pre-Shock Adjusted CAR	Post-Shock CAR	Change from Pre-Shock Adjusted CAR
6 - Energy Price Shock	Energy Price ↓ 50 per cent										
	No Monetary Policy Response	11.1%	-9.4%	11.6%	-10.5%	12.4%	-10.3%	8.7%	-13.0%	10.1%	-11.1%
	Policy Response	21.1%	0.6%	22.0%	-0.1%	22.5%	-0.2%	20.7%	-0.9%	22.5%	1.3%
7 - Local Disaster Scenario	Local Natural Disaster	19.6%	-0.9%	18.7%	-3.4%	19.2%	-3.5%	17.9%	-3.8%	19.8%	-1.4%
8 - Regional Disaster Scenario	Regional Natural Disaster	18.8%	-1.7%	20.4%	-1.7%	20.8%	-1.9%	19.6%	-2.0%	18.8%	-2.4%
Days until liquid											
9 - Liquidity Risk	Bank Run	67		71		70		70		76	

Note: For further details on the Stress Testing Exercises see Central Bank of Trinidad and Tobago, *Financial Stability Report (Mid-Year Review)*, June 2011.

CHAPTER 3

THE INSURANCE SECTOR AND FINANCIAL STABILITY

CHAPTER 3

THE INSURANCE SECTOR AND FINANCIAL STABILITY

A. Life Insurance Industry[3]

Overview

Despite the sluggish domestic economic environment and prolonged turmoil in global financial markets, the insurance sector continued on a steady path of recovery in 2011 and into 2012. Within the life segment of the industry, both the traditional and non-traditional life business recorded increases in net business on the books notwithstanding the higher level of policy surrenders especially in the unit-linked business. The asset quality of life companies has been improving as life insurers have been reducing their exposure to related parties and holding a larger proportion of their assets in government securities and high-grade government bonds. As regards the non-life sector, premium income from property business has grown while that from motor vehicle insurance has been stagnating. Non-life companies have ceded more property business to international reinsurers to reduce their direct risk exposure to the real estate sector.

Liabilities

The steady shift of the core product offerings towards wealth management products has been changing the liability structure of the life insurance business over the past few years. As at December 2011, individual annuity and unit-linked products accounted for 52.3 per cent of the life industry's total liabilities compared to 45.5 per cent in December 2007. The share of ordinary life business, while still significant, has been on a steady decline since 2008. Total liabilities for the life sector rose by 11.4 per cent to $11.8 billion in December 2011 from a year ago **(Table 3.1)**. This increase in liabilities partly reflects changes that companies have begun to make to their actuarial assumptions as they prepare to implement the new valuation methodology (the Caribbean Policy Premium Method) outlined in the proposed Insurance Bill. Over the last two years, the Central Bank has been encouraging companies to use more realistic assumptions in matching assets to the liabilities in their portfolios.

Table 3.1
Classification of Life Insurance: Liability Structure - Insurance Contracts

	Dec-07	Dec-08	Dec-09	Dec-10	Dec-11	Dec-07	Dec-08	Dec-09	Dec-10	Dec-11
	/TT$ Millions/					/Percentage Share/				
	Excluding Clico and BA									
Ordinary Life	2,923.4	3,730.8	3,369.7	3,698.5	4,061.5	35.1	41.2	35.1	34.9	34.4
Group Life	42.0	44.6	56.8	54.5	67.0	0.5	0.5	0.6	0.5	0.6
Group Pension	403.1	383.3	399.0	384.8	402.0	4.8	4.2	4.2	3.6	3.4
Deposit Administration	597.5	667.9	681.7	743.4	824.8	7.2	7.4	7.1	7.0	7.0
Individual Annuities	1,835.8	1,938.3	2,515.7	2,787.8	3,084.2	22.0	21.4	26.2	26.3	26.1
Unit Linked Funds	1,962.5	2,128.5	2,376.6	2,714.0	3,092.5	23.5	23.5	24.7	25.6	26.2
Other	571.7	151.5	204.0	210.5	269.1	6.9	1.7	2.1	2.0	2.3
Total	**8,335.9**	**9,045.0**	**9,603.4**	**10,593.5**	**11,801.1**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: Central Bank of Trinidad and Tobago.

[3] This report on the insurance sector excludes CLICO and BA.

However, in the current low interest rate environment, life insurers have been experiencing greater challenges matching cash flows from the assets with expected benefits to be paid to policyholders. The liabilities of the life insurance companies consist predominantly of the present value of expected policy holder benefits and the major factor for the calculation of this present value is the rate of interest used as the discount rate. The decline in interest rates, particularly in government securities, has led to the discount rate falling, resulting in an increase in liabilities or debts of the companies.

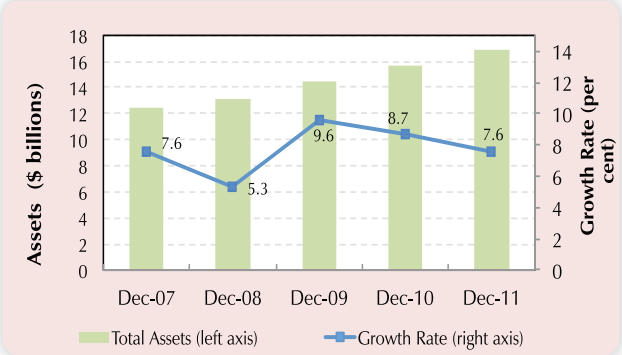
Assets

Total assets in the life segment of the insurance industry rose to TT$16.9 billion in December 2011 from TT$15.7 billion in December 2010 **(Chart 3.1 and Table 3A)**. Over the past five years, the composition of the asset base of life insurance companies has been undergoing steady change. As at December 2011, government securities comprised 34.8 per cent of the asset portfolio as compared to 20.3 per cent at the end of December 2007. Conversely, the share of equity holdings which made up about one-fifth of the portfolio in 2007 has shrunk to 8.5 per cent in December 2011. With very few new issues of government securities (particularly treasury bills and bonds) coming to the market in 2011, life insurance companies were forced to hold more cash or place their funds in fixed deposits as treasury bills matured during the year. The share of cash and fixed deposits in the portfolios increased to 9.5 per cent from around 7.0 per cent in 2007. Nevertheless, the asset quality of investment portfolios in the life sector has improved steadily with the shift towards less risky instruments **(Chart 3.2)**.

Gross Premiums

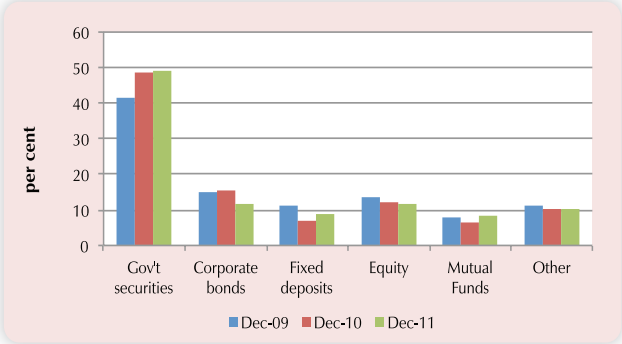
Gross premium income of the life insurance industry increased by 10.7 per cent (year-on-year) in December 2011 from 7.3 per cent, a year ago **(Chart 3.3)**. A major factor behind the growth in premium income from the non-traditional business has been the growth

Chart 3.1
Life Insurance Industry



Source: Central Bank of Trinidad and Tobago.

Chart 3.2
Investment Structure of Life Sector
(Per cent)



Source: Central Bank of Trinidad and Tobago.

in wealth management products which has more than compensated for declining premium income from traditional life insurance products and group pensions.

Within the suite of wealth management products, premiums from individual annuity products rose by 22.0 per cent in the twelve months to December, while income from unit-linked products grew by 4.6 per cent. The data confirm that over the last few years, consumers have been shifting away from unit-linked products towards registered individual annuities that have a tax allowance component. In the case of the traditional life business, the growth in premium income was led mainly by health insurance (23.6 per cent) and group life business (15.4 per cent). The increase in health insurance business over the year was due to some companies acquiring the

health business of CLICO/BA in the region. Premiums from ordinary life business fell by 1.5 per cent to $522.2 million in December 2011, after having increased by 8.4 per cent, a year earlier **(Table 3.2 and Table 3B)**.

Claims

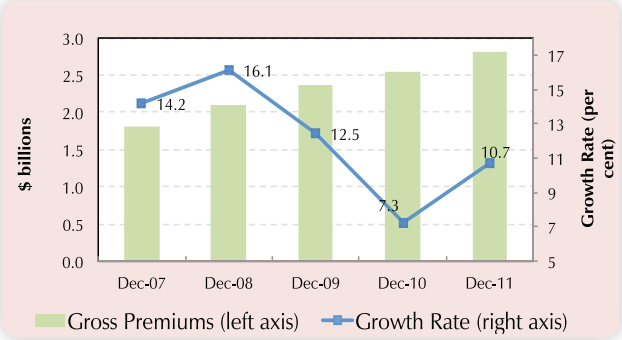
Gross claims in the life insurance sector grew by 13.2 per cent (year-on-year) in December 2011 following flat growth of around 0.7 per cent in December 2010 **(Table 3.3)**. The on-going lack of confidence by policyholders in interest-sensitive products has seen customers move their funds away from unit-linked products towards shorter-term investments in other financial institutions **(Table 3.4)**. During 2011, 45.0 per cent of gross claims emanated from wealth management products. Policy surrenders, the largest category of overall gross claims, increased by 21.7 per cent in 2011 over the previous year.

B. Non-Life Insurance

Overview

The performance of the non-life segment of the insurance industry also remained steady in 2011 primarily on account of higher premium income from property business, notwithstanding the relatively stagnant performance of the motor vehicle business. It is noteworthy though that non-life insurers have been ceding a larger percentage of the property business to international reinsurers such that the retention ratio now hovers around 53.0 per cent, having declined from around 60.0 per cent in 2007.

Chart 3.3
Life Industry – Gross Premiums



Source: Central Bank of Trinidad and Tobago.

Gross Premiums

Premium income from property and motor vehicle insurance are the mainstay of the non-life business (**Table 3C**). They account for 81.9 per cent of gross premiums written in the sector as at December 2011. Gross premium income of the non-life segment of the insurance industry grew by 4.3 per cent (year-on-year) in 2011

Table 3.2
Life Insurance Industry: Distribution of Gross Premium by Lines of Business

	Dec-07	Dec-08	Dec-09	Dec-10	Dec-11	Dec-07	Dec-08	Dec-09	Dec-10	Dec-11
	/TT$ Millions/					/Percentage Share/				
Ordinary Life	193.7	190.8	234.7	229.1	266.0	20.3	17.8	17.2	17.6	18.2
Group Life	59.9	45.4	56.3	67.6	77.7	5.7	5.0	4.0	5.2	5.4
Group Pension	17.0	54.1	16.0	33.6	13.7	1.7	1.8	4.2	2.6	1.0
Deposit Administration	33.2	21.9	70.6	34.3	25.4	3.3	3.1	4.3	3.8	1.7
Individual Annuities	218.0	219.5	245.2	262.1	309.1	19.5	23.5	18.7	20.3	19.7
Unit Linked Funds	200.9	239.5	272.8	262.8	346.5	22.1	18.3	23.7	20.2	23.7
Other	261.6	323.4	389.9	405.0	427.4	27.4	30.5	28.0	30.3	30.2
Total	**984.3**	**1,094.6**	**1,285.7**	**1,294.5**	**1,465.7**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: Central Bank of Trinidad and Tobago.

Table 3.3
Classification of Life Insurance: Gross Claims

	Dec-07	Dec-08	Dec-09	Dec-10	Dec-11	Dec-08	Dec-09	Dec-10	Dec-11
	/TT$ Millions/					/Year-on-Year Per cent Change/			
By Death	177.8	161.8	176.2	184.4	231.6	(9.0)	8.9	4.6	25.6
By Maturity	91.4	102.9	132.6	128.9	155.4	12.5	28.9	(2.8)	20.6
By Annuity	184.9	161.6	219.6	200.4	199.3	(12.6)	35.9	(8.7)	(0.6)
By Surrender	289.4	379.0	409.5	393.9	479.2	31.0	8.0	(3.8)	21.7
Interim Bonuses	0.1	0.2	0.1	0.2	0.1	92.1	(63.3)	134.0	(40.9)
Disability Claims	65.2	9.7	11.5	21.4	23.2	(85.2)	19.3	86.0	8.3
Short term Business Claims	175.5	279.5	336.2	336.7	376.9	59.2	20.3	0.1	11.9
Total	**984.3**	**1,094.6**	**1,285.7**	**1,294.5**	**1,465.7**	**11.2**	**17.5**	**0.7**	**13.2**

Source: Central Bank of Trinidad and Tobago.

Table 3.4
Life Industry:Distribution of Gross Claims by Lines of Business

	Dec-07	Dec-08	Dec-09	Dec-10	Dec-11	Dec-07	Dec-08	Dec-09	Dec-10	Dec-11
	/TT$ Millions/					/Percentage Share/				
Ordinary Life	433.6	452.9	489.1	530.1	522.2	23.9	21.5	20.6	20.8	18.5
Group Life	134.2	173.5	168.9	182.2	210.2	7.4	8.2	7.1	7.2	7.5
Group Pension	16.7	18.1	15.2	27.1	20.2	0.9	0.9	0.6	1.1	0.7
Deposit Administration	31.9	47.7	51.0	39.7	58.6	1.8	2.3	2.1	1.6	2.1
Individual Annuities	269.6	313.3	381.4	420.0	513.3	14.8	14.8	16.1	16.5	18.2
Unit Linked Funds	512.0	634.4	697.1	771.4	806.9	28.2	30.0	29.4	30.3	28.6
Other	419.8	471.3	571.5	576.1	687.1	23.1	22.3	24.1	22.6	24.4
of which:										
Health	*330.7*	*374.3*	*462.9*	*452.7*	*559.4*	*18.2*	*17.7*	*19.5*	*17.8*	*19.8*
Total	**1,817.8**	**2,111.3**	**2,374.2**	**2,546.5**	**2,818.5**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: Central Bank of Trinidad and Tobago.

Table 3.5
Non-Life Insurance: Distribution of Gross Premium Income

	Dec-07	Dec-08	Dec-09	Dec-10	Dec-11	Dec-08	Dec-09	Dec-10	Dec-11
	/TT$ Millions/					/Year-on-Year Per cent Change/			
Property	1,162.9	1,235.3	1,451.1	1,352.4	1,457.0	6.2	17.5	(6.8)	7.7
Motor Vehicle	955.8	1,142.0	1,118.9	1,150.3	1,150.6	19.5	(2.0)	2.8	0.0
Group Health	148.9	167.7	155.8	102.2	115.5	12.6	(7.1)	(34.4)	13.0
Other	407.3	495.0	488.7	449.8	461.5	21.5	(1.3)	(8.0)	2.6
Total	**2,674.9**	**3,040.0**	**3,214.3**	**3,054.7**	**3,184.6**	**13.7**	**5.7**	**(5.0)**	**4.3**

Source: Central Bank of Trinidad and Tobago.

following a decline of 5.0 per cent a year earlier **(Table 3.5)**. Much of this improved performance was mainly due to the growth in premium income from property business, which rose by 7.7 per cent (year-on-year) in December 2011. Due to the exit of one non-life company in the market, previously held property business was adopted by other companies in the sector as new business.

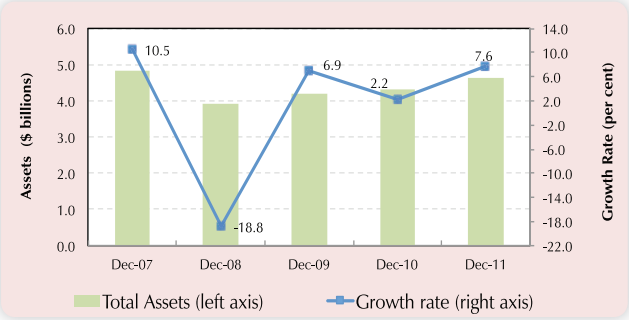
Growth in motor vehicle premiums remained flat over the period as total sales of vehicles (new and foreign used) fell in 2011 when compared to 2010. One major contributing factor to the decline in overall sales has been the Tsunami that occurred in Japan in March 2011 which severely impacted the foreign-used car market. Premium income from renewals of motor vehicle policies grew more slowly in December 2011 (15.0 per cent year-on-year). Further checks with the sector suggest that vehicle owners are keeping their vehicles for longer periods and converting policies from full comprehensive to third party insurance. If the rate of conversion of these policies accelerates, it is likely to increase the unit cost of operations in the industry.

Assets

The total assets of the non-life insurance companies rose by 7.6 per cent (year-on-year) to $4.6 billion in December 2011 **(Chart 3.4 and Table 3D)**. The sharp decline in total assets in 2008 is related to the divestment of a subsidiary by a major player in the non-life segment.

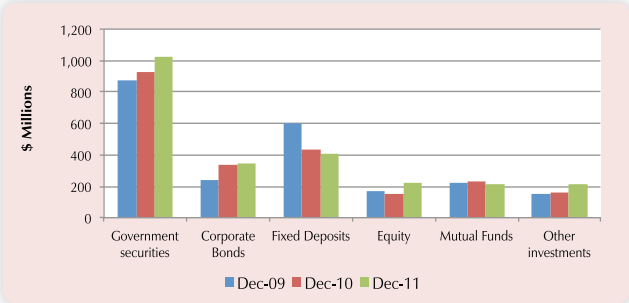
As is the case of the life insurance companies, government securities dominate the asset mix of the non-life portfolio accounting for 22.2 per cent of total assets and 42.3 per cent of total investments in 2011. The share of equity holdings in the portfolio increased by 46.4 per cent (year-on-year) to $222.7 million as one non-life insurance company made a substantial equity investment in a non-banking financial institution **(Chart 3.5)**.

Chart 3.4
Non-Life: Growth in Total Assets



Source: Central Bank of Trinidad and Tobago.

Chart 3.5
Investment Structure of Non-Life
/TT$ Millions/



Source: Central Bank of Trinidad and Tobago.

Retention Ratios

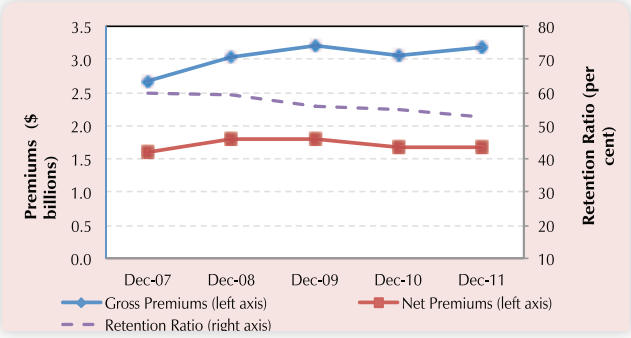
In an effort to mitigate against very large claims arising from natural disasters, many non-life companies have been ceding a greater proportion of their insurance business to international reinsurers. As at December 2011, the retention ratio was 52.6 per cent as 47.4 per cent of insurance premiums were ceded to international reinsurers **(Chart 3.6)**.

Claims

The overall ratio of net claims to net earned premiums (the net loss ratio) stood at 42.9 per cent in December 2011, and has been relatively stable over the last five years

(Table 3.6) as decreases in property claims were offset by increases in workmen compensation and public liability claims. The net loss ratio for property business fell to 17.1 per cent in 2011 from 21.1 per cent in 2010 as the less active hurricane season resulted in far lower claims for property damage. On the other hand, the net loss ratio for other classes of business which includes workmen compensation and public liability rose to 34.3 per cent in December 2011 from 29.4 per cent in December 2010 on account of a higher number of industrial accidents.

Chart 3.6
Non-Life Industry: Premiums and Retention Ratio
/TT$ Millions/



Source: Central Bank of Trinidad and Tobago.

C. Life and Non-Life Insurance – Financial Soundness Indicators (December 2011)

a. Life Insurance

Over the last two years, the Central Bank has been in the process of developing a set of financial soundness indicators for the insurance industry in keeping with international best practice. The suggested indicators for the life insurance sector comprise largely capital adequacy, asset quality, earnings, profitability and liquidity. The first set of indicators was published in the Financial Stability Report, Mid-Year Review, June 2011.

The financial soundness indicators for the life industry are detailed in **Table 3.7**.

Capital Adequacy

Capital used in these ratios is measured as assets minus liabilities with some adjustments made for 'non-participating life surplus' and goodwill. For the life insurance sector, the capital adequacy indicators (capital to total assets and capital to technical reserves) have been trending downwards since 2009. This decline is mainly due to increases in actuarial reserves by the industry as it prepares to meet the new capital rules in the proposed Insurance Bill. The ratio of capital to technical reserves stood at 30.2 per cent in December 2011 well above the international benchmark, which is usually in the range of 7.0 to 10.0 per cent.

Asset Quality

For the life industry, asset quality (measured in this case by the ratio of real estate plus unquoted equities plus accounts receivable to total assets) has been steadily improving. Companies have been reducing their exposure (accounts receivables) to related parties in response to regulatory recommendations.

Earnings and Profitability

For the past few years, operating expenses have been increasing at a slower rate than net premiums, resulting in a gradual decline in the expense ratio. As at December 2011, the ratio of expenses to net premiums declined to 37.4 per cent from 40.7 per cent in 2009. With re-investment opportunities constrained by current low interest rates, the return on investment in the sector has fallen slightly to 5.7 per cent as at December 2011 from 6.2 per cent in the previous year.

The return on equity ratio fell to 9.7 per cent in 2011 from 14.7 per cent in 2010 as pre-tax profit decreased to $289.0 million in 2011 from $452.8 million in 2010. The decline in pre-tax profit was due mainly to fair value losses on investments.

Table 3.6
Non-Life Insurance: Gross Claims Incurred

	Dec-07	Dec-08	Dec-09	Dec-10	Dec-11	Dec-07	Dec-08	Dec-09	Dec-10	Dec-11
	/TT$ Millions/					Net loss ratio /per cent/				
Property	247.4	100.4	88.1	187.8	159.9	22.7	21.1	5.9	21.1	17.1
Motor Vehicle	461.2	614.7	609.8	594.3	583.4	54.6	59.7	54.0	52.5	51.6
Group Health	102.9	119.5	114.7	72.6	71.6	74.6	71.4	71.4	72.4	62.9
Other	141.3	140.2	126.4	92.9	129.9	37.7	31.0	46.0	29.4	34.3
of which:										
Workmen's Compensation	49.7	70.9	35.0	33.0	69.8	56.1	70.9	36.2	42.1	66.2
Public Liability	32.5	13.2	16.8	10.6	20.2	78.1	20.6	35.6	28.4	21.5
Total	**952.8**	**974.8**	**939.0**	**947.5**	**944.8**	**46.4**	**48.4**	**43.4**	**43.5**	**42.9**

Source: Central Bank of Trinidad and Tobago.

Table 3.7
Life Insurance: Financial Soundness Indicators
/Per cent/

	Dec-07	Dec-08	Dec-09	Dec-10	Dec-11
Capital Adequacy					
Capital to total assets	25.5	25.1	25.4	23.8	21.8
Capital / technical reserves	36.4	35.2	36.6	33.8	30.2
Asset Quality					
(Real estate +unquoted equities + debtors) / total assets	15.7	16.5	15.7	15.1	13.9
Earnings and Profitability					
Expense ratio = expense (incl commissions) /net premium	47.6	43.6	40.7	37.8	37.4
Investment yield = Investment income to investment assets	6.3	6.2	6.8	6.2	5.7
Return on Equity (ROE) = Pre-tax profits to shareholders funds	7.8	7.6	10.3	14.7	9.7
Liquidity					
Liquid assets to current liabilities	31.5	42.1	38.9	28.6	33.5

Source: Central Bank of Trinidad and Tobago.

Liquidity

With companies holding more short-term assets (fixed deposits and mutual funds) in their portfolios, the liquidity ratio (liquid assets to short-term liabilities) rose to 33.5 per cent in December 2011 from 28.6 per cent in 2010. While liquidity remained at satisfactory levels, companies continue to confront the challenge of reinvestment risk in the absence of sufficient issues of longer-term securities in the market.

Statutory Fund – Life Sector

The Insurance Act Chap 84:01 requires that insurance companies maintain assets in their statutory fund to cover liabilities for policies owned by residents of Trinidad and Tobago.

Assets pledged to companies' statutory funds with respect to long term business amounted to $13.1 billion which represented an increase of $757.5 million (6.1 per cent) from the previous quarter (**Table 3.8**).

The life sector reported a surplus in the Statutory Fund for the quarter ended December 31, 2011 of $981.4 million. With the exception of one company, all other life companies were compliant with their statutory fund requirements. The Central Bank is working with the Board of Directors of that company to address its ongoing statutory fund deficit.

b. Non-life Insurance

As is the case with the life insurance segment, a similar set of financial soundness indicators has been developed for the non-life insurance segment of the industry **(Table 3.9).** These indicators largely comprise measures for asset quality, reinsurance, actuarial issues, earnings, profitability and liquidity.

Asset Quality

Generally, real estate and unquoted equities have the highest probability of impairment. Investments in real estate and unquoted equities have remained relatively unchanged in the last year. However, over the past three years, asset quality in relation to debtors (amounts due from agents, brokers and reinsurers) has been deteriorating due to increases in outstanding amounts owed to the companies. The Bank has recommended that companies strengthen their credit collection mechanisms.

Actuarial Issues

In 2011, an increase in reinsurance ceded resulted in a direct decrease in net premiums and a decrease in the retention rate for the sector. As at December 2011, the risk retention ratio stood at 52.6 per cent compared to 54.8 per cent as at December 2010.

Table 3.8
Life Insurance Companies: Trends in the Statutory Fund
/TT$ Million/

	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11
Long Term (excluding Clico and BA)					
Statutory Fund Assets	12,232.0	12,407.8	12,426.6	12,361.5	13,119.5
Statutory Fund Requirement	11,518.0	11,810.9	11,620.5	11,838.4	12,138.1
Surplus (Deficit)	714.0	592.9	806.1	523.1	981.4

Source: Central Bank of Trinidad and Tobago.

Table 3.9
Non-Life Inurance: Financial Soundness Indicators
/Per cent/

	Dec-07	Dec-08	Dec-09	Dec-10	Dec-11
Asset Quality					
(Real estate +unquoted equities + accounts receivables) / total assets	18.1	18.9	17.3	17.0	16.3
Debtors / (gross premiums + reinsurance recoveries)	15.2	13.0	10.3	11.4	11.9
Reinsurance and Actuarial Issues					
Risk Retention Ratio = Net premiums written/ total gross premiums	59.7	59.2	55.9	54.8	52.6
Net technical reserves/average of net claims paid in the last three years	144.7	128.8	124.0	132.9	158.1
Earnings and Profitability					
Combined Ratio	87.5	89.8	91.5	92.2	94.4
Expense ratio = expense (incl commissions) /net premiums	*40.9*	*43.0*	*48.0*	*49.3*	*51.1*
Loss ratio = net claims/net earned premiums	*46.6*	*46.7*	*43.4*	*42.9*	*43.2*
Investment income/net premium	11.9	9.3	10.7	8.5	10.4
Return on Equity (ROE) = Pre-tax profits to shareholders funds	12.1	23.9	16.8	12.3	15.5
Return on assets (ROA)	6.5	7.9	7.1	4.8	6.4
Liquidity					
Liquid assets to current liabilities	52.1	56.3	59.3	48.2	43.2

Source: Central Bank of Trinidad and Tobago.

The net technical reserves ratio (which is a measure of net technical reserves held relative to net claims paid out) increased significantly, rising to 158.1 per cent in 2011 from 132.9 per cent in 2010. The significant increase in the net technical reserves ratio is a direct result of increased regulatory action taken by the Central Bank, which has requested that companies strengthen their claims reserves. In the motor vehicle business, claim reserves were increased by $71.0 million in 2011.

Earnings and Profitability

Over the past five years, the expense ratio for non-life companies has been rising steadily. The increase in this ratio is mainly due to rising operating expenses and declining net premiums as non-life companies cede more business to reinsurers.

The ratio of investment income to net premiums rose to 10.4 per cent in December 2011 from 8.5 per cent a year ago. The increase in the ratio was mainly attributable to higher rental and dividend income from subsidiaries and affiliates. In 2011, interest income declined due to the low interest rate climate.

The combined ratio (loss ratio plus expense ratio) for the non-life insurance sector rose slightly to 94.4 per cent in December 2011 from 92.2 per cent in the previous year. Since 2007, this ratio has been trending upwards as expenses and claims have grown faster than net premiums. Given the under-reserving of claims and the lower growth in premiums for the motor vehicle business, the Central Bank estimates that the loss ratio should be higher. The Bank has initiated a number of steps to monitor the adequacy of claims reserving especially for insurers that predominantly write third party motor insurance business.

Liquidity

For the non-life sector, the liquidity ratio (measured by liquid assets to current liabilities) declined to 43.2 per cent in 2011 from 48.2 per cent in 2010. The decrease in the liquidity ratio was mainly attributable to the transfer of Treasury bill holdings to longer-term liquid assets such as corporate bonds and unquoted equities. Despite the fall in this ratio, liquidity is still considered to be at a satisfactory level.

Statutory Fund – Non Life Sector

Assets pledged to the respective statutory funds in relation to motor business stood at $650.8 million, an increase of 6.2 per cent over the previous quarter. The non-life sector reported a net surplus in the Statutory Fund in respect of motor business for the quarter ended December 31, 2011 of $157.9 million (**Table 3.10**). Two companies reported deficits in their statutory funds. The Central Bank is working with these companies to correct their deficiencies.

Table 3.10
Non-Life Insurance Companies: Trends in the Statutory Fund
/TT$ Million/

	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11
Motor Industry					
Statutory Fund Assets	581.1	570.0	556.5	612.7	650.8
Statutory Fund Requirement	395.7	414.5	465.9	456.8	492.9
Surplus (Deficit)	185.4	155.5	90.5	155.9	157.9

Source: Central Bank of Trinidad and Tobago.

Table 3A
Life Insurance Industry: Assets

	Dec-07	Dec-08	Dec-09	Dec-10	Dec-11
	/TT$ Million/				
Bank Deposits and Cash	140.4	74.1	240.5	376.6	542.9
Investments:	8,945.6	9,303.5	10,176.2	10,959.0	12,001.8
Government securities	2,537.0	3,321.5	4,203.8	5,339.8	5,868.3
Corporate Bonds	1,007.1	1,382.0	1,526.7	1,673.2	1,418.6
Fixed Deposits	765.0	1,176.9	1,116.6	764.9	1,060.3
Equity	2,580.7	1,468.7	1,374.4	1,348.4	1,427.1
Mutual Funds	796.4	798.3	800.1	693.0	998.3
Other investments	1,259.5	1,156.1	1,154.6	1,139.7	1,229.2
Loans	1,330.8	1,440.1	1,501.0	1,572.0	1,636.5
Accounts Receivable	944.7	1,125.9	1,290.4	1,434.9	1,348.3
Other Assets	1,132.1	1,211.1	1,213.9	1,330.4	1,334.2
Total	**12,493.5**	**13,154.7**	**14,422.0**	**15,673.1**	**16,863.6**
	/Percentage Share/				
Bank Deposits and Cash	1.1	0.6	1.7	2.4	3.2
Investments:	71.6	70.7	70.6	69.9	71.2
Government securities	20.3	25.2	29.1	34.1	34.8
Corporate Bonds	8.1	10.5	10.6	10.7	8.4
Fixed Deposits	6.1	8.9	7.7	4.9	6.3
Equity	20.7	11.2	9.5	8.6	8.5
Mutual Funds	6.4	6.1	5.5	4.4	5.9
Other investments	10.1	8.8	8.0	7.3	7.3
Loans	10.7	10.9	10.4	10.0	9.7
Accounts Receivable	7.6	8.6	8.9	9.2	8.0
Other Assets	9.1	9.2	8.4	8.5	7.9
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
	/Year-on-Year Per cent Change/				
Bank Deposits and Cash	N/A	-47.2	224.6	56.6	44.1
Investments:					
Government securities	N/A	30.9	26.6	27.0	9.9
Corporate Bonds	N/A	37.2	10.5	9.6	-15.2
Fixed Deposits	N/A	53.9	-5.1	-31.5	38.6
Equity	N/A	-43.1	-6.4	-1.9	5.8
Mutual Funds	N/A	0.2	0.2	-13.4	44.1
Other investments	N/A	-8.2	-0.1	-1.3	7.8
Loans	N/A	8.2	4.2	4.7	4.1
Accounts Receivable	N/A	19.2	14.6	11.2	-6.0
Other Assets	N/A	7.0	0.2	9.6	0.3
Total	**N/A**	**5.3**	**9.6**	**8.7**	**7.6**

Source: Central Bank of Trinidad and Tobago.

Table 3B
Life Insurance Industry:Distribution of Gross Premium by Lines
New Business and Renewals

	Dec-07	Dec-08	Dec-09	Dec-10	Dec-11
	/TT$ Millions/				
TRADITIONAL TOTAL	**898.6**	**1,000.8**	**1,120.9**	**1,164.9**	**1,291.8**
Ordinary Life	*433.6*	*452.9*	*489.1*	*530.1*	*522.2*
New Business	66.4	80.8	102.0	105.9	78.4
Renewal	367.2	372.1	387.0	424.2	443.8
Group Life	*134.2*	*173.5*	*168.9*	*182.2*	*210.2*
New Business	40.5	47.0	38.5	44.5	54.9
Renewal	93.7	126.5	130.4	137.6	155.3
Health	*330.7*	*374.3*	*462.9*	*452.7*	*559.4*
New Business	37.8	31.7	107.5	105.2	167.6
Renewal	293.0	342.6	355.4	347.5	391.8
NON-TRADITIONAL TOTAL	**919.2**	**1,110.5**	**1,253.4**	**1,381.6**	**1,526.7**
Individual Annuities	*269.6*	*313.3*	*381.4*	*420.0*	*513.3*
New Business	97.1	133.2	197.4	205.7	245.1
Renewal	172.5	180.1	184.0	214.3	268.2
Unit linked	*512.0*	*634.4*	*697.1*	*771.4*	*806.9*
New Business	115.4	164.6	184.3	178.1	191.8
Renewal	396.6	469.8	512.8	593.2	615.1
Group Pension	*16.7*	*18.1*	*15.2*	*27.1*	*20.2*
New Business	0.0	0.0	0.0	3.9	7.2
Renewal	16.7	18.1	15.2	23.3	13.0
Deposit Administration	*31.9*	*47.7*	*51.0*	*39.7*	*58.6*
New Business	0.0	0.0	0.0	0.0	0.0
Renewal	31.9	47.7	51.0	39.7	58.6
Other	*89.1*	*97.0*	*108.6*	*123.5*	*127.7*
New Business	10.2	10.4	12.4	14.3	11.7
Renewal	78.9	86.5	96.1	109.1	116.0
TOTAL PREMIUMS	**1,817.8**	**2,111.3**	**2,374.2**	**2,546.5**	**2,818.5**

Source: Central Bank of Trinidad and Tobago.

Table 3C
Non-Life Insurance: Distribution of Gross Premium Income
New Business and Renewals

	Dec-07	Dec-08	Dec-09	Dec-10	Dec-11
	/TT$ Millions/				
Property	**1,162.9**	**1,235.3**	**1,451.1**	**1,352.4**	**1,457.0**
New Business	216.2	219.7	307.0	224.0	481.6
Renewal	946.7	1,015.7	1,144.1	1,128.4	975.4
Motor Vehicle	**955.8**	**1,142.0**	**1,118.9**	**1,150.3**	**1,150.6**
New Business	417.4	437.5	333.1	340.3	328.7
Renewal	538.4	704.5	785.7	810.1	822.0
Group Health	**148.9**	**167.7**	**155.8**	**102.2**	**115.5**
New Business	20.4	46.7	26.7	25.0	29.6
Renewal	128.5	121.0	129.1	77.2	85.9
Other	**407.3**	**495.0**	**488.7**	**449.8**	**461.5**
New Business	147.8	168.4	161.4	120.2	124.8
Renewal	259.4	326.6	327.3	329.5	336.7
Total	**2,674.9**	**3,040.0**	**3,214.3**	**3,054.7**	**3,184.6**

Source: Central Bank of Trinidad and Tobago.

Table 3D
Non-Life Insurance Industry: Assets

	Dec-07	Dec-08	Dec-09	Dec-10	Dec-11
	/TT$ Millions/				
Bank Deposits and Cash	195.1	270.4	382.5	397.8	408.1
Investments:	2,048.5	2,134.0	2,257.1	2,248.0	2,425.4
Government securities	669.5	804.0	877.1	932.1	1,027.6
Corporate Bonds	202.5	212.6	240.6	336.2	347.2
Fixed Deposits	670.1	644.0	598.1	436.7	407.0
Equity	216.5	183.5	166.9	152.2	222.7
Mutual Funds	118.7	146.4	226.4	229.3	209.9
Other investments	171.4	143.7	148.1	161.8	211.1
Loans	182.8	288.4	248.0	265.2	316.7
Accounts Receivable	758.1	636.2	616.9	620.9	583.2
Other Assets	1,657.6	602.0	696.9	764.0	890.6
Total	**4,842.4**	**3,931.3**	**4,201.6**	**4,296.1**	**4,624.1**
	/Percentage Share/				
Bank Deposits and Cash	4.0	6.9	9.1	9.3	8.8
Investments:					
Government securities	13.8	20.5	20.9	21.7	22.2
Corporate Bonds	4.2	5.4	5.7	7.8	7.5
Fixed Deposits	13.8	16.4	14.2	10.2	8.8
Equity	4.5	4.7	4.0	3.5	4.8
Mutual Funds	2.5	3.7	5.4	5.3	4.5
Other investments	3.5	3.7	3.5	3.8	4.6
Loans	3.8	7.3	5.9	6.2	6.8
Accounts Receivable	15.7	16.2	14.7	14.5	12.6
Other Assets	34.2	15.3	16.6	17.8	19.3
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
	/Year-on-Year Per cent Change/				
Bank Deposits and Cash	N/A	38.6	41.4	4.0	2.6
Investments:					
Government securities	N/A	20.1	9.1	6.3	10.3
Corporate Bonds	N/A	5.0	13.1	39.8	3.3
Fixed Deposits	N/A	(3.9)	(7.1)	(27.0)	(6.8)
Equity	N/A	(15.2)	(9.0)	(8.9)	46.4
Mutual Funds	N/A	23.4	54.6	1.3	(8.5)
Other investments	N/A	(16.2)	3.1	9.2	30.5
Loans	N/A	57.7	(14.0)	6.9	19.4
Accounts Receivable	N/A	(16.1)	(3.0)	0.7	(6.1)
Other Assets	N/A	(63.7)	15.8	9.6	16.6
Total	**N/A**	**-18.8**	**6.9**	**2.2**	**7.6**

Source: Central Bank of Trinidad and Tobago.

Appendices

Appendix I
DEVELOPMENTS IN REGULATION AND SUPERVISION

There were several developments in the regulatory and supervisory architecture governing financial institutions in Trinidad and Tobago over the period January to May 2012. Whilst the Central Bank is still awaiting the enactment of the Insurance Bill and Regulations, work continued apace on other initiatives to strengthen all sectors under its purview.

For the first five months of the year, work on the legislative, regulatory and supervisory frameworks governing financial institutions has largely focused on:-

- *Issuing guidelines for the approval of new or amended insurance policies and new or materially different banking products to the Insurance and Banking sectors, respectively;*
- *Finalizing revisions to the Policy Proposal Document (PPD) for an Occupational Pension Plans Bill based on comments on the PPD issued in October 2011 which were received during the period by January 2012;*
- *Progressing discussions on the draft Credit Union Bill with the industry;*
- *Finalizing preparations for the conduct of the first consolidated on-site examination of a large financial conglomerate by the Central Bank; and*
- *Administering the implementation of the Cost Recovery ("The Central Bank (Payment of Supervisory Fees and Charges)") Regulations 2011.*

In addition to these developments by the Central Bank, the Trinidad and Tobago Securities and Exchange Commission (TTSEC) also launched Guidelines aimed at enhancing the regulatory and supervisory framework governing its registered persons.

A synopsis of some key developments is outlined below:-

Insurance Sector

Insurance Bill and Draft Regulations

During the first quarter, the Central Bank met with the Legislative Review Committee (LRC) to discuss the Regulations that will be made under the revised Insurance Act.

The following Insurance Regulations were reviewed by the LRC:

- Insurance (Approved Securities) Regulations
- Insurance (Asset) Regulations
- Insurance Companies (Registration) Regulations
- Insurance (Intermediaries Registration) Regulations
- Insurance (Capital Adequacy) Regulations

- Insurance (Caribbean Policy Premium Method) Regulations
- Insurance (Financial Condition Report for General Insurance) Regulations Insurance (Financial Condition Report for Long Term Insurance) Regulations

The Insurance Bill and accompanying Regulations are expected to be debated in Parliament during the third quarter of 2012.

Guideline for the Approval of New or Significantly Amended Insurance Policies Under the Insurance Act Chapter 84:01

The Central Bank issued the "Guideline for the Approval of New or Significantly Amended Insurance Policies" on May 14, 2012. The Guideline details the process to be followed including the documents to be submitted to the Central Bank, where an insurance company wishes to offer a new or amended policy to the public.

Update on Implementation of Risk-Based Capital Framework and Actuarial Valuation Methodology

During 2011, the Central Bank conducted its fourth Quantitative Impact Study (QIS) on the new risk-based capital framework for insurance companies and the standardized actuarial valuation methodology for life insurance companies, referred to as the Caribbean Policy Premium Method (CPPM). The Regulations governing these two prudential assessment tools form part of the new Insurance Bill which was laid in Parliament in November 2011.

This fourth QIS was completed on an insurer's information for the financial year end 2010 in which eleven out of fourteen life and twelve out of eighteen general insurance companies participated. The results confirmed that the insurance industry is ready and capable of implementing both the CPPM and the risk based capital framework. Adequate valuation systems are in place for the life insurance companies and, where necessary, have been or are being enhanced to improve the integrity of the data. Some general insurance companies are also implementing new systems or enhancing existing systems to ensure compliance with the new risk-based capital framework.

Table 1 below shows the regulatory capital requirement ratios[4] for the companies that participated in this QIS and for comparison, the previous QIS that was carried out on information for the financial year end 2009. Variances between the two studies were due mainly to the different composition of companies that participated in each QIS. Other changes were on account of some refinements in the Regulations and adjustments to the reporting requirements to avoid both double counting and omissions of relevant capital items in the calculations. The results revealed that life insurers are more adequately capitalized than the general insurers. Eight life insurance companies compared to six general insurance companies attained regulatory capital requirement ratios exceeding 200 per cent. The average ratio was also greater for the life insurance companies.

[4] These ratios exclude the Colonial Life Insurance Company (Trinidad) Limited and the British American Insurance Company (Trinidad) Limited.

The results of the QIS also highlighted that two life and five general insurance companies failed to achieve the supervisory target capital ratio of 150 per cent, with two companies having ratios of less than 50 per cent. With imminent enactment of the Insurance Bill and accompanying Regulations, at least five of these seven companies will be required to submit a capital plan for attaining the supervisory target capital ratio under a transition provision contained in the Regulations.

Table 1
Insurance Industry: Regulatory Capital Requirements

Regulatory Capital Requirement Ratio	Life Insurance Companies		General Insurance Companies	
	2009	2010	2009	2010
Below 50 per cent	-	1	1	1
50 - 100 per cent	-	-	2	-
100 - 150 per cent	1	1	2	4
150 - 200 per cent	-	1	1	1
Above 200 per cent	8	8	4	6
Participating Companies	9	11	10	12
Non-participating Companies	5	3	8	6
Total Insurance Companies	14	14	18	18
Average Ratio* (per cent)	289	245	167	196
Average Ratio for Companies that participated in both studies (per cent)	273	260	167	201

* The average ratio excludes negative ratios which are as a result of insufficient available capital to meet the required amount.

General insurance provisions for unpaid claims

The Central Bank continued its refinement and testing of the new reporting forms for general insurance companies which were developed to enhance oversight of the adequacy of the provisions for unpaid claims. There were some improvements observed with the accuracy of the data reported but some companies continue to face challenges due to poor computer systems and a lack of appropriate resources. The Central Bank will continue to work closely with the general insurance companies to ensure that the data being reported are both reliable and accurate to enable a proper assessment of the adequacy of provisions for unpaid claims.

Banking Sector

Guideline for the Notification of New or Materially Different Banking Products or Services, under the Financial Institutions Act, 2008

The Central Bank also issued a *"Guideline for the Notification of New or Materially Different Banking Products or Services, under the Financial Institutions Act, 2008"* on May 14, 2012. The Guideline provides licensed financial institutions with information on what constitutes a new or materially different banking product or service in accordance with Section 51 of the Financial Institutions Act, 2008 (FIA).

The Guideline also specifies the process to be followed and the supporting documentation to be submitted to the Central Bank where a company wishes to offer a new or materially different product or service.

Insurance companies, banks and non-banks were given six (6) months to comply with the respective Guidelines.

Credit Unions

Credit Union Bill

The Central Bank held a number of information sessions with the industry to explain and clarify key sections of the Credit Union Bill. Credit unions have submitted comments on the proposed Bill which are being currently reviewed by the Central Bank.

All Sectors

The Central Bank (Payment of Supervisory Fees and Charges) Regulations, 2011

In accordance with the Central Bank (Payment of Supervisory Fees and Charges) Regulations, 2011 (the Regulations), invoices detailing the fees and costs payable by all regulated persons were issued in November 2011. The first installment of the annual fee was due in January 2012 and approximately ninety percent (90 per cent) of the charges due have been paid.

In addition, the imminent enactment of the Insurance Bill and draft Regulations necessitated that consequential amendments be proposed to the Regulations. In addition, amendments to the Regulations have been proposed to treat with financial institutions and pension plans in the process of wind-up.

Trinidad And Tobago Securities And Exchange Commission (TTSEC)

In April 2012, the Trinidad and Tobago Securities and Exchange Commission (the TTSEC) issued two guidelines which would impact several banks and non-bank financial institutions registered with the TTSEC in one or more of the following categories - reporting issuer, securities company, underwriter or investment advisor.

Repurchase Agreements Guidelines

In April 2012, the TTSEC issued its "Repurchase Agreements Guidelines". These Guidelines were issued to ensure the orderly supervision of repurchase agreements in the financial system. The effective date of the Repurchase Agreements Guidelines is July 23, 2012.

Guidelines on Anti-Money Laundering & Combating the Financing of Terrorism

The TTSEC has contributed to the fight against money laundering and terrorist financing by issuing a guideline entitled "Guidelines on Anti-money Laundering & Combating the Financing of Terrorism" (AML/ CFT Guidelines).

Although issued in November 2011, the AML/ CFT Guidelines were launched along with the Repurchase Agreements Guidelines in April 2012. The AML/CFT Guidelines provide information to market actors[5] on the implementation of an adequate AML/CFT compliance framework. The latter conforms to international requirements and is critical to protecting institutions from abuse by criminal elements. Similar to the guideline issued by the Central Bank, the TTSEC's AML/ CFT Guidelines incorporate the mandatory minimum requirements of the AML/CFT legislation in Trinidad and Tobago as well as international standards and best practices on AML/ CFT.

United States Inland Revenue Service (Irs)

Foreign Account Tax Compliance Act (FATCA)

The Foreign Account Tax Compliance Act (FATCA), enacted in 2010, is an important development in the United States' (U.S.) efforts to combat tax evasion.

Under FATCA, certain U.S. taxpayers holding financial assets outside the United States must report those assets to the IRS. In addition, FATCA will require foreign financial institutions (FFIs) to report directly to the IRS certain information about financial accounts held by U.S. taxpayers, or by foreign entities in which U.S. taxpayers hold a substantial ownership interest. To properly comply with these new reporting requirements, an FFI will have to enter into a special agreement with the IRS by June 30, 2013. The Central Bank is currently reviewing this legislation and its resulting impact on the local financial sector.

[5] Market actor refers to a person registered or deemed to be registered under the Securities Industries Act, 1995 and includes securities companies, reporting issuers, investment advisors.

Appendix II
INSTITUTIONS LICENSED UNDER THE FIA, 2008
As at April, 2012

- Citibank (Trinidad & Tobago) Limited
- FirstCaribbean International Bank (Trinidad & Tobago) Limited
- First Citizens Bank Limited
- Intercommercial Bank Limited
- Republic Bank Limited
- Scotiabank Trinidad and Tobago Limited
- RBC Royal Bank (Trinidad and Tobago) Limited
- Bank of Baroda (Trinidad and Tobago) Limited
- AIC Finance Limited
- ANSA Merchant Bank Limited
- Caribbean Finance Company Limited
- Citicorp Merchant Bank Limited
- CLICO Investment Bank Limited (In Liquidation as of Order dated October 17, 2011)
- Development Finance Limited
- Fidelity Finance & Leasing Co. Limited
- First Citizens Asset Management Limited
- First Citizens Trustee Services Limited
- General Finance Corporation Limited
- Guardian Asset Management Limited
- Intercommercial Trust and Merchant Bank Limited
- Island Finance Trinidad & Tobago Limited
- Republic Finance & Merchant Bank Limited
- RBC Investment Management (Caribbean) Limited
- RBC Merchant Bank (Caribbean) Limited
- RBC Trust (Trinidad and Tobago) Limited
- Scotiatrust and Merchant Bank Trinidad and Tobago Limited

Appendix III
INSURANCE COMPANIES REGISTERED UNDER THE INSURANCE ACT, 1980
As at April, 2012

Active Life Insurance Companies

- Bancassurance Caribbean Limited
- Cuna Caribbean Insurance Society Limited
- Maritime Life (Caribbean) Limited
- ScotiaLife Trinidad and Tobago Limited
- Tatil Life Assurance Limited
- The Demerara Life Assurance Company of Trinidad and Tobago Limited

Active General Insurance Companies

- Bankers Insurance Company of Trinidad and Tobago Limited
- Capital Insurance Limited
- Colonial Fire & General Insurance Company Limited
- Export-Import Bank of Trinidad and Tobago (Eximbank) Limited
- Furness Anchorage General Insurance Limited
- GTM Insurance Company Limited
- Gulf Insurance Limited
- Maritime General Insurance Company Limited
- Motor and General Insurance Company Limited [12]
- Motor One Insurance Company Limited
- Sagicor General Insurance Inc.
- The Great Northern Insurance Company Limited
- The New India Assurance Company (Trinidad and Tobago) Limited
- The Presidential Insurance Company Limited
- Trinidad and Tobago Insurance Limited
- United Insurance Company Limited

Active Composite (Life & General) Insurance Companies

- American Life & General Insurance Company (Trinidad and Tobago) Limited
- British American Insurance Company (Trinidad) Limited (Under Special Emergency Powers of the Bank pursuant to Section 44D of the Central Bank Act)
- Colonial Life Insurance Company (Trinidad) Limited (Under Special Emergency Powers of the Bank pursuant to Section 44D of the Central Bank Act)
- Guardian General Insurance Limited
- Guardian Life of the Caribbean Limited
- Mega Insurance Company Limited
- Reinsurance Company of Trinidad and Tobago Limited
- Sagicor Life Inc.
- The Beacon Insurance Company Limited

[12] Suspended as at 15 June 2010, under Section 68 of the Amended Insurance Act Chp.84:01.

Appendix III
INSURANCE COMPANIES REGISTERED UNDER THE INSURANCE ACT, 1980
As at April, 2012

Inactive Life Insurance Companies

- Caribbean Atlantic Life Insurance Company Limited (CALICO) (Under Judicial Management)
- Life of Barbados Limited
- Lincoln Assurance Limited
- Nationwide Insurance Company Limited (In Compulsory Liquidation)
- Sun Life Assurance Company of Canada
- United Security Life Insurance Company Limited

Inactive General Insurance Companies

- Antilles Insurance Limited
- Citizens Insurance Company Limited (In Compulsory Liquidation)
- Equitable Insurance Company Limited
- Goodwill Insurance Company Limited (In Compulsory Liquidation)
- N.E.M (West Indies Insurance) Limited
- Mountain General Insurance Company Limited

Inactive Composite (Life & General) Insurance Companies

- Nationwide Insurance (Casualty and General) Company Limited (In Compulsory Liquidation)

Active Association of Underwriters

- Lloyd's Underwriters

Appendix IV
PENSION PLANS REGISTERED UNDER THE INSURANCE ACT, 1980
As at April, 2012

ACTIVE PENSION PLANS

- 3M Interamerica Inc Pension Fund Plan
- A.S. Bryden & Sons (Trinidad) Ltd. Pension Fund Plan
- Agostini Insurance Brokers Limited Pension Fund Plan
- Agostini Limited Retirement Plan
- Airports Authority Pension Fund Plan
- Albrosco Limited Staff Pension Plan
- Alstons Ltd. Pension Plan
- Amoco Trinidad Oil Company Pension Fund Plan
- Amour's Funeral Homes Ltd. Pension Fund Plan
- Angostura Bitters (Dr. J.G.B Siegert & Sons) Limited Pension Fund Plan
- Ansa McAl Limited. Pension Fund Plan
- Anthony N. Sabga Limited Pension Fund Plan
- ASA Wright Nature Centre Pension Fund Plan
- Associated Brands Ltd. Group Pension Fund Plan
- Atlantic LNG Pension Fund Plan
- Bank of Commerce of Trinidad and Tobago Limited Retirement Plan
- Barbados Mutual Pension Scheme
- Baroid Trinidad Services Limited Staff Pension Fund Plan
- Bawodes Limited Pension Fund Plan
- Berger Paints Trinidad Limited Pension Fund Plan (Monthly Paid) Employees
- Berger Paints Trinidad Limited Pension Fund Plan for Weekly Paid Employees
- Bermudez Biscuit Company Limited Staff Pension Fund Plan
- Bristol Myers Squibb (West Indies) Ltd. Pension Fund Plan
- British American Insurance Company (Trinidad) Limited Pension Fund Plan
- British Gas Trinidad Limited Pension Fund Plan
- British High Commission Pension Fund Plan
- BWIA General Staff Pension Fund Plan
- BWIA Pilots Pension Fund Plan
- C.M.B Packaging Trinidad Limited Pension Fund Plan
- Caribbean Bulk Storage and Trading Company Limited Pension Fund Plan
- Caribbean Industrial Research Institute Pension Fund Plan
- Caribbean Packaging Industries Limited Pension Fund Plan for Junior Staff Employees
- Caribbean Packaging Industries Limited Defined Contribution Pension Fund Plan
- Caribbean Packaging Industries Limited Pension Fund Plan for Junior Staff Employees
- Caribbean Services Company Limited Pension Fund Plan
- Central Bank of Trinidad and Tobago Pension Fund Plan
- Century Eslon Limited Pension Fund Plan
- C.B.P Limited Pension Plan

Appendix IV
PENSION PLANS REGISTERED UNDER THE INSURANCE ACT, 1980
As at April, 2012

- Citibank (Trinidad and Tobago) Limited Pension Fund Plan
- Clark and Battoo Ltd. Staff Pension Fund Plan
- Clico Investment Bank Limited Staff Pension Fund Plan
- Coca Cola Bottling (Trinidad and Tobago) Pension Fund Plan
- Coconut Growers Association Pension Fund Plan
- Colonial Fire and General Insurance Company Limited Pension Fund Plan
- Colonial Life Insurance Company (Trinidad) Limited Staff Pension Fund Plan
- Consolidated Insurance Consultants Limited Pension Fund Plan
- Coopers and Lybrand Pension Fund Plan
- CUNA Caribbean Insurance Society Pension Fund Plan
- Development Finance Limited Pension Fund Plan
- Diego Martin Credit Union Cooperative Society Staff Pension Fund Plan
- E&Y Services Limited Pension Fund Plan
- Envirotec Holdings Limited Pension Fund Plan (formerly Waste Disposal Limited Pension Fund Plan)
- EOG Resources Trinidad Limited Employees Pension Fund Plan
- Eric Solis Marketing Limited Staff Pension Fund Plan
- F.T. Farfan and Sons Limited Pension Fund Plan
- Ferreira Optical Limited Pension Fund Plan
- First Citizens Bank Pension Fund Plan
- Fujitsu ICL Caribbean (Trinidad) Limited Pension Fund Plan
- Furness Trinidad Limited Pension Fund Plan
- GlobalSantaFe South America LLC Pension Plan
- Grace Kennedy Trinidad and Tobago Limited Pension Fund Plan
- Guardian Holdings Group Defined Contribution Pension Plan (formerly N.E.M (West Indies) Staff Superannuation
- Gulf Engineering Services Limited Pension Fund Plan
- Gulf Insurance Limited Pension Fund Plan
- Guyana and Trinidad Mutual Fire Insurance Company Limited Pension Fund Plan
- H.S Services Limited Pension Fund Plan
- Halliburton Trinidad Limited Pension Fund Plan
- Hand Arnold (Trinidad) Limited Employees Pension Scheme
- Home Construction Limited Staff Pension Fund Plan
- Hydro Agri Trinidad Limited Salaried Employees Pension Plan
- IBM Retirement Plan
- Insurance Brokers West Indian Limited Pension Fund Plan
- J.N. Harriman and Company Limited Pension Fund Plan
- J.T.A Supermarkets Limited Pension Fund Plan
- Janouras Customs Design Limited Pension Plan

Appendix IV
PENSION PLANS REGISTERED UNDER THE INSURANCE ACT, 1980
As at April, 2012

- Johnson & Johnson (Trinidad) Ltd. Staff Pension Fund Plan
- Joseph Charles Bottling Works and Investments Limited Pension Fund Plan
- Junior Schools Limited Staff Pension Plan
- L.J. Williams Pension Fund Plan
- Lake Asphalt of Trinidad and Tobago (1978) Limited (Monthly) Pension Fund Plan - Staff
- Lake Asphalt of Trinidad and Tobago (1978) Limited (Weekly) Pension Fund Plan - Employees
- Lange Trinidad Limited Pension Fund Plan
- Laughlin and DeGannes and Associate Companies Pension Fund Plan
- Lazzari and Sampson Limited Pension Fund Plan
- Lever Brothers (West Indies) Ltd. Pension Fund Plan
- Life of Barbados Pension Fund Plan
- Lonsdale/Saatchi and Saatchi Advertising Limited Staff Pension Fund Plan
- Mainstream Foods Limited Pension Fund Plan
- Mandev-Qualassure Pension Fund Plan
- Maritime Life (Caribbean) Limited Pension Fund Plan
- Master Mix of Trinidad and Tobago Limited Pension Fund Plan
- Mc Cann Erickson (Trinidad) Limited Pension Fund Plan
- Medianet Limited Monthly Paid Staff Pension Fund Plan
- Mega Insurance Company Limited Pension Fund Plan
- Mittal Steel Point Lisas Ltd. Pension Fund Plan
- MTS Pension Plan
- NALIS Pension Fund Plan
- National Flour Mills Pension Fund Plan
- National Gas Company of Trinidad and Tobago Pension Fund Plan
- National Helicopter Services Limited Pension Fund Plan
- National Insurance Board Pension Fund Plan
- National Insurance Property Development Company Limited Pension Fund Plan
- National Union of Government and Federated Workers- Elected Officers Pension Fund Plan
- National Union of Government and Federated Workers- Staff Pension Fund Plan
- Navarro's Shipping Limited Pension Fund Plan
- Neal and Massy Group Pension Fund Plan
- Neal & Massy Wood Group Ltd. Pension Plan
- Nestle Trinidad Limited Pension Fund Plan
- Nestle Unionized Employees Pension Fund Plan
- Niherst Pension Fund Plan
- Oilfield Workers Trade Union Staff Pension Fund Plan
- PCS Nitrogen Trinidad Ltd. Pension Fund Plan I
- Penta Paints Caribbean Limited Pension and Widows Benefit Scheme

Appendix IV
PENSION PLANS REGISTERED UNDER THE INSURANCE ACT, 1980
As at April, 2012

- Pepsi Cola Trinidad Bottling Company Limited Pension Fund Plan
- Phoenix Park Gas Processors Limited Staff Pension Fund Plan
- Point Lisas Industrial Development Corporation Limited Pension Fund Plan
- Port Authority of Trinidad and Tobago Daily Paid Pension Fund Plan
- Port Authority of Trinidad and Tobago Monthly Paid Pension Fund Plan
- Prestige Holdings Limited Pension Fund Plan
- Print - A - Pak Ltd. Pension Fund Plan
- RBP Elevator and Escalator Limited Pension Fund Plan
- RBTT Pension Fund Plan
- Rentokil Initial (Trinidad) Limited Pension Fund Plan
- Repsol E&P T&T Limited Pension Plan
- Republic Bank of Trinidad and Tobago Limited Pension Fund Plan
- Rhand Credit Union Co-operative Society Limited Staff Pension Fund Plan
- Scotiabank Trinidad and Tobago Limited Pension Fund Plan
- Sealand Services Incorporative Pension Fund Plan
- Selco Limited Pension Fund Plan
- Servol Limited Pension Fund Plan
- Small Business Development Company Limited Staff Pension Fund Plan
- Southern Medical Clinic Limited Pension Fund Plan
- Southern Sales and Services Company Limited Pension Fund Plan
- Stellar Distributions (Trinidad) Staff Pension Fund Plan
- T. Geddes Grant (Trinidad) Staff Savings Pension Fund Plan
- T. Geddes Grant Limited Pension Fund Plan
- Tatil Life Sales Representatives Pension Fund Plan
- TECU Credit Union Co-operative Society Limited Pension Fund Plan
- Telecommunications Services of Trinidad and Tobago Limited Pension Fund Plan
- Texaco (Trinidad) Limited Staff Retirement Plan
- Tucker Energy Services Holdings Limited Pension Plan
- The Beacon Insurance Company Limited Pension Fund Plan for Monthly and Weekly Paid Employees
- The First Caribbean International Bank (Trinidad & Tobago) Limited Pension Plan (formerly The Mercantile Banking and Finance Corporation Ltd. Pension Fund Plan)
- The Group Pension Scheme for the Agents of American Life and General Insurance Company (Trinidad) Limited
- The Group Pension Plan for the Managerial Employees of American Life and General Insurance Company (Trinidad and Tobago) Limited
- The Group Pension Plan for the Non-Managerial Employees of American Life and General Insurance Company (Trinidad and Tobago) Limited
- The Group Pension Fund Plan for Non-Professional Employees of Fitzstone
- The Home Mortgage Bank Pension Fund Plan

Appendix IV
PENSION PLANS REGISTERED UNDER THE INSURANCE ACT, 1980
As at April, 2012

- The Incorporated Trustees of the Anglican Church in the Dioceses of Trinidad and Tobago Pension Fund Plan
- The Institute of Marine Affairs Pension Fund Plan
- The Myerson Tooth Company Ltd. Pension Fund Plan
- The Regional Health Authorities Pension Fund Plan
- The Synod of the Presbyterian Church in Trinidad Pension Fund Plan
- The Trinidad and Tobago Stock Exchange Pension Fund Plan
- The University of the West Indies (St. Augustine) Staff Pension Fund Plan
- Thomas Peake and Company Limited Pension Fund Plan
- Toyota Trinidad and Tobago Staff Pension Fund Plan
- Trinidad and Tobago Pilots Association Pension Plan
- Trinidad and Tobago Chamber of Commerce Pension Fund Plan
- Trinidad and Tobago Civil Aviation Authority Pension Fund Plan
- Trinidad and Tobago Electricity Commission Pension Fund Plan
- Trinidad and Tobago Electricity Commission Provident Fund
- Trinidad and Tobago External Telecommunications Company Limited Pension Fund Plan
- Trinidad and Tobago Methanol Company Limited Pension Fund Plan
- Trinidad and Tobago Mortgage Finance Company Limited Pension Fund Plan
- Trinidad and Tobago National Petroleum Marketing Company Limited Pension Fund Plan 1
- Trinidad and Tobago National Petroleum Marketing Company Limited Pension Fund Plan 2
- Trinidad and Tobago Oil Company Limited Contributory Pension Fund Plan A
- Trinidad and Tobago Oil Company Limited Contributory Pension Fund Plan B
- Trinidad and Tobago Oil Company Limited Employees Benefit Plan
- Trinidad and Tobago Petroleum Company Limited Employees Pension Fund Plan
- Trinidad and Tobago Petroleum Company Limited Staff Pension Fund Plan
- Trinidad and Tobago Port Contractors Limited Staff Pension Plan
- Trinidad and Tobago Solid Waste Management Company Limited Pension Fund Plan
- Trinidad and Tobago Telephone Co. Ltd. Staff Pension Fund Plan
- Trinidad and Tobago Unit Trust Corporation Pension Fund Plan
- Trinidad Building and Loan Association Pension Fund Plan
- Trinidad Cement Limited Employees Pension Fund Plan
- Trinidad Concrete Products Limited Pension Fund Plan
- Trinidad Contractors Limited Pension Plan
- Trinidad Express Newspapers Limited Pension Fund Plan
- Trinidad Hilton (International) Limited Pension Fund Plan
- Trinidad Nitrogen Company Limited Staff Pension Fund Plan

Appendix IV
PENSION PLANS REGISTERED UNDER THE INSURANCE ACT, 1980
As at April, 2012

- Trinidad Ropeworks Limited Retirement Plan for Employees
- Trinrico Steel & Wire Products Limited Pension Fund Plan
- Trinidad Systems Pension Plan
- Trintoplan Consultants Limited Staff Pension Fund Plan
- Unicomer (Trinidad) Limited Pension Plan (formerly Courts (Trinidad) Limited Pension Plan
- Unilever Caribbean Limited Hourly Rated Employees Pension Plan
- United States of America Embassy in Trinidad and Tobago Pension Fund Plan
- Water and Sewerage Authority Pension Fund Plan
- West Indian Tobacco Company Limited Staff Pension Fund Plan
- Western Scientific Company Limited Pension Fund Plan
- William H Scott Limited Pension Fund Plan
- Y. De Lima and Company Limited Pension Fund Plan
- Youth Training and Employment Partnership Programme Limited Pension Fund

PENSION PLANS IN THE PROCESS OF BEING WOUND UP
As at April 2012

- All Trinidad Sugar and General Workers Trade Union Pension Fund Plan
- Associated Battery and Metal Industries Trinidad Ltd. Pension Fund Plan
- Aviation Services Trinidad and Tobago Ltd. Pension Fund Plan
- Bel Air International Airport Hotel Limited Pension Fund Plan
- B.H. Rose Limited Pension Fund Plan
- Bottlers Ltd. Pension Fund Plan
- British Airways Pension Fund Plan
- BWIA (Ltd) Pilots Provident Fund
- BWIA Limited General Staff Provident Fund
- C. Lloyd Trestrail & Co. Ltd. Pension Fund Plan
- Caribbean Packaging Industries Ltd. Pension Fund Plan for Senior Staff
- Caroni (1967) Ltd. Pension Fund Plan
- Caroni (1975) Ltd. Daily Paid Employees Contributory Pension Fund Plan
- Caroni (1975) Ltd. Employees Pension Fund Plan
- Cliffs and Associates Ltd. Pension Fund Plan
- Colgate Palmolive (Caribbean) Inc. Pension Fund Plan
- Colonial Life Insurance Co. (Trinidad) Ltd. Agents Pension Fund Plan
- Corbin Compton Ltd. Staff Pension Fund Plan
- Crown Life Caribbean Ltd. Employees Pension Fund Plan
- CTC Electronics Ltd. Pension Fund Plan
- Electrotec Services Ltd Pension Fund Plan

Appendix IV

PENSION PLANS IN THE PROCESS OF BEING WOUND UP

As at April, 2012

- Employers Consultative Association Pension Fund Plan
- F.W. Woolworth Ltd. Pension Fund Plan
- General Building and Loan Association Staff Pension Fund Plan
- George Wimpey Caribbean Ltd. Pension Fund Plan
- Goellnicht and Stollmeyer (Marketing) Ltd. Pension Fund Plan
- Gordon Grant Staff Pension Fund Plan
- Guardian Life of the Caribbean Ltd. Pension Fund Plan
- Hydro Agri Trinidad Limited Hourly Paid Employees Pension Plan
- Industrial Development Corporation Pension Fund Plan
- Inglefield Ogilvy & Mather Caribbean Pension Fund Plan
- Insurance Consultants Ltd. Pension Fund Plan
- International Loss Adjusters Ltd. Pension Fund Plan
- Label House Ltd. Staff Pension Fund Plan
- Metal Industries Company Pension Fund Plan
- National Agro Chemicals Pension Fund Plan
- National Broadcasting Services of Trinidad and Tobago Pension Fund Plan
- Nationwide Staff "A" Pension Fund Plan
- Nationwide Staff "B" Pension Fund Plan
- Nationwide Staff "C" Pension Fund Plan
- Orange Grove National Company Ltd. Pension Fund Plan
- PCS Nitrogen Pension Fund Plan 2
- Perreira & Company Limited Staff Pension Plan
- Premier Consolidated Oilfields Ltd. Pension Fund Plan
- PriceWaterhouse Coopers Ltd. Pension Fund Plan
- Rediffusion (Trinidad) Ltd. Pension Fund Plan
- Reinsurance Company of Trinidad and Tobago Ltd. Pension Fund Plan
- Royal Caribbean Insurance Limited Staff Pension Fund Plan
- Santana Services Ltd. Pension Fund Plan
- Sherwin Williams (Caribbean) N.V. Pension Fund Plan
- Sissons Paints Ltd. Staff Pension Fund Plan
- Smith International Inc. Pension Fund Plan
- Stephens and Ross Ltd. Pension Fund Plan
- Super Chem Pension Fund Plan
- Swan Hunter Trinidad Ltd.Pension Fund Plan
- Textel Pension Plan
- Trinmar Employees Benefit Pension Plan
- The National Commercial Bank of Trinidad and Tobago Pension Fund Plan
- The Shipping Corporation of Trinidad and Tobago Ltd. Pension Fund Plan

Appendix IV

PENSION PLANS IN THE PROCESS OF BEING WOUND UP

As at April, 2012

- Tourism & Industrial Development Co. of Trinidad & Tobago Pension Fund Plan
- Trinidad & Tobago Forest Products Ltd. Staff Pension Fund Plan
- Trinidad and Tobago BWIA International Airways Pension Fund Plan
- Trinidad and Tobago Export Development Corporation Pension Fund Plan
- Trinidad and Tobago Oil Company - Local Fund
- Trinidad and Tobago Oil Company Limited Non Contributory Pension Fund Plan
- Trinidad and Tobago Oil Company Staff Retirement Plan
- Trinidad and Tobago Oil Company Ltd. Provident Fund
- Trinidad and Tobago Printing and Packaging Company Pension Fund Plan
- Trinidad and Tobago Television Company Ltd. Pension Fund Plan
- Trinidad Broadcasting Company Ltd. Pension Fund Plan
- Trinidad Shipping Company Ltd. Retirement Pension Fund Plan
- Trinidad Textile Manufacturing Company Ltd. Pension Fund Plan
- Van Leer Containers Trinidad Ltd. Pension Fund Plan
- West Indian National Insurance Company Pension Fund Plan
- Workers Bank (1989) Ltd. Pension Fund Plan
- Yorke Structures Ltd. Pension Fund Plan

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