Central Bank of Trinidad & Tobago

Financial Stability Report

June 2013

Central Bank of Trinidad and Tobago
P. O. Box 1250
Port-of-Spain
Republic of Trinidad and Tobago
www.central-bank.org.tt

ISSN 2076-7781 (Print)
ISSN 2076-7757 (Online)

Financial
STABILITY REPORT
JUNE 2013

Central Bank of Trinidad and Tobago

Table of Contents

FINANCIAL STABILITY REPORT
June 2013[1]
EXECUTIVE SUMMARY

Since the publication of the December 2012 Financial Stability Report (FSR), the prospects for global growth and financial stability improved in the first half of 2013 but areas of fragility persist. In this global context, the domestic economy remains stable though growth is tepid. Although, the financial system is liquid and interest rates are low, credit to the private sector has continued to be subdued. Financial institutions are adjusting to the challenges presented by the low interest rate environment.

International Environment

- The policy measures taken by the authorities in the major advanced economies averted near-term threats to the global recovery as the United States (US) avoided the fiscal cliff and the risk of the break-up of the Euro Area subsided. However, despite ongoing developments in the Euro Area and the slowdown in Emerging Markets and Developing Economies in the second quarter of 2013, downside risks continue to exist.

- The IMF revised downward the forecast for global growth in 2013 to around 3.1 per cent in its July World Economic Outlook (WEO) Update from 3.3 per cent in the April 2013 WEO. In particular, the growth for Emerging Market and Developing economies was lowered to around 5.0 per cent. This was due to weak external demand, capacity constraints and heightened concerns for reversals in capital flows on the announcement that the US Federal Reserve may begin to unwind its quantitative easing programme once conditions allow. Overall, advanced economies are estimated to grow by 1.2 per cent, with some of these countries on the road to recovery notably the US, while others particularly in the Euro Area continue to contract.

- Meanwhile, in the Caribbean, growth is expected to remain weak in 2013 due in part to lower demand for tourism as well as fiscal constraints and high indebtedness that have given rise to debt restructuring in some countries. The IMF forecast regional growth in 2013 to be in the vicinity of 2 per cent.

- The strong policy actions in advanced economies have helped improve market sentiment in global financial markets amid the political uncertainty in Italy and the banking crisis in Cyprus. As such, for the first six months of 2013 volatility in the US declined as reflected by the Volatility Index (VIX) which averaged 14.13 points compared with 16.48 points in the second half of 2012. The improvement in the global financial outlook was also reflected in rising equity prices in Japan, Europe and the United Kingdom. More recently, signals from the US Federal Reserve that it may begin to temper its stimulus monetary policy have resulted in higher bond yields and large portfolio outflows in emerging economies such as India, Brazil and Malaysia, leading to depreciating currencies and falling asset prices.

Domestic Environment

- According to the Central Bank of Trinidad and Tobago's provisional estimates for real GDP, the economy grew by a mere 0.2 per cent in 2012. However, the economy is anticipated to improve further in 2013 but this will depend on the speed with which government implements its investment projects and how efficiently the maintenance schedules of firms in the energy sector could be executed. Provisional estimates for the first quarter

[1] The economic developments in this report refer to the first six months of 2013, while the banking and insurance assessments are based on data to March 2013 and December 2012, respectively.

of 2013 indicated that the economy grew by approximately 1.6 per cent mainly on account of increased activity in the non-energy sector.

- Inflationary pressures moderated as headline inflation decelerated to 6.8 per cent in the twelve months to June 2013 compared with 7.2 per cent in December 2012. Given the slowdown in inflationary pressures and the subdued economic conditions, the Central Bank maintained an accomodative monetary policy stance in an effort to stimulate economic activity. In spite of the low interest rate environment, growth in private sector credit remained subdued, with real estate mortgage loans the only category consistently showing robust growth. Meanwhile, the stock market has trended upwards in the first six months of 2013, increasing by 5.8 per cent compared with growth of 4.2 per cent during the previous six months.

The Banking System

- Notwithstanding the low interest rate environment, subdued economic activity and sluggish credit growth, the banking system remained resilient in 2012. For 2013 thus far, the banking system continued to be highly liquid and adequately capitalized to withstand severe shocks. At the end of March 2013, regulatory capital to risk weighted capital stood at 24.4 per cent, much higher than the minimum requirement of 8 per cent.

- Although the banks were profitable the return on assets (ROA) and return on equity (ROE) have declined. The ROA fell to 2.1 per cent in March 2013 from 2.6 per cent in December 2012, while the ROE decreased to 15 per cent, from 18.1 per cent in the last quarter 2012. This was attributable to a combination of lower income from interest and fees and higher operating expenses.

- Further, credit quality has improved as commercial banks took aggressive steps in 2012 to reduce non-performing loans (NPLs) by restructuring and writing off loans. Also, contributing to this improvement was the sale of a significant portion of a large non-performing facility of a bank to its non-bank subsidiary. Thus, NPLs as a per cent of gross loans declined to 4.7 per cent in March 2013, down from 5.4 per cent at the end of December 2012 and 6.8 per cent one year earlier.

- The commercial banks' foreign country exposure expressed as a per cent of total foreign currency assets increased year-on-year to March 2013 to 38.1 per cent from 26.1 per cent one year ago as banks searched for investment opportunities overseas. Banks expanded their holdings of short term securities, particularly in US treasury bills which significantly amplified the sector's exposure to the United States, whose safe haven status has remained intact despite challenges. Meanwhile, exposure to CARICOM countries has also risen as banks increased their equity stake and bond holdings in Barbados and St. Lucia. In addition, banks have expanded their holdings of foreign securities in non-traditional markets like Africa and the Far East.

- Most of the banks' large exposures are concentrated in the financial, real estate and other services sectors. The latter comprises mainly Trinidad and Tobago government guaranteed facilities which pose low risk to financial stability. Banks will be monitored to ensure that their large exposures do not exceed the regulatory limits mandated by the Central Bank.

Non-Bank Financial Institutions[2]

- The performance of the non-bank sector continued to be challenged by the fall-off in the loan and investment portfolios. This has resulted in the shrinking of the overall balance sheet of the sector by 3.7 per cent year-on-year to March 2013. Contributing to this in part was the concerted decision to shift mortgage activities of some non-banks to their parent commercial banks.

[2] This report excludes Clico Investment Bank

- In addition, credit quality of non-banks deteriorated further in 2013 as the ratio of non-performing loans to gross loans increased to 6.7 per cent in March 2013 from 5 per cent one year ago. This was attributable in part to one non-bank acquiring a large delinquent real-estate facility from its parent commercial bank.

- Profitability was relatively unchanged from one year ago as reflected in the marginal movement in the profitability indicators. The return on assets increased to 6.5 per cent in March 2013 compared with 6.2 per cent in March 2012, while the return on equity declined to 15.7 per cent in March 2013 from 15.9 per cent one year earlier.

- Nonetheless, the non-bank financial institutions (NFIs) appear to have sufficient capital as a buffer against financial stress. The capital adequacy ratio is high and at the end of March 2013, stood at 40.7 per cent.

Life Insurance Companies[3]

- The performance of life insurance companies in 2012 was driven by increased activity in both the life and accumulation annuity businesses. Unit linked and accumulation annuity business (savings products) continued to dominate. Total insurance liabilities grew by 9 per cent on a year-on-year basis to $12.8 billion at the end of 2012. Of this total, savings products accounted for 54.5 per cent, while ordinary life accounted for 33 per cent.

- The low interest rate environment and limited investment opportunities pose challenges to the profitability of life insurance companies. In spite of this, companies had higher profits as a result of other income. The return on equity increased to 14.1 per cent in December 2012 from 10.3 per cent in December 2011.

- At the end of December 2012, the life insurance industry reported a surplus of $471.6 million in the Statutory Fund. Three companies reported deficits at the end of December 2012 but were able to rectify their positions within the seven day timeframe stipulated in the Insurance Act (1980).

Non-Life Insurance Companies

- Non-life insurance companies experienced growth in all lines of business in 2012. Gross premium income increased by 8.3 per cent to $3.5 billion at the end of December 2012, most of this income however, was generated from the property and motor vehicle businesses. As a means of managing their risk, non-life companies cede a portion of their business to international reinsurers. The retention ratio at the end of 2012 stood at 42.2 per cent.

- During 2012 non-life companies' profitability improved as the return on equity and return on assets increased to 17.5 per cent and 7.6 per cent, respectively. The increase was mainly on account of underwriting profits.

- The non-life insurance companies reported a net surplus of $151.9 million in the Statutory Fund with respect to motor vehicle business at the end of December 2012.

Occupational Pension Plan

- The low interest rate environment continues to impact the financial condition of pension plans and has contributed significantly to pension plans reporting overall declines in funding levels[4]. As at the end of March 2013, there were 189 active pension plans and based on a review of actuarial valuation reports of 85 plans, for the triennial valuation period January 2010 to December 2012, 35 plans reported deficits with funding levels averaging 87 per cent. Pension Plans are being monitored to ensure sustainability.

[3]This report on the insurance sector excludes CLICO and BA and the latest analysis is based on data to the end of December 2012.

[4]A pension plan's funding level is the ratio of the amount of all pension and other benefits payable from the plan at a specific date compared to the value of the assets owned by the plan at the same date. A pension plan's funding level is calculated by an Actuary.

- Population ageing presents another challenge to the security of pension systems (both public and private). According to the 2011 Census, the aging index, which is the ratio of persons aged 65 and older to persons under age 15 increased to 43.5 per cent up from 16.3 per cent in 1980. For Trinidad and Tobago, life expectancy at birth has grown from 58.3 years in 1950 to around 70 years in 2010, according to the United Nations Population Division. The long term implication of this trend for unfunded or partially funded plans is that a shrinking working population would be required to finance pension payments for a larger ageing population that is living longer. For funded Occupational Pension Plans, improved longevity increases pension costs and contribution rates. These trends point toward the need for increased funded retirement savings and a harmonized reform agenda.

CHAPTER 1

THE MACROECONOMIC ENVIRONMENT

CHAPTER 1

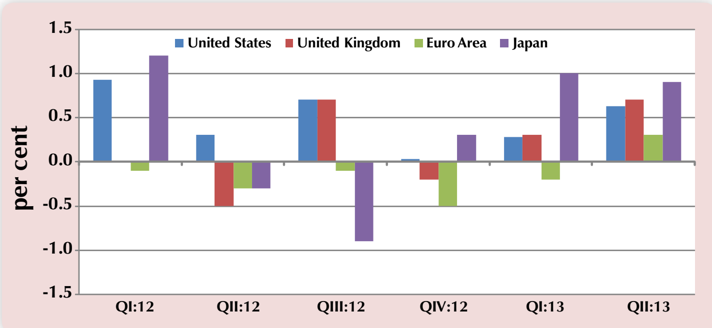
THE MACROECONOMIC ENVIRONMENT

At the beginning of 2013, risks to the global economy moderated somewhat, reflecting the relief brought about by the New Year's Day fiscal cliff deal in the United States as well as strong policy actions taken by the ECB and other major central banks to support economic growth and to stabilize financial markets. These actions boosted investor confidence while neutralizing those new threats to global financial stability, which arose from political developments in Italy and the banking sector woes in Cyprus. However, downside risks remain given the ongoing developments in the Euro Area and more recently the slowdown in growth in emerging market and developing economies.

The US economy improved during the first half of 2013 as real GDP expanded at an annual rate of 1.8 per cent compared with growth of 1.5 per cent during the prior six months **(Chart 1.1)**. This positive outturn provided the impetus for relatively riskier assets to rally. Further, equity prices were buoyed by the Bank of Japan's announcement of an aggressive quantitative easing programme. At the close of June 2013, the US Standard and Poor's 500 index posted a solid year-to-date return of 13.84 per cent compared with a modest performance of 5.94 per cent six months earlier. Similarly upward trends in equity prices were observed in Europe and the United Kingdom suggesting that investors are somewhat optimistic about the prospects for the global economy.

The Chicago Board Options Exchange Volatility Index (VIX), which is a widely used measure of market risk and is often referred to as the "investor fear gauge", showed that volatility in the US trended downwards during the first six months of 2013, averaging 14.13 points compared with an average of 16.48 points recorded in the last six months of 2012. However, towards the end of the second quarter of 2013, financial market volatility rose following the uncertainty caused by the US Federal Reserve stating its intention to taper its asset purchases. This new downside risk may present some challenges for emerging economies. In fact, some emerging markets such as India, Brazil and Indonesia to name a few, have already begun to experience large capital outflows which has led to pressures on their currencies. In its July World Economic Outlook update, the IMF downgraded its global economic growth forecast to 3.1 per cent for 2013, from the 3.3 per cent previously reported, citing increased risks of a longer growth slowdown in emerging markets and a deeper recession in the Euro Area. Advanced economies are expected to continue their recovery process, albeit, at varying speeds. Moreover, emerging markets, led by the strong growth momentum of the Chinese economy, are still expected to drive world output with growth poised to be around 5.0 per cent in 2013.

Chart 1.1
Advanced Economies: Real GDP Growth
/Quarter-on-Quarter Per Cent Change/



Source: Bloomberg.

The Caribbean countries continued to be affected by the slow global economic recovery. In addition, there are some countries that are challenged by high and rising public debt, which is dampening their outlook for growth over the medium term. Earlier in the year, Jamaica and Belize were engaged in debt restructuring programs which highlighted the fiscal problems already facing these countries. Recently, Grenada faced some challenges with servicing its debt in March 2013 which contributed to higher borrowing costs for the Government and prompted efforts to restructure its debt. The likely impact of this default is an elevation in short-term financing cost for other member countries in the Eastern Caribbean Currency Union (ECCU) which may translate into further liquidity problems for member countries. The sovereign debt restructuring and fiscal strain in the region have weakened the balance sheets of financial institutions holding the debt instruments of these sovereigns.

Trinidad and Tobago's growth has been anemic due to the challenges in the domestic economy, the slow pace of the global recovery and the poor performance of its trading partners in the Caribbean. The Central Bank's quarterly real GDP Index indicated that output expanded provisionally by 0.2 per cent in 2012, a directional change from the contraction of 2.5 per cent in 2011. However, this modest growth fell short of the Bank's forecast, which reflected a larger-than-expected contraction in energy output on account of the extended duration of maintenance shutdowns by key energy companies. For the first quarter of 2013, the Central Bank's quarterly real GDP index estimated economic growth of 1.6 per cent. This was mainly driven by activity in the non-energy sector, increasing by 2.5 per cent, while the energy sector grew by a mere 0.5 per cent.

In terms of price stability, headline inflation continued to trend downwards, measuring 6.8 per cent in the twelve months to June 2013 compared with 7.2 per cent in December 2012. Moreover, core inflation, which strips out the impact of food prices, remained relatively subdued, decelerating to 2.2 per cent in June 2013 from 3.1 per cent at the end of 2012. The sluggish pace of domestic growth along with moderating inflationary pressures, allowed the Central Bank to maintain its accommodative monetary policy stance in an effort to boost domestic economic activity. As such, the Bank has kept its Repo rate at 2.75 per cent since reducing it in September 2012.

The current low interest rate environment has not brought about the desired credit expansion as lending to businesses has continued to decline and consumer credit has remained sluggish. Real estate mortgage lending has been the only category to show robust growth. Given the lethargic pace of business and consumer borrowing and the limited investment opportunities, there has been a substantial accumulation of excess liquidity in the financial system. The flows to the domestic stock market increased during the first half of 2013 as the average monthly value of shares traded rose to $81.3 million compared with $68.3 million for the previous six months. Moreover, the Composite Price Index (CPI) gained 5.8 per cent for the year to June, outstripping the increase of 4.2 per cent recorded between July and December 2012.

Financial institutions

Table 1.1 highlights the structure of the financial system and includes financial institutions that are under the purview of the Central Bank as well as some that are outside its supervisory authority. Commercial banks are the dominant players in the financial system, accounting for approximately 46 per cent of the total assets of the financial system over the last four years. Collectively, commercial banks, nonbank financial institutions, insurance companies and occupational pension plans represented 76.6 per cent of total financial systems' assets, equivalent to 130.9 per cent of GDP.

Table 1.1
Trinidad and Tobago: Structure of the Financial System
/2008 - 2012/

	2008	2009	2010	2011	2012
As a Per Cent of Total Financial System Assets					
Commercial Banks	40.1	45.5	46.3	46.3	46.2
Nonbank Financial Institutions	12.3	6.1	5.0	4.1	3.5
Credit Unions	3.2	3.5	4.1	4.0	2.9
Life Insurance Companies	14.5	13.2	11.6	12.0	14.1
Occupational Pension Plans	11.2	11.7	12.7	13.1	13.3
Development Banks	1.7	1.6	1.7	1.6	1.6
Thrift Institutions	0.0	0.0	0.0	0.0	0.0
National Insurance Board	7.3	7.8	8.6	9.0	8.9
Unit Trust Corporation	9.1	9.9	9.4	9.0	8.7
Deposit Insurance Corporation	0.6	0.7	0.7	0.8	0.8
As a Per Cent of GDP					
Commercial Banks	50.2	85.7	79.0	73.6	80.7
Nonbank Financial Institutions	15.5	11.4	8.5	6.6	6.1
Credit Unions	4.0	6.5	6.9	6.4	5.1
Life Insurance Companies	18.2	24.8	19.8	19.1	24.6
Occupational Pension Plans	14.1	22.0	21.6	20.8	23.2
Development Banks	2.1	3.0	2.8	2.6	2.7
Thrift Institutions	0.0	0.1	0.1	0.1	0.1
National Insurance Board	9.2	14.8	14.7	14.4	15.5
Unit Trust Corporation	11.4	18.7	16.0	14.3	15.2
Deposit Insurance Corporation	0.7	1.2	1.2	1.2	1.3
Stock Market					
Number of Listed Companies	34	32	31	31	28
Market Capitalization (in billions of TT$)	76.4	70.6	77.8	94.5	97.4
Market Value of Shares Traded (in millions of TT$)	2191.0	1474.2	864.5	1029.0	746.6
Memo Item					
GDP (in billions of TT$)	175.3	121.3	131.2	150.9	149.3

Source: Central Bank of Trinidad and Tobago.

RISKS TO FINANCIAL STABILITY

The challenges in the global and regional arena present potential risks to domestic financial stability via the trade and financial channels. Globally near term risks to financial stability have moderated in 2013 due to the strong policy actions taken in the advanced economies to avert the fiscal cliff in the US and calm financial markets but new risks have emerged. Regionally, the fiscal and debt problems as well as the fragile global conditions are weighing heavily on growth in Caribbean countries, which are trading partners with Trinidad and Tobago.

Domestically, contagion via the trade channel could negatively affect financial institutions if local manufacturers or exporters are unable to service their credit facilities. CARICOM countries account for around 40 per cent of Trinidad and Tobago's non-energy exports. A prolonged recession in these countries could reduce their ability to purchase Trinidad and Tobago's exports. Trinidad and Tobago's exports to the region declined by over 50 per cent in 2009 following the onset of the crisis, but have recovered by 43.7 per cent in 2010 and have been growing slowly since then.

CHAPTER 2

THE BANKING SECTOR AND FINANCIAL STABILITY

CHAPTER 2

THE BANKING SECTOR AND FINANCIAL STABILITY

The operations of the banking sector continued to be impacted by lethargic economic conditions. Credit expansion remained moderate whilst investment growth was confined mainly to low yielding government securities. Despite subdued economic activity, the sector was profitable, albeit at lower levels than the previous year. Notwithstanding, capital buffers remained high and asset quality continued to improve.

A. Commercial Banks

Deposits

Similar to previous years there was a build-up of deposits in commercial banks in 2013 due to limited investment opportunities. Deposit liabilities expanded by 13.8 per cent to March 2013, compared with 8.5 per cent in December 2012. Most of the increase was concentrated in short-term demand and savings deposits, which grew by 23.1 per cent and 8.6 per cent, respectively for the 12 months to March 2013. Time deposits recorded more modest growth of 4.7 per cent (**Table 2.1**).

Table 2.1
Commercial Banks: Growth Rate of Deposits

	Total Outstanding Mar 2012 /TT$ Million/	Total Outstanding Mar 2013 /TT$ Million/	Year-on-Year Change Mar 2012 /Per cent/	Year-on-Year Change Mar 2013 /Per cent/
Demand Deposits				
Non Interest Bearing	10,523.4	24,461.1	43.0	132.4
Interest Bearing	22,503.0	16,210.6	12.2	-28.0
Total	**33,026.4**	**40,671.7**	**20.5**	**23.1**
Saving Deposits				
Ordinary & Cheque	20,467.6	22,885.8	18.1	11.8
Special	13,473.2	13,959.8	4.2	3.6
Total	**33,940.8**	**36,845.7**	**12.1**	**8.6**
Time Deposits				
Call Deposits	131.8	656.0	-71.3	397.8
16 days - 3 mths	1,749.1	1,649.0	-10.4	-5.7
Over 3 mths - 6 mths	1,181.5	1,371.1	3.2	16.0
Over 6 mths - 1 year	7,592.7	8,585.3	-28.8	13.1
Over 1 year	4,111.2	3,193.6	78.9	-22.3
Total	**14,766.3**	**15,455.1**	**-10.6**	**4.7**
Total Deposits	**81,733.5**	**92,972.4**	**10.2**	**13.8**

Source: Central Bank of Trinidad and Tobago.

Table 2.2
Commercial Banks: Median Deposit Rates

/Per cent/

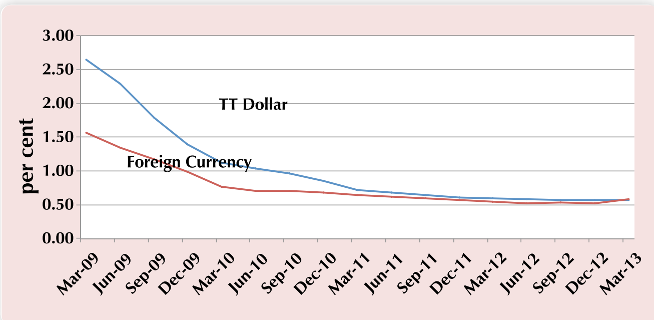
	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13
Demand Deposits					
Interest Bearing	0.00	0.00	0.00	0.00	0.00
Saving Deposits					
Ordinary	0.20	0.20	0.20	0.20	0.20
Special	0.20	0.23	0.23	0.23	0.23
Time Deposits					
Call Deposits	0.00	0.00	0.00	0.00	0.00
16 days - 3 mths	0.23	0.23	0.23	0.23	0.23
Over 3 mths - 6 mths	0.79	0.61	0.61	0.61	0.61
Over 6 mths - 1 year	1.58	0.71	0.71	0.71	0.71

Source: Central Bank of Trinidad and Tobago.

As interest rates continued to decline, the rates on various deposit classes compressed further in 2013. For the 12 months to March 2013, median rates on the 3-6 months and over 6 months time deposits fell to 0.61 per cent and 0.71 per cent, respectively from 0.79 per cent and 1.58 per cent, respectively one year earlier. The median rate earned on demand and saving deposits remained unchanged (**Table 2.2**). Given these trends, time deposits as a portion of total deposit liabilities fell to 16.6 per cent in March 2013, from 18.1 per cent a year earlier. Meanwhile, the share of demand and saving deposits grew to 43.7 per cent and 39.6 per cent, respectively over the same period.

Foreign currency deposits grew by 21.9 per cent on a year-on-year basis to $25.2 billion at the end of March 2013, from $20.6 billion in March 2012 **(Table 2.3).** This was partly attributable to some financial entities increasing their holdings in foreign currency deposits. Nevertheless, foreign currency deposits as a percentage of total deposits declined to 25.3 per cent in March 2013 from 25.9 per cent in December 2012 but increased when compared with the same period one year earlier. The differential between the TTD and foreign deposit rates narrowed during 2012 and by March 2013 fell into negative territory as the foreign deposit rates surpassed the TT deposit rates **(Chart 2. 1)**. At the end of March 2013 the weighted average deposit rates on TTD and foreign deposits were 0.57 per cent and 0.58 percent, respectively.

Chart 2.1
Commercial Banks - Weighted Average Deposit Rates TT Dollar and Foreign Currency



Source: Central Bank of Trinidad and Tobago.

Table 2.3
Commercial Banks: Foreign Currency Deposits

	Total Outstanding Mar 2012 / TT$ Million/	Total Outstanding Mar 2013 / TT$ Million/	Year-on-Year Change Mar 2012 /Per cent/	Year-on-Year Change Mar 2013 /Per cent/
Foreign Currency				
Demand Deposits	6,123.8	9,888.3	33.4	61.5
Saving Deposits	9,892.4	10,888.4	4.1	10.1
Time Deposits	4,652.1	4,423.1	-16.5	-4.9
Total Foreign Currency Deposits	**20,668.3**	**25,199.8**	**5.1**	**21.9**

Source: Central Bank of Trinidad and Tobago.

Assets

Although loans continue to be the largest asset class its share of total assets has trended downwards and stood at 40.2 per cent at the end of March 2013, down from 42.3 per cent in March of 2012 and 51.5 per cent in 2008. Conversely, investments have grown significantly, expanding by 43.6 per cent year-on-year to March 2013. With the issuance of corporate securities in the domestic economy remaining subdued, the growth in investments has been concentrated in treasury bills, which grew by 52.2 per cent year-on-year to March 2013. The majority of this increase occurred during the second and fourth quarters of 2012 when movements in the treasury bill rates were favourable. Thus, investments as a per cent of total assets grew to 22.8 per cent in March 2013, up from 19.1 per cent 12 months earlier. Meanwhile, liquid funds remained fairly stable at around 24.5 per cent of the asset base **(Table 2.4)**.

Table 2.4
Commercial Banks: Distribution of Assets

/Per cent/

	Dec-06	Dec-07	Dec-08	Dec-09	Dec-10	Dec-11	Dec-12	Mar-12	Mar-13
Liquid Funds	18.0	15.3	21.2	23.2	22.2	23.9	22.3	24.5	24.5
Interbank Funds Sold	0.5	0.4	0.0	0.2	0.2	0.7	0.4	0.1	0.4
Investments (net)	14.3	15.1	12.5	17.3	18.2	18.6	24.0	19.1	22.8
Loans (net)	48.9	52.8	51.5	43.5	43.6	42.3	40.4	42.3	40.2
Businesses	20.8	22.7	22.2	17.5	16.6	16.8	15.5	16.7	15.0
Consumers	14.9	16.2	14.7	11.0	11.5	10.9	10.3	10.8	10.4
Real Estate	7.9	8.6	9.1	9.4	10.3	10.4	10.7	10.6	10.5
Other Assets	18.3	16.4	14.8	15.8	15.8	14.5	13.0	14.1	12.1

Source: Central Bank of Trinidad and Tobago.

Table 2.5
Commercial Banks: Financial Soundness Indicators
2008 - March 2013

	2008	2009	2010	2011	2012	Mar-12	Mar-13
(in per cent unless otherwise indicated)							
Capital adequacy							
Regulatory capital to risk-weighted assets	18.8	20.5	24.2	25.1	24.6	26.1	24.4
Regulatory Tier I capital to risk-weighted assets	15.5	18.5	21.7	22.7	22.4	22.9	22.0
Regulatory Tier II capital-to-risk-weighted assets	3.2	2.0	2.5	2.4	2.2	3.3	2.4
Regulatory capital-to-total assets	12.1	10.7	12.2	12.1	12.0	12.5	11.7
Banking sector asset composition							
Sectoral distribution of loans-to-total loans							
Households	39.9	39.8	42.2	42.7	44.2	42.7	44.0
of which:							
Proportion secured as mortgage loans	28.4	36.7	37.4	39.5	42.3	40.5	41.4
Financial sector	19.8	18.8	16.3	17.0	16.2	17.1	14.6
Oil and gas sector	3.3	3.2	3.2	2.8	3.1	3.2	3.6
Construction	6.8	10.3	11.8	11.1	9.3	11.1	6.3
Transport and communication	1.8	2.2	2.0	2.1	3.2	2.1	2.2
Non-residents	6.6	5.9	4.5	4.5	4.5	4.5	4.2
Geographic distribution of loans-to-total loans							
Domestic	93.6	94.5	95.8	95.8	95.8	95.8	96.2
Foreign	6.4	5.5	4.2	4.2	4.2	4.2	3.8
Foreign currency loans-to-total loans	23.0	22.8	18.7	17.7	18.6	17.6	19.0
Banking sector asset quality							
Nonperforming loans-to-gross loans	2.5	5.0	6.2	6.3	5.4	6.8	4.7
Nonperforming loans (net of provisions)-to-capital	6.7	9.2	13.3	14.5	9.8	14.7	7.6
Total provisions-to-impaired loans*	40.3	55.1	39.5	35.2	49.5	37.9	56.1
Specific provisions-to-impaired loans	29.3	48.1	33.4	28.3	39.7	31.2	45.8
General provisions-to-gross loans*	0.3	0.3	0.4	0.4	0.5	0.5	0.5
Specific provisions-to-gross loans	0.7	2.4	2.1	1.8	2.1	2.1	2.1
Banking sector earnings and profitability							
Return on equity	25.9	20.2	17.2	17.2	18.1	15.0	15.0
Return on assets	3.5	2.7	2.3	2.4	2.6	2.1	2.1
Interest margin-to-gross income	65.2	66.6	67.0	64.8	65.4	67.1	65.2
Non-interest expenses-to-gross income	49.7	58.1	63.3	62.1	66.5	69.3	64.6
Spread between average lending and deposit rates	8.3	10.1	9.1	8.6	8.2	8.5	8.0
Banking sector liquidity							
Liquid assets-to-total assets	22.1	25.0	24.3	27.7	25.2	27.7	27.0
Liquid assets-to-total short-term liabilities	30.0	32.5	31.9	36.6	32.6	36.8	34.8
Customer deposits-to-total (non-interbank) loans	124.7	165.2	163.0	172.4	186.0	173.8	187.8
Foreign currency liabilities-to-total liabilities	32.7	33.1	27.5	27.0	27.9	26.6	28.0

Source: Central Bank of Trinidad and Tobago.
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.

Private Sector Credit

Growth in credit to the private sector was slow but steady throughout 2012 and in 2013 thus far, but overall it has been stymied by the slowdown in demand for business credit. Commercial banks' credit to the private sector grew by 4.2 per cent in March 2013, compared to 6.3 per cent one year earlier. Real estate lending was the primary impetus for this increase, growing by 11.8 per cent year-on-year. Strong housing demand, aggressive advertising and greater competition through mortgage rate cuts have all contributed to the growth in the real estate mortgage market.

Consumer credit continued to recover in 2013, while advances to the business sector contracted on a year-on-year basis by 1.0 per cent in March 2013 compared to growth of 8.5 per cent in March 2012. There were declines in credit advanced to most commercial sectors over the last 12 months including services, manufacturing and agriculture.

Capital Adequacy

Commercial banks continued to record strong capital adequacy ratios well in excess of the 8 per cent minimum requirement for credit risk. However, constrained by lower profit levels and large dividend payouts, the ratio of qualifying capital to risk adjusted assets declined slightly to 24.4 per cent in March 2013, down from 24.6 per cent in December 2012 and 26.1 per cent reported one year earlier. The level of the ratio however, continues to represent a significant buffer for Trinidad and Tobago's commercial banking sector against risks. The latest stress tests to December 2012 revealed that the system is adequately capitalized to withstand severe shocks (**Box 2.1**).

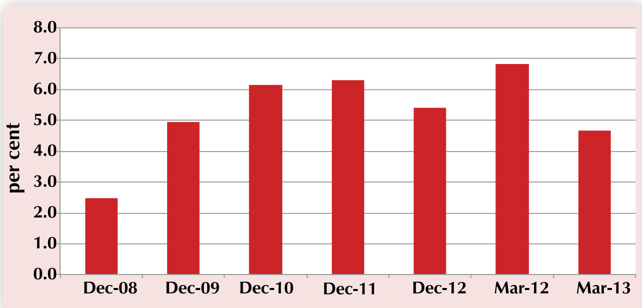
Credit Quality

Credit quality of the commercial banks improved in 2012 as banks undertook aggressive steps to reduce impaired assets contained in their balance sheets. This included restructurings and write-offs of loans in the tourism and construction industries, as well as the transfer of a significant portion of a large non-performing facility of a bank to its non-bank subsidiary. Moreover, banks' recovery strategies continued to bear fruit in 2013, as some banks have successfully recovered loan amounts on which specific provisions were held. Also, two large government facilities that had become past due were paid off.

In light of these initiatives, the value of delinquent facilities declined to $2.6 billion at the end of March 2013 from $3.3 billion in March 2012. This has led to the ratio of non-performing loans (NPLs) to gross loans trending downwards throughout 2012 and into 2013. At the end of March 2013, NPLs to gross loans stood at 4.7 per cent, down from 5.4 per cent in December 2012 and 6.8 per cent in March 2012 (**Chart 2.2**).

In an effort to manage credit risk, commercial banks continued to allocate loan loss provisions for impaired assets. As a result, the ratio of total provisions to impaired assets increased to 56.1 per cent in March 2013 from 37.9 per cent one year earlier.

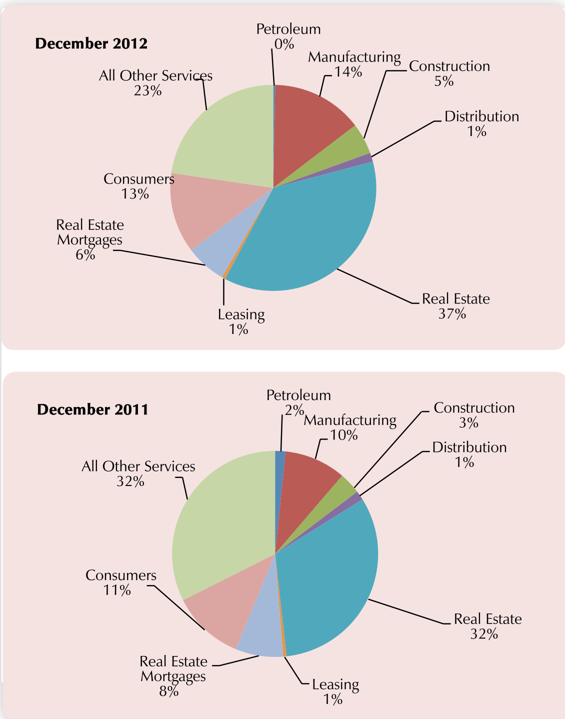
Chart 2.2
Commercial Banks: Non-performing Loans to Total Loans
/Per cent/



Source: Central Bank of Trinidad and Tobago.

As at the end of December 2012, delinquency in the real estate sector arising mainly from upscale developments that stalled, remained the largest contributor to non-performing loans and represented 37 per cent of total delinquent loans, up from 32 per cent one year earlier **(Chart 2.3)**.

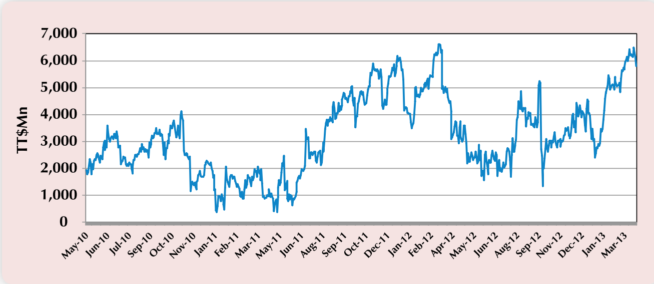
Chart 2.3
Commercial Banks: Non-Performing Loans by Sector
/Per cent/



Liquidity

In 2013 the banking system continued to be very liquid as evidenced by the various ratios shown in **Table 2.5**. The ratio of liquid assets to gross assets increased to 27.0 per cent at the end of March 2013, from 25.2 per cent in December 2012. Liquidity in the financial system remains very high and as such the excess reserves of the commercial banks at the Central Bank stood at $5.8 billion at the end of March 2013 **(Chart 2.4)**. The Central Bank continued to take steps to mop up the excess liquidity in the financial system to ensure smooth functioning of monetary policy and guard against inflation. As such, the Central Bank engaged in open market operations, including issuance of a $1 billion

Chart 2.4
Commercial Banks: Excess Reserves
/TT$ Millions/



Source: Central Bank of Trinidad and Tobago.

central government treasury note. The Bank also opted to roll over maturing commercial banks fixed deposits held at the Central Bank and indirectly, sales of foreign exchange also helped to contain the liquidity build-up.

Earnings and Profitability

The low interest rate environment and sluggish economic activity continued to impact commercial banks' profitability in 2013. Banks' profits declined in the first three months of 2013 from the last quarter of 2012. Net interest income maintained its downward trend as the sector realized lower returns on interest earning assets along with subdued loan growth. Reduced interest earnings and lower fee income resulted in operating income declining by 4.3 per cent quarter-on-quarter to March 2013. Increases in operating expenses in terms of higher staff costs and loan loss provisioning also impacted banks' profits. As a result, commercial banks reported a decline in net profits before tax of 22.2 per cent for the first quarter of 2013.

Similarly, profitability indicators declined, with return on assets ratio decreasing to 2.1 per cent from 2.6 per cent in December 2012, while return on equity moved to 15.0 per cent from 18.1 per cent in the prior quarter.

Foreign Exposure

Commercial banks significantly increased their holdings of foreign assets in the period under review. Over the 12 months to March 2013, foreign country exposure[5] for the sector rose by 72.1 per cent year-on-year, and now represents 38.1 per cent of total foreign currency assets up from 26.1 per cent one year earlier **(Table 2.7)**. This

Table 2.6
Commercial Banks: Summary Performance Indicators
2008 - March 2013

/Per cent/

	2008	2009	2010	2011	2012	Mar-12	Mar-13
Profitability							
Return on Assets	3.5	2.7	2.3	2.4	2.6	2.1	2.1
Return on Equity	25.9	20.2	17.2	17.2	18.1	15.0	15.0
Net Interest Margin/Total Assets	4.4	4.2	3.8	4.2	3.5	0.9	0.8
Efficiency							
Total Operating Expenses/Total Operating Income	63.9	61.5	55.7	60.5	63.2	62.5	66.6
Asset Quality							
Nonperforming Loans/Gross Loans	2.5	5.0	6.2	6.3	5.4	6.8	5.1
Nonperforming Loans net of Provisions/ Capital	6.7	9.2	13.3	14.5	9.8	14.7	8.8
Nonperforming Loans by Type							
Overdraft	0.2	0.3	0.8	0.2	0.3	0.2	0.2
Demand	1.7	2.9	2.8	3.2	2.7	3.7	2.8
Installment	0.3	0.9	1.2	0.4	0.3	0.4	0.3
Real Estate Mortgages	0.2	0.4	0.4	0.5	0.5	0.6	0.5
Credit Cards	0.1	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	76.0	75.2	72.9	69.7	69.0	70.7	68.7
Fee Income	11.5	11.7	13.3	14.3	16.0	13.5	14.4
Foreign Exchange Profit/Loss	7.4	6.8	7.8	7.7	8.3	7.4	7.8
Other Income	5.0	6.2	6.0	8.3	6.7	8.5	9.0

Source: Central Bank of Trinidad and Tobago.

increase was driven primarily by banks augmenting their holdings of US treasury bills, thereby widening their exposure to the United States to 20.4 per cent of total foreign currency assets.

Meanwhile, foreign exposure to CARICOM grew by 15.3 per cent over the same period, as two institutions engaged in strategic acquisitions in a bid to strengthen their regional presence. Most of the exposure in the region was to Barbados and St. Lucia and comprised mainly private sector equity (54 per cent), Corporate Bonds (14 per cent) and Government bonds (8.0 per cent). On the other hand, loans which accounted for 26.6 per cent of CARICOM exposures were mainly to the hospitality sector in several countries as well as to the governments of Surinam and St. Lucia.

Further, there was some expansion in non-traditional markets such as the Far East and Africa but overall, the exposure remained very limited and accounted for a modest 2.2 percent of foreign currency assets, up from 0.9 per cent 12 months earlier.

Large Exposures

As highlighted in **Chart 2.5** most of the banks' large exposures are concentrated in the other services, financial and real estate sectors. Within the other services sector exposure from governments represented 34.2 per cent of the large exposures in this category in March 2013 compared with 42.4 per cent in March 2012. This fall-off was due to two large government guaranteed loan facilities being paid off.

[5] Foreign Country Exposure represents loans, investments and equity held by the commercial banking system in countries other than Trinidad and Tobago

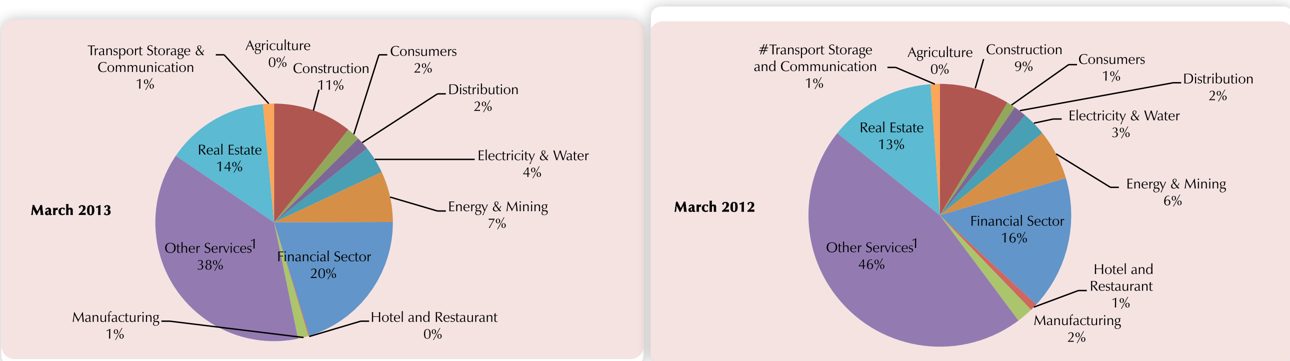
Table 2.7
Commercial Banks: Foreign Country Exposure
/TT$ Million/

	2008	2009	2010	2011	2012	Mar-12	Mar-13
Total Foreign Country Exposure	**5,959.6**	**7,158.1**	**5,764.3**	**7,265.8**	**11,417.0**	**6,954.8**	**11,966.2**
of which:							
USA	631.3	2,136.6	1,050.3	2,721.1	5,739.9	2,438.0	6,412.2
Loans	44.3	38.0	31.9	41.6	105.2	55.8	105.7
Investments	587.0	2,098.6	1,018.4	2,679.4	5,634.6	2,382.2	6,306.5
Equity	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CARICOM	4,131.1	4,191.6	3,902.8	3,641.3	4,306.4	3,602.4	4,152.0
Loans	1,754.5	1,743.4	1,308.0	1,291.1	1,240.4	1,278.3	1,105.4
Investments	1,043.1	1,105.0	1,224.7	948.4	865.6	919.7	825.6
Equity	1,333.5	1,343.2	1,370.2	1,401.7	2,200.5	1,404.3	2,221.1
Non-CARICOM CARIBBEAN	921.0	638.6	495.7	541.2	552.8	571.0	549.5
Loans	884.3	637.7	334.3	381.8	401.7	383.0	399.5
Investments	35.8	0.0	160.4	158.4	150.2	187.1	149.1
Equity	0.9	0.9	0.9	0.9	0.9	0.9	0.9
EMERGING MARKETS	263.2	145.6	128.0	103.0	152.2	99.4	150.3
Loans	213.4	145.6	122.5	103.0	151.5	99.4	149.7
Investments	49.8	0.0	5.5	0.0	0.0	0.0	0.0
Equity	0.0	0.0	0.0	0.0	0.6	0.0	0.6
OTHER	13.0	45.7	187.4	259.3	665.7	244.0	702.2
Memo Item:							
Total Foreign Country Exposure as a per cent of Foreign Currency Assets	**24.0**	**23.2**	**22.7**	**26.5**	**36.9**	**26.1**	**38.1**
of which:							
USA	2.5	6.9	4.1	9.9	18.5	9.1	20.4
CARICOM	16.6	13.6	15.3	13.3	13.9	13.5	13.2
Non- CARICOM CARIBBEAN	3.7	2.1	1.9	2.0	1.8	2.1	1.7
EMERGING MARKETS	1.1	0.5	0.5	0.4	0.5	0.4	0.5
OTHER	0.1	0.1	0.7	0.9	2.1	0.9	2.2

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.

Commercial banks' exposure to the financial and real estate sectors increased to 20 per cent and 14 per cent, respectively in March 2013 from 16 per cent and 13 per cent in March 2012 (**Chart 2.5**). The Central Bank continues to monitor all large exposures.

Chart 2.5
Commercial Banks: Large Exposure by Sector



Source: Central Bank of Trinidad and Tobago.
1/ Other Services sector includes exposures from governments which accounted for 34.2 per cent and 42.4 per cent in March 2013 and March 2012 respectively.

Table 2.8
Non-Bank Financial Institutions*:
Summary Performance Indicators, 2009 - March 2013
/Per cent/

	2009	2010	2011	2012	Mar-12	Mar-13
Profitability						
Return on Assets	2.1	2.4	6.8	7.7	6.2	6.5
Return on Equity	8.0	7.8	18.7	19.2	15.9	15.7
Net Interest Margin/Total Assets	2.9	2.8	4.3	3.6	3.0	3.3
Efficiency						
Total Operating Expenses/Total Operating Income	73.2	53.9	40.4	41.6	46.2	38.2
Asset Quality						
Nonperforming Loans/Gross Loans	1.6	2.8	4.0	6.6	5.0	6.7
Nonperforming Loans net of Provisions/Capital	1.3	2.0	1.8	3.6	2.7	3.3

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. By an order of the High Court dated October 17, 2011, CIB was ordered to be wound up and the Deposit Insurance Corporation was appointed liquidator. As a consequence, data reported does not include balances for Clico Investment Bank.

Non-Bank Financial Institutions

The assets of the non-banking sector continued to contract in 2013 as muted economic conditions prevailed. A sustained period of weak demand for loans and limited capital market activity caused the overall balance sheet to shrink by 3.7 per cent year-on-year to March 2013. The strategic decision to shift mortgage activities of some non-banks to their commercial bank parents also resulted in the contraction of the balance sheet. The investment portfolio recorded a significant decline of 31.6 per cent year-on-year, while there was a moderate falloff in loans by 1.5 per cent due to a decline in real estate lending off-setting the increase in business and consumer credit.

Credit quality also remained a challenge for the sector. In addition to exposures to the tourism and hospitality industries, the purchase of a large delinquent facility by one non-bank from its commercial bank parent exacerbated the situation. As a result, in March 2013, the ratio of non-performing loans to gross loans increased to 6.7 per cent from 6.6 per cent in December 2012 and from 5.0 per cent a year earlier **(Table 2.8)**. However, non-banks continued to increase loan loss provisions on delinquent facilities and as such, the sector's ratio of specific provisions to impaired loans rose to 46.5 per cent in March 2013, from 41.9 per cent in December 2012 and 44.9 per cent one year earlier **(Table 2.9)**.

Profits before tax for the non-banking sector were largely unchanged for the first quarter of 2013 when compared to the same period one year earlier. Flat interest margins and lower levels of fee income reduced operating income by 0.1 per cent while net interest income remained mostly unchanged from the comparative review period. This occurred despite the sector's slashing of rates on deposits by 115 basis points and the resultant widening of the spread on weighted average loan and deposit rates. Fee income registered a decline of 15.9 per cent for the same comparative period as sustained low levels of capital market activity continued to have an impact. Corresponding declines in operating income enabled non-banks to offset this fall in fee income.

There was no notable change in profitability, as the return on assets increased to 6.5 per cent in March 2013 from 6.2 per cent in March 2012, while the return on equity fell slightly to 15.7 per cent in March 2013 from 15.9 per cent in March 2012.

Table 2.9
Non-Bank Financial Institutions: Financial Soundness Indicators
2009 - March 2013

/Per cent/

	2009	2010	2011	2012	Mar-12	Mar-13
(in per cent unless otherwise indicated)						
Capital adequacy						
Regulatory capital to risk-weighted assets	27.4	33.5	37.1	39.2	38.9	40.7
Regulatory Tier I capital to risk-weighted assets	27.3	32.7	35.6	37.9	38.2	39.5
Regulatory Tier II capital-to-risk-weighted assets	0.1	0.8	1.5	1.2	0.7	1.2
Regulatory capital-to-total assets	24.4	31.0	34.2	37.0	35.5	38.9
Banking sector asset composition						
Sectoral distribution of loans-to-total loans						
Households	19.4	19.6	25.9	27.5	27.0	29.1
of which:						
Proportion secured as mortgage loans	22.1	19.5	16.7	12.2	15.6	11.2
Financial sector	40.4	24.4	20.7	14.7	17.0	15.2
Oil and gas sector	0.2	0.1	0.1	1.1	0.1	1.2
Construction	7.3	8.8	4.7	7.5	6.1	10.1
Transport and communication	2.6	2.4	3.3	4.7	3.5	5.5
Non-residents	23.4	29.1	16.5	18.2	19.2	12.4
Geographic distribution of loans-to-total loans						
Domestic	67.7	73.1	83.5	82.8	80.8	88.3
Foreign	32.3	26.9	16.5	17.3	19.2	11.7
Foreign currency loans-to-total loans	31.2	40.8	19.2	21.0	22.3	15.6
Banking sector asset quality						
Nonperforming loans-to-gross loans	1.6	2.8	4.0	6.6	5.0	6.7
Nonperforming loans (net of provisions)-to-capital	1.3	2.0	1.8	3.6	2.7	3.3
Total provisions-to-impaired loans*	54.8	49.9	66.6	55.1	69.0	60.3
Specific provisions-to-impaired loans	37.6	42.7	54.3	41.9	44.9	46.5
General provisions-to-gross loans*	0.3	0.2	0.5	0.9	1.2	0.9
Specific provisions-to-gross loans	0.6	1.2	2.2	2.8	2.2	3.1
Banking sector earnings and profitability						
Return on assets	2.1	2.4	6.8	7.7	6.2	6.5
Return on equity	8.1	7.8	18.7	19.2	15.9	15.7
Interest margin-to-gross income	52.1	37.7	41.3	32.8	30.0	32.7
Non-Interest income-to-gross income	47.9	62.3	58.7	67.2	70.0	67.3
Non-interest expenses-to-gross income	63.5	68.7	36.9	31.6	36.8	35.4
Spread between average lending and deposit rates	4.1	6.2	7.1	7.4	7.3	8.4
Banking sector liquidity						
Liquid assets-to-total assets	16.1	9.7	15.6	17.4	13.5	20.8
Liquid assets-to-total short-term liabilities	57.7	33.5	62.8	46.7	39.8	55.0
Customer deposits-to-total (non-interbank) loans	24.3	43.2	50.9	49.3	52.6	48.7
Foreign currency liabilities-to-total liabilities	59.3	55.5	42.4	40.5	40.5	45.7

Source: Central Bank of Trinidad and Tobago.
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

December 31, 2012

In an effort to assess the resilience of the commercial banking system against macroeconomic shocks, the Central Bank of Trinidad and Tobago has been conducting stress tests on a semi-annual basis since December 2009. The Bank has recently concluded its seventh round of testing which used data as at end-December 2012 and adopted the same methodology as with the prior tests. The latest tests were conducted against a background of a highly capitalized domestic banking system. In general, the findings suggest that the domestic banking sector, taken as a whole, remains resilient and able to withstand significant adverse shocks, emanating from sharp movements in interest rates, exchange rates, credit conditions, sudden deposit runs or adverse changes in local, regional and international macroeconomic conditions.

The results of the latest stress tests on the banking system were not significantly different from those recorded in previous periods (See Table). However, similar to the findings of the June 2012 tests, some institutions continued to exhibit greater vulnerability than others, warranting the need to pay close attention to their specific risk profiles.

The impact of the various shocks on the CAR – which were adjusted to take account of recommended provisioning for potential loan losses – were, for the most part, similar to those found in the June 2012 tests. Variations in specific areas were closely related to the banks' asset composition, provisioning levels and credit concentration. In particular, the impact of large exposure shocks was less severe than in the June 2012 exercise, while that of interest rate and energy shocks remained high and slightly changed from the June 2012 exercise. Overall, the latest tests revealed the need for continued monitoring of provisioning levels in order to guard against credit risk.

Below are the system-wide results based on December 2012 data:

(i) With respect to the interest rate shock, the 700 basis-point increase had the most significant adverse impact on the system CAR, which declined by 13.6 percentage points, slightly less than the 14.1 per cent deterioration in the CAR recorded as at June 2012.

(ii) As banks continued to hold long positions in foreign currency, the system's CAR improved by 1.7 per cent in December 2012 compared with 1.2 per cent in June 2012 after imposing the foreign exchange rate shock.

(iii) The results of the stress tests for credit risk indicate little vulnerability to this exposure. The CAR fell by just 2 per cent, slightly less than the 2.1 per cent decline in June 2012, when the shock to the credit portfolio was applied.

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

December 31, 2012

(iv) The impact of a 30 per cent decline in property prices was insignificant, with the CAR falling 2.2 per cent, a little more than the decline recorded in the June 2012 tests. The greater sensitivity was associated with the growth in loans granted to the real estate sector, as well as real estate mortgages.

(v) The December 2012 tests revealed that there was increased vulnerability to large exposure risk, as certain banks increased their concentration of credit in specific economic sectors. A shock to the economic sector with the biggest exposure caused the CAR to decline 3.5 per cent, compared with a deterioration in the CAR of 2.6 per cent in the June 2012 tests.

(vi) Among the three scenario tests, the energy price shock had the greatest impact on the CAR, which fell by 10.7 per cent in December 2012, compared with a decline of 11.4 per cent in June 2012. According to the findings of the regional disaster scenario, the commercial banks risk exposure to the Caribbean region remains low, with the CAR declining by less than 2 per cent in December 2012. Based on the local natural disaster scenario, impact on the banking system remained almost unchanged recording a 1.3 per cent decline in the CAR.

Commercial Banks Stress Testing Results – December 2011, June 2012, December 2012

		Commercial Banks Capital Adequacy Ratio					
		Dec-11		Jun-12		Dec-12	
	Pre-Shock CAR	25.1%		26.5%		24.6%	
	Pre-Shock CAR Adjusted for Guideline Provisions	21.2%		23.6%		22.1%	
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
1 - Interest Rate Risk	Interest Rate ↑ 700 basis points	7.3%	-13.9%	9.5%	-14.1%	8.5%	-13.6%
	Interest Rate ↓ 100 basis points	23.1%	1.9%	25.4%	1.8%	23.9%	1.8%
2 - Foreign Exchange Risk	TT Dollar depreciates 40 per cent	22.8%	1.6%	24.8%	1.2%	23.8%	1.7%
3 - Credit Risk	Credit Portfolio worsens on a/c of 20 per cent decline in GDP	19.1%	-2.1%	21.5%	-2.1%	20.1%	-2.0%
4 - Credit Risk - Property Price Shock	Property Prices ↓ 30 per cent	19.3%	-1.9%	21.6%	-2.0%	19.9%	-2.2%
5 - Credit Risk - Large Exposures	Large Exposure – Sectors (50 per cent shock)						
	Sector 1	Financial Sector: 21.2%	0.8%	Other Services: 21.0%	-2.6%	Other Services: 18.6%	-3.5%
	Sector 2	Real Estate: 21.2%	0.0%	Financial: 23.6%	0.0%	Financial: 20.9%	-1.2%
	Sector 3	Construction: 21.2%	0.0%	Real Estate: 23.6%	0.0%	Real Estate:22.1%	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
6 - Energy Price Shock	Energy Price ↓ 50 per cent						
	No Monetary Policy Response	10.1%	-11.1%	12.2%	-11.4%	11.4%	-10.7%
	Policy Response	22.5%	1.3%	24.6%	1.0%	23.6%	1.5%
7 - Local Disaster Scenario	Local Natural Disaster	19.8%	-1.4%	21.6%	-2.0%	20.8%	-1.3%
8 - Regional Disaster Scenario	Regional Natural Disaster	18.8%	-2.4%	21.8%	-1.8%	20.2%	-1.9%
Days until Illiquid							
9 - Liquidity Risk	Bank Run	76		77		80	

Note: For further details on the Stress Testing Exercise see Central Bank of Trinidad and Tobago, Financial Stability Report, November 2010, Chapter 3, Pages 17-22.

CHAPTER 3

THE INSURANCE SECTOR AND FINANCIAL STABILITY

CHAPTER 3

THE INSURANCE SECTOR AND FINANCIAL STABILITY

Life Insurance Companies[6]

Overview

Activity in the life insurance sector continued to be driven by savings products which comprised unit linked funds and individual annuities. The protracted low interest rate environment, high liquidity and asset/liability duration mismatches have increased reinvestment risks and reduced investment returns and spreads. In response, many insurers have been reducing interest guarantees by developing new products and redesigning existing ones.

Liabilities

Total liabilities of the life insurance sector expanded by 9.0 per cent year-on-year to December 2012. Savings products accounted for 54.5 per cent of life insurance liabilities at the end of December 2012. The share of ordinary life products has been declining since 2008 from 41.2 per cent to 33.0 per cent in 2012 (**Table 3.1**).

Assets

At the end of December 2012, total assets for the life insurance sector stood at $18.3 billion, an increase of 9.3 per cent on the previous year (**Chart 3.1 & Table 3.2**). Investment in government securities now account for 36.1 per cent of total assets compared with 35.5 per cent in December 2011. Bond values have increased due to fair value gains arising in the current low interest environment.

Investment in equities increased by approximately $455.5 million, largely due to one life company increasing its equity stake in two companies. Companies' equity holdings were also positively impacted by an improvement in stock market performance.

In the near term, the mix of government securities, corporate bonds and equities that dominates the investment portfolio is not expected to change given the limited investment options within the financial system.

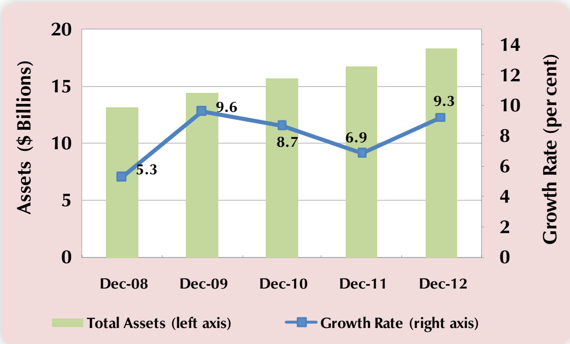
Table 3.1
Life Insurance Companies: Liability Structure - Insurance Contracts

	Dec-08	Dec-09	Dec-10	Dec-11	Dec-12	Dec-08	Dec-09	Dec-10	Dec-11	Dec-12
	/TT$ Million/					/Percentage Share/				
	Excluding Clico and BA									
Ordinary Life	3,730.8	3,369.7	3,698.5	4,061.6	4,232.8	41.2	35.1	34.9	34.5	33.0
Group Life	44.6	56.8	54.5	63.7	64.3	0.5	0.6	0.5	0.5	0.5
Group Pension	383.3	399.0	384.8	402.0	414.0	4.2	4.2	3.6	3.4	3.2
Deposit Administration	667.9	681.7	743.4	824.8	905.2	7.4	7.1	7.0	7.0	7.1
Individual Annuities	1,938.3	2,515.7	2,787.8	3,091.6	3,425.7	21.4	26.2	26.3	26.3	26.7
Unit Linked Funds	2,128.5	2,376.6	2,714.0	3,092.3	3,569.2	23.5	24.7	25.6	26.3	27.8
Other	151.5	204.0	210.5	228.7	211.4	1.7	2.1	2.0	1.9	1.6
Total	**8,881.9**	**9,261.9**	**10,037.5**	**11,302.6**	**12,454.8**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: Central Bank of Trinidad and Tobago.

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

Chart 3.1
Life Insurance Companies: Assets



Source: Central Bank of Trinidad and Tobago.

Gross Premiums

Gross premium income has been trending upwards over the last few years on both traditional insurance and savings products (Chart 3.3). However, savings products have grown at a faster rate than traditional insurance products. This reflects policyholders' preference for insurance products with a savings or an investment element and the tax advantage status of approved accumulation annuities. As such, premium income on savings business grew by 11.2 per cent whereas the growth in traditional was 5.4 percent (overall growth was 8.6 per cent).

Claims

For the period ending December 2012, gross claims in the life insurance sector grew by 2.9 per cent (year-on-year). Claims for disability, short term business and annuity increased while all other claims declined in 2012 (**Table 3.4**). On a year-on-year basis to December 2012, surrenders decreased by 2.3 per cent compared to an increase of 21.7 per cent in the previous year. Consistent with the overall mix of business, claims on savings products continue to make up the largest share of gross claims.

Statutory Fund – Life Sector

Insurance companies are required by law to maintain assets in the 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 $13.6 billion which was slightly lower from September 2012. The industry reported a surplus of $471.6 million in the Statutory Fund for the period ended December 31, 2012 **(Table 3.6)**. However, the three companies that reported deficits at the end of December were able to rectify their positions within the period stipulated by the Insurance Act (1980).

Non-Life Insurance Companies

Overview

The non-life insurance industry exhibited a positive growth in 2012 in all lines of business. However, most of the premium income was derived from the property and motor vehicle lines of business. While the low interest rate environment has an impact on the overall profitability on non-life companies, the impact is less severe compared with life companies. Due to the short term nature of general insurance, investment returns are not a significant factor in determining profitability. More important are the level of premiums received and the quality of the underwriting.

Gross Premiums

For the non-life insurance sector, gross premium income is derived predominantly from property and motor vehicle businesses. At the end of December 2012, premium income from these two lines of business accounted for 81.5 per cent of gross premium written **(Table 3.7 and Table 3.8).** Over the year 2012, gross premiums in the non-life sector grew by 8.5 per cent, mainly attributable to the increase in property premium income of 10.9 per cent.

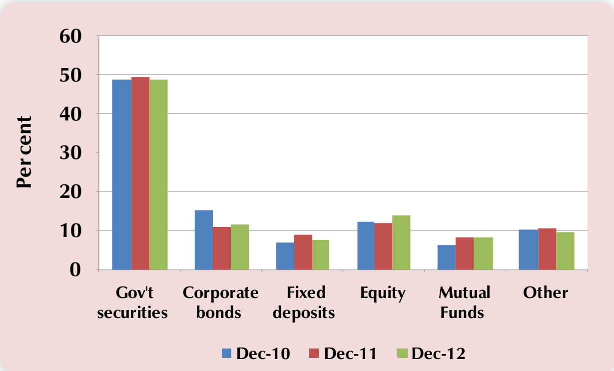
Growth in motor vehicle premium income was more modest at 3.6 per cent year-on-year to December 2012. While new car sales have increased slightly, the foreign-used sales have more than doubled in 2012. This was a direct result of the Government's move to allow the importation of six-year old foreign used vehicles from the latter part of 2011. The previous limit on the age of foreign-used vehicles was four years.

Table 3.2
Life Insurance Companies: Assets

	Dec-08	Dec-09	Dec-10	Dec-11	Dec-12
	/TT$ Million/				
Bank Deposits and Cash	74.1	240.5	376.6	542.0	725.9
Investments:	9,303.5	10,176.2	10,959.0	12,032.5	13,527.4
Government securities	3,321.5	4,203.8	5,339.8	5,951.9	6,613.4
Corporate Bonds	1,382.0	1,526.7	1,673.2	1,335.0	1,565.9
Fixed Deposits	1,176.9	1,116.6	764.9	1,060.3	1,048.4
Equity	1,468.7	1,374.4	1,348.4	1,427.1	1,882.6
Mutual Funds	798.3	800.1	693.0	998.3	1,125.9
Other investments	1,156.1	1,154.6	1,139.7	1,259.9	1,291.3
Loans	1,440.1	1,501.0	1,572.0	1,636.5	1,615.4
Accounts Receivable	1,125.9	1,290.4	1,434.9	1,229.3	949.6
Other Assets	1,211.1	1,213.9	1,330.4	1,310.7	1,484.8
Total	13,154.7	14,422.0	15,673.1	16,751.0	18,303.2
	/Percentage Share/				
Bank Deposits and Cash	0.6	1.7	2.4	3.2	4.0
Investments:	70.7	70.6	69.9	71.8	73.9
Government securities	25.2	29.1	34.1	35.5	36.1
Corporate Bonds	10.5	10.6	10.7	8.0	8.6
Fixed Deposits	8.9	7.7	4.9	6.3	5.7
Equity	11.2	9.5	8.6	8.5	10.3
Mutual Funds	6.1	5.5	4.4	6.0	6.2
Other investments	8.8	8.0	7.3	7.5	7.1
Loans	10.9	10.4	10.0	9.8	8.8
Accounts Receivable	8.6	8.9	9.2	7.3	5.2
Other Assets	9.2	8.4	8.5	7.8	8.1
Total	100.0	100.0	100.0	100.0	100.0
	/Year-on-Year Per cent Change/				
Bank Deposits and Cash	N/A	224.6	56.6	43.9	33.9
Investments:					
Government securities	N/A	26.6	27.0	11.5	11.1
Corporate Bonds	N/A	10.5	9.6	-20.2	17.3
Fixed Deposits	N/A	-5.1	-31.5	38.6	-1.1
Equity	N/A	-6.4	-1.9	5.8	31.9
Mutual Funds	N/A	0.2	-13.4	44.1	12.8
Other investments	N/A	-0.1	-1.3	10.5	2.5
Loans	N/A	4.2	4.7	4.1	-1.3
Accounts Receivable	N/A	14.6	11.2	-14.3	-22.8
Other Assets	N/A	0.2	9.6	-1.5	13.3
Total	N/A	9.6	8.7	6.9	9.3

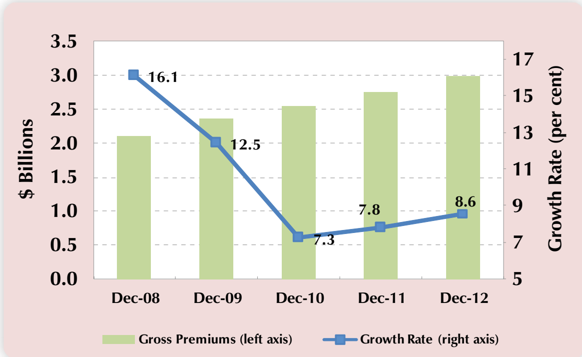
Source: Central Bank of Trinidad and Tobago.

Chart 3.2
Life Insurance Companies: Investment Structure
/Per cent/



Source: Central Bank of Trinidad and Tobago.

Chart 3.3
Life Insurance Companies: Gross Premiums



Source: Central Bank of Trinidad and Tobago.

Table 3.3
Life Insurance Companies: Distribution of Gross Premium by Lines - New Business and Renewal

	Dec-08	Dec-09	Dec-10	Dec-11	Dec-12
	/TT$ Million/				
TRADITIONAL TOTAL	**1,000.8**	**1,120.9**	**1,164.9**	**1,221.0**	**1,286.8**
Ordinary Life	*452.9*	*489.1*	*530.1*	*522.2*	*558.6*
New Business	80.8	102.0	105.9	78.4	104.1
Renewal	372.1	387.0	424.2	443.8	454.6
Group Life	*173.5*	*168.9*	*182.2*	*215.8*	*239.6*
New Business	47.0	38.5	44.5	54.9	64.9
Renewal	126.5	130.4	137.6	160.9	174.8
Health	*374.3*	*462.9*	*452.7*	*483.0*	*488.5*
New Business	31.7	107.5	105.2	103.3	68.0
Renewal	342.6	355.4	347.5	379.7	420.5
NON-TRADITIONAL TOTAL	**1,110.5**	**1,253.4**	**1,381.6**	**1,524.8**	**1,694.9**
Individual Annuities	*313.3*	*381.4*	*420.0*	*511.3*	*540.9*
New Business	133.2	197.4	205.7	243.2	249.7
Renewal	180.1	184.0	214.3	268.2	291.2
Unit linked	*634.4*	*697.1*	*771.4*	*806.9*	*935.1*
New Business	164.6	184.3	178.1	191.8	228.2
Renewal	469.8	512.8	593.2	615.1	706.9
Group Pension	*18.1*	*15.2*	*27.1*	*20.2*	*23.1*
New Business	0.0	0.0	3.9	7.2	5.0
Renewal	18.1	15.2	23.3	13.0	18.1
Deposit Administration	*47.7*	*51.0*	*39.7*	*58.6*	*64.4*
New Business	0.0	0.0	0.0	0.0	0.0
Renewal	47.7	51.0	39.7	58.6	64.4
Other	*97.0*	*108.6*	*123.5*	*127.7*	*131.3*
New Business	10.4	12.4	14.3	11.7	11.2
Renewal	86.5	96.1	109.1	116.0	120.1
TOTAL PREMIUMS	**2,111.3**	**2,374.2**	**2,546.5**	**2,745.7**	**2,981.7**

Source: Central Bank of Trinidad and Tobago.

Table 3.4
Life Insurance Companies: Classification of Gross Claims

	Dec-08	Dec-09	Dec-10	Dec-11	Dec-12	Dec-09	Dec-10	Dec-11	Dec-12
	/TT$ Million/					/Year-on-Year Per cent Change/			
By Death	161.8	176.2	184.4	233.2	227.0	8.9	4.6	26.5	(2.6)
By Maturity	102.9	132.6	128.9	155.4	150.0	28.9	(2.8)	20.6	(3.5)
By Annuity	161.6	219.6	200.4	199.3	211.1	35.9	(8.7)	(0.6)	5.9
By Surrender	379.0	409.5	393.9	479.5	468.5	8.0	(3.8)	21.7	(2.3)
Interim Bonuses	0.2	0.1	0.2	0.1	0.1	(63.3)	134.0	(40.9)	(51.9)
Disability Claims	9.7	11.5	21.4	23.2	56.2	19.3	86.0	8.3	141.9
Short term Business Claims	279.5	336.2	365.3	334.6	383.0	20.3	8.6	(8.4)	14.5
Total	**1,094.6**	**1,285.7**	**1,294.5**	**1,454.0**	**1,495.8**	**17.5**	**0.7**	**12.3**	**2.9**

Source: Central Bank of Trinidad and Tobago.

Table 3.5
Life Insurance Companies: Distribution of Gross Claims by Lines of Business

	Dec-08	Dec-09	Dec-10	Dec-11	Dec-12	Dec-08	Dec-09	Dec-10	Dec-11	Dec-12
	/TT$ Million/					/Percentage Share/				
Ordinary Life	190.8	234.7	229.1	266.0	281.9	20.3	17.8	17.2	17.6	18.2
Group Life	45.4	56.3	67.6	77.7	81.6	5.7	5.0	4.0	5.2	5.4
Group Pension	54.1	16.0	33.6	13.7	20.5	1.7	1.8	4.2	2.6	1.0
Deposit Administration	21.9	70.6	34.3	25.4	23.7	3.3	3.1	4.3	3.8	1.7
Individual Annuities	219.5	245.2	262.1	309.1	326.5	19.5	23.5	18.7	20.3	19.7
Unit Linked Funds	239.5	272.8	262.8	346.5	323.5	22.1	18.3	23.7	20.2	23.7
Other	323.4	389.9	405.0	415.6	438.1	27.4	30.5	28.0	30.3	30.2
Total	**1,094.6**	**1,285.7**	**1,294.5**	**1,454.0**	**1,495.8**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: Central Bank of Trinidad and Tobago.

Table 3.6
Life Insurance Companies: Trends in the Statutory Fund
December 2011 - December 2012

/TT$ Million/

	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12
Long Term (excluding Clico and BA)					
Statutory Fund Assets	13,119.5	13,322.4	13,554.2	13,580.9	13,579.4
Statutory Fund Requirement	12,140.6	12,546.7	12,752.6	12,972.3	13,107.8
Surplus (Deficit)	978.9	775.7	801.6	608.6	471.6

Source: Central Bank of Trinidad and Tobago.

Moreover, premium income from group health increased by 21.9 per cent, while premium income from other lines of business such as public liability, professional indemnity and workmen compensation grew by 8.1 per cent.

Assets

The total assets of non-life insurance companies have grown on average by 5.8 per cent over the last four years. As at December 2012, total assets stood at $4.9 billion, an increase of 6.5 per cent over the prior year **(Chart 3.4 and Table 3.9).** Government securities rose by 8.5 per cent as non-life companies increased their holdings of treasury bills in their portfolios. As with life insurance companies, government securities represent the largest share of the investment portfolio (42.9 per cent) of the non-life insurance sector.

Retention Ratio

The retention ratio continued to decline in 2012 as companies passed on a greater proportion of their premium to reinsurers **(Chart 3.6).** As at December 2012, the retention ratio stood at 42.2 per cent as 57.8 per cent of insurance premiums were ceded to international reinsurers. In comparison, the retention ratio was 44.0 per cent in December 2011 and 51.5 per cent in December 2008.

Claims

Claims for the twelve-month period ending December 2012 amounted to $966.6 million with approximately two-thirds of those claims emanating from the motor vehicle business. The net loss ratio measured as the overall ratio of net claims to net earned premiums stood at 47.3 per cent at the end of December 2012, lower than the 50.2 per cent recorded in December 2011 **(Table 3.10)**. This ratio is a very important indicator of the non-life companies' pricing and underwriting effectiveness; it specifies whether the premiums retained are sufficient to cover the claims after reinsurance.

Statutory Fund – Non Life Sector

Assets pledged to the respective statutory funds in relation to motor business stood at $635.4 million, a decrease of 11.1 per cent ($79.5 million) over the previous quarter and a decrease of 4.4 per cent ($29.3 million) over the last year. The industry reported a net surplus of $151.9 million in the Statutory Fund in respect of motor business for the period ended December 31, 2012 **(Table 3.11)**. However, at the individual institution level, two non-life companies reported deficits in their Statutory Fund. These companies did not rectify their positions within the period specified in the Insurance Act as in the case of the three life companies.

Table 3.7
Non-Life Insurance Companies:
Distribution of Gross Premium Income

	Dec-08	Dec-09	Dec-10	Dec-11	Dec-12	Dec-09	Dec-10	Dec-11	Dec-12
	/TT$ Million/					/Year-on-Year Per cent Change/			
Property	1,235.3	1,451.1	1,352.4	1,455.6	1,614.3	17.5	(6.8)	7.6	10.9
Motor Vehicle	1,142.0	1,124.4	1,150.3	1,151.6	1,193.3	(1.5)	2.3	0.1	3.6
Group Health	167.7	155.8	102.2	115.5	140.8	(7.1)	(34.4)	13.0	21.9
Other	495.0	488.7	449.8	460.7	498.0	(1.3)	(8.0)	2.4	8.1
Total	**3,040.0**	**3,219.9**	**3,054.7**	**3,183.4**	**3,446.4**	**5.9**	**(5.1)**	**4.2**	**8.3**

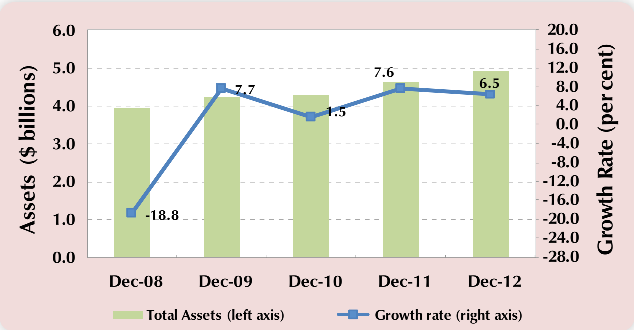
Source: Central Bank of Trinidad and Tobago.

Table 3.8
Non-Life Insurance Companies: Distribution of Gross Premium Income
(New Business and Renewals)

	Dec-08	Dec-09	Dec-10	Dec-11	Dec-12
	/TT$ Million/				
Property	**1,235.3**	**1,451.1**	**1,352.4**	**1,455.6**	**1,614.3**
New Business	219.7	307.0	224.0	478.9	284.4
Renewal	1,015.7	1,144.1	1,128.4	976.7	1,329.9
Motor Vehicle	**1,142.0**	**1,124.4**	**1,150.3**	**1,151.6**	**1,193.3**
New Business	437.5	335.2	351.3	329.1	336.3
Renewal	704.5	789.2	799.0	822.5	857.0
Group Health	**167.7**	**155.8**	**102.2**	**115.5**	**140.8**
New Business	46.7	26.7	25.0	29.6	34.1
Renewal	121.0	129.1	77.2	85.9	106.6
Other	**495.0**	**488.7**	**449.8**	**460.7**	**498.0**
New Business	168.4	154.2	120.2	124.6	127.3
Renewal	326.6	334.5	329.5	336.0	370.8
Total	**3,040.0**	**3,219.9**	**3,054.7**	**3,183.4**	**3,446.4**

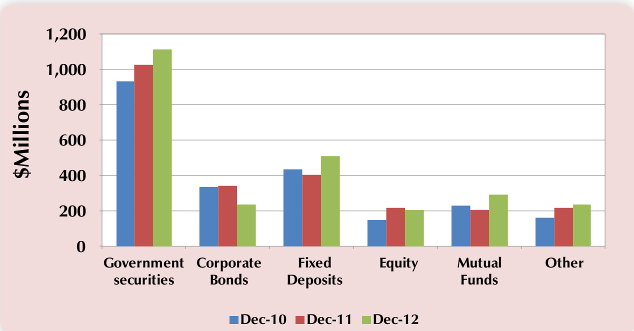
Source: Central Bank of Trinidad and Tobago.

Chart 3.4
Non-Life Insurance Companies: Growth in Total Assets



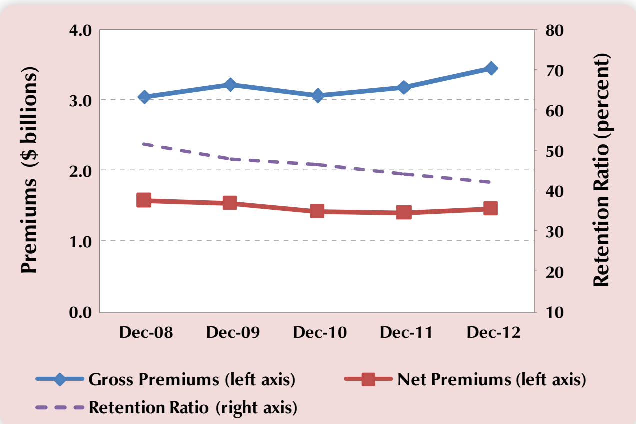
Source: Central Bank of Trinidad and Tobago.

Chart 3.5
Non-Life Insurance Companies: Investment Structure



Source: Central Bank of Trinidad and Tobago.

Chart 3.6
Non-Life Insurance Companies: Premiums and Retention Ratio



Source: Central Bank of Trinidad and Tobago.

Table 3.9
Non-Life Insurance Companies: Assets

	Dec-08	Dec-09	Dec-10	Dec-11	Dec-12
	/TT$ Million/				
Bank Deposits and Cash	270.4	386.7	397.8	411.1	530.5
Investments:	2,134.0	2,273.1	2,248.0	2,416.0	2,596.2
Government securities	804.0	884.5	932.1	1,027.4	1,114.6
Corporate Bonds	212.6	240.7	336.2	344.6	237.0
Fixed Deposits	644.0	606.6	436.7	402.5	509.8
Equity	183.5	166.9	152.2	219.6	206.4
Mutual Funds	146.4	226.4	229.3	203.5	295.1
Other investments	143.7	148.1	161.8	218.7	233.5
Loans	288.4	248.0	265.2	316.7	296.1
Accounts Receivable	636.2	617.4	620.9	581.7	562.7
Other Assets	602.0	707.6	764.0	897.3	939.0
Total	**3,931.3**	**4,233.0**	**4,296.1**	**4,623.0**	**4,924.6**
	/Percentage Share/				
Bank Deposits and Cash	6.9	9.1	9.3	8.9	10.8
Investments:					
Government securities	20.5	20.9	21.7	22.2	22.6
Corporate Bonds	5.4	5.7	7.8	7.5	4.8
Fixed Deposits	16.4	14.3	10.2	8.7	10.4
Equity	4.7	3.9	3.5	4.7	4.2
Mutual Funds	3.7	5.3	5.3	4.4	6.0
Other investments	3.7	3.5	3.8	4.7	4.7
Loans	7.3	5.9	6.2	6.8	6.0
Accounts Receivable	16.2	14.6	14.5	12.6	11.4
Other Assets	15.3	16.7	17.8	19.4	19.1
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
	/Year-on-Year Per cent Change/				
Bank Deposits and Cash	N/A	43.0	2.9	3.3	29.1
Investments:					
Government securities	N/A	10.0	5.4	10.2	8.5
Corporate Bonds	N/A	13.2	39.7	2.5	(31.2)
Fixed Deposits	N/A	(5.8)	(28.0)	(7.8)	26.7
Equity	N/A	(9.0)	(8.9)	44.3	(6.0)
Mutual Funds	N/A	54.6	1.3	(11.3)	45.0
Other investments	N/A	3.1	9.2	35.2	6.8
Loans	N/A	(14.0)	6.9	19.4	(6.5)
Accounts Receivable	N/A	(2.9)	0.6	(6.3)	(3.3)
Other Assets	N/A	17.5	8.0	17.4	4.7
Total	**N/A**	**7.7**	**1.5**	**7.6**	**6.5**

Source: Central Bank of Trinidad and Tobago.

Table 3.10
Non-Life Insurance Companies: Gross Claims Incurred

	Dec-08	Dec-09	Dec-10	Dec-11	Dec-12	Dec-08	Dec-09	Dec-10	Dec-11	Dec-12
	/TT$ Million/					Net loss ratio /per cent/				
Property	117.3	205.2	92.1	149.0	256.2	35.0	31.3	14.0	40.3	47.1
Motor Vehicle	490.3	611.4	596.6	604.0	571.1	51.9	56.1	56.4	55.5	50.2
Group Health	101.2	120.7	92.1	66.1	85.0	85.6	83.6	68.9	80.0	90.1
Other	182.4	115.0	101.2	100.9	108.6	60.3	40.1	50.2	34.4	26.1
of which:										
Workmen's Compensation	70.9	35.0	33.0	63.2	50.0	396.2	127.4	39.9	119.9	63.9
Public Liability	13.2	16.8	10.6	21.7	15.2	15.7	26.8	20.3	17.5	15.9
Total	**891.2**	**1,052.2**	**881.9**	**919.9**	**1,020.9**	**52.7**	**52.9**	**50.4**	**51.6**	**47.2**

Source: Central Bank of Trinidad and Tobago.

Table 3.11
Non-Life Insurance Companies: Trends in the Statutory Fund
December 2011 - December 2012

/TT$ Million/

	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12
Motor Industry					
Statutory Fund Assets	664.7	681.6	707.3	714.9	635.4
Statutory Fund Requirement	518.0	522.2	541.5	551.6	483.5
Surplus (Deficit)	146.6	159.4	165.8	163.3	151.9

Source: Central Bank of Trinidad and Tobago.

CHAPTER 4
OCCUPATIONAL PENSION PLANS & FINANCIAL STABILITY

EXISTING AND EMERGING CHALLENGES

CHAPTER 4

OCCUPATIONAL PENSION PLANS & FINANCIAL STABILITY EXISTING AND EMERGING CHALLENGES

The volatile global financial environment that prevailed over the last few years has caused the sustainability and funding of private and public pension plans to become increasingly prominent issues[7]. The costs to governments and private companies of funding pension benefits and the possible inadequacy of benefits provided by these plans are challenges faced not only in the larger developed countries but in emerging markets and small economies like Trinidad and Tobago. Some of these challenges are discussed below.

The Economic Environment

The effects of the current low interest rate environment on the funding of local private occupational pension plans were discussed in the December 2012 Financial Stability Report **(Box 3.1 and Chapter 4).** The low interest earned on investments is being factored into the actuaries' calculation of pension plans' funding levels. This has contributed significantly to pension plans reporting overall declines in funding levels from an average of 143 per cent over the period 2007 to 2009 to 125 per cent over the period 2010 to 2012 **(Table 4.1).** Falling funding levels would require an increase in the amount of contributions needed to achieve or maintain pension plans' solvency and would reduce the level of benefits which can be afforded[8]. As at the end of March 2013, there were 189 active pension plans in Trinidad and Tobago. Based on a review of actuarial valuation reports of 85 plans for the triennial valuation period January 2010 to December 2012, 35 plans reported deficits with funding levels averaging 87 per cent. This represented an increase of 13 plans in deficit when compared to the previous triennial valuation period January 2007- December 2009.

Table 4.1:
Occupational Pension Plans: Actuarial Valuation Results for a Sample of 85 plans

Period of Triennial Actuarial Valuation Report	No. of Plans in Surplus	No. of Plans in Deficit	Average Funded Ratio of All Reporting Plans (Assets / Liabilities)	Average Funded Ratio of All Plans in Surplus (Assets /Liabilities)	Average Funded Ratio of All Plans in Deficit (Assets / Liabilities)
2007– 2009	63	22	143	162	86
2010 – 2012	50	35	125	151	87
Per cent change	-22	59	-13	-7	1

[7] As at the end of March 2013, the International Monetary Fund (IMF) had held two conferences on the design of fiscally sustainable and equitable pension systems. The January 2013 conference dealt with Asian countries while the March 2013 conference looked at emerging European economies.

[8] This is particular the case for defined benefit pension plans and hybrid pension plans which have both defined benefit and defined contribution features. In defined benefit plans, pension benefit are based on members' salary and service whereas in defined contribution plans pensions are based on what could be afforded with contributions made by members and employers and the interest earned thereon.

Ageing Population

The 2011 census[9] showed that the population is ageing and this presents an additional challenge to the sustainability of pension plans. The ageing index, which is the ratio of persons aged 65 and older to persons under age 15, is 43.5 per cent compared to 16.3 per cent in 1980. According to the Central Statistical Office, a population with a ratio above 30 may be described as 'old'. According to the census, it was found that there was a steady decline in fertility from 4.1 'live born children per woman for those on the verge of completing their childbearing lifetime in 1990 to 3.1 and 2.5 for those completing their childbearing lifetime in 2000 and 2011, respectively'. Also, life expectancy has increased from 68.25 years for males and 73.68 years for females in 2000[10] to 71.41 years for males and 77.81 for females in 2011[11]. The long term implications of these factors are that fewer workers will be contributing to pension plans and/or paying taxes to fund public pensions while the number of pensioners, with increasing longevity, will be growing. In such a scenario, the funding of pensions for future generations of retirees may be challenging.

In recognition of the need to increase retirement savings, the Minister of Finance in his 2013 Budget Statement referred to a Voluntary Retirement Pension through which all working persons would be afforded the opportunity to provide additional retirement income to supplement their National Insurance Scheme benefits[12].

Internationally countries have implemented policy changes for state run pension plans in recognition of increasing longevity and pension costs. In the United Kingdom, the state pension age for both men and women will rise to 65 by 2018 (currently the age for women is 60 and for men 65). The age is set to increase to 66 by 2020 and 67 by 2028. In the United States, the current age for collecting full social security pension is 66 and will rise to 67 for individuals born in 1960 and thereafter. In Canada, although the pensionable age remains at 65 with early retirement being allowed from age 60, the early retirement benefits are being reduced. Prior to 2012, early retirement pensions were reduced by 0.5 per cent for each month prior to age 65 that a person receives pension. The reduction factor will increase gradually between 2012 and 2016 to 0.6 per cent for each month prior to age 65. Therefore, the maximum pension reduction of 30 per cent for a person taking pension at age 60 will increase to 36 per cent by 2016. In the case of Trinidad and Tobago, the normal retirement age is 60 which is the age that civil servants retire. It is also the age that NIS pension starts if the person retires from full time employment. Old age pension is payable from 65.

There are further social and economic considerations which come with increasing pension costs and an ageing population. For instance, in the more developed countries, employers have been choosing defined contribution arrangements more frequently for new pension plans opting to divest themselves of the funding risk associated with defined benefit plans. In 2007, 71 per cent of private occupational pension plans were defined benefit, this decreased to 64 per cent in 2012 as most of the new plans established were defined contribution while those wound up were mostly defined benefit. Between 2009 and 2012, of the 16 new plans established, 11 were defined contribution plans. Over the same period, 16 defined benefit plans and 3 defined contribution plans were wound up.

The Central Bank has recognized the challenges facing pension plans and their members. New pension legislation is being drafted to strengthen the Central Bank's supervisory role of private pension arrangements[13]. Additionally, the Bank has assisted the Ministry of Finance and the Economy in an initiative with the World Bank to diagnose the country's pension needs and formulate structures to encourage and maintain pension savings and reduce reliance on the state for retirement income.

[9] The census is entitled 'Trinidad and Tobago 2011 Population and Housing Census Demographic Report'.

[10] These statistics were taken from the document '2000 Round of Population and Housing Census of the Caribbean Community: National Census Report, Trinidad and Tobago'

[11] 'Trinidad and Tobago 2011 Population and Housing Census Demographic Report'

[12] Budget Statement 2013, page 28. No further details on the Voluntary Retirement Pension were provided in the Budget.

[13] The Central Bank proposes that the new pension legislation should, inter alia, strengthen communication between pension plan sponsors, trustees, management committees and members, introduce fit and proper requirements from management committee members and individual trustees and expand the regulatory framework for pension plans to include regulations, guidelines and circulars.

ARTICLES

ARTICLE 1

UPDATE ON COMPLIANCE WITH THE FOREIGN ACCOUNT TAX COMPLIANCE ACT (FATCA)

1. Overview of FATCA

Foreign Account Tax Compliance Act (FATCA) is a United States (U.S.) tax law which came into effect on January 1st 2013. It was designed and enacted to combat offshore tax evasion by U.S. persons[14] with accounts and/or investments with both foreign financial and non- financial entities. FATCA places a requirement on foreign financial institutions (FFIs) to identify and report information on certain U.S. persons invested in accounts outside of the U.S. and for certain non-U.S. entities to provide information about any U.S. owners to the U.S. Internal Revenue Service (IRS).

It is expected that FATCA may impact both financial[15] and non-financial companies in Trinidad and Tobago that receive income from an U.S. source, either directly in the conduct of their business, or indirectly through relationships with other financial institutions. Non–compliance carries significant implications for local financial institutions.

2. Major issues with regard to implementation

In order to comply with the FATCA requirements, Trinidad and Tobago must resolve the following issues:

*i. **Conflicts with local laws which prohibit the disclosure of confidential information.***

Currently, local disclosure laws prevent local institutions from sharing confidential client information. Consequently pertinent legislation would have to be amended or enacted to ensure compliance with FATCA requirements.

*ii. **Implications for institutions with cross-border activities re: choice of Model IGA adopted***

If a FFI maintains branches outside of one jurisdiction, then such branches would not be covered by the Inter Governmental Agreement (IGA) signed in the Head Office jurisdiction. Consequently, FFIs must be cognizant of the IGA adopted in each jurisdiction that they have operations, in order to ensure compliance.

*iii. **Technology Limitations***

Compliance with FATCA requires the installation of new and extended information systems to enable local institutions to fulfill the reporting requirements.

*iv. **Public and institutional awareness***

FFIs may need to embark on a public awareness campaign to alert customers and other stakeholders of the requirement to disclose information previously held confidential in order to be FATCA compliant.

*v. **Short timeframe for implementation***

The short time frame for compliance poses significant challenges for Trinidad and Tobago. Key decision makers and arms of Government would have to reach consensus in an extremely short timeframe as to the way forward.

[14]U.S. person under FATCA refers to a citizen or resident of the united States of America (U.S.), a U.S. partnership or corporation

[15]This would include, but is not limited to Commercial Banks, Non-bank Financial Institutions, Asset Managers, Investment products, Insurance Companies (where products have an investment element)

3. Regional Approach to the FATCA Regulations

Trinidad and Tobago is a member of a Regional Task Force created by CARICOM's Council of Finance and Planning (COFAP) under the auspices of the Caribbean Association of Banks. The Task Force is working towards a regional approach with regard to FATCA compliance in areas which allow for a regional approach. With regard to specific country to country negotiations with the U.S some islands including Trinidad and Tobago have begun the process of negotiating IGAs with the IRS.

4. Key Timelines

The table below shows key dates with respect to FATCA implementation and compliance.

Milestone	Date
Signing of IGA	December 31 2013
Registration of FFIs	The Registration Portal may be accessed by FFIs from August 19 2013.
FFI FATCA Compliant List will be issued by FATCA	June 2 2014 ***It should be noted that FFIs will need to be registered by April 25 2014, in order to be included on this list.***
Commencement of reporting to the IRS (reporting of 2014 data)	September 30 2015

APPENDICES

Appendices

APPENDICES

DEVELOPMENTS IN REGULATION AND SUPERVISION

During the period January 2013 – June 2013, the Central Bank of Trinidad and Tobago ("the Central Bank") continued to pursue several major legislative and regulatory initiatives. Work continued apace on the Credit Union Bill and the Insurance Bill while the Policy Proposal Document (PPD) for the establishment of an Occupational Pensions Plan Bill was completed. Additionally, the Central Bank is in the process of finalizing proposals for replacement of the Financial Institutions (Prudential Criteria) Regulations, 1994. Policy Proposals for the Regulation of the Home Mortgage Bank Limited are also being finalized.

Details of these and other developments **by sector** are as follows:

Banking Sector

Financial Institutions (Prudential Criteria) Regulations, 1994

The Central Bank is currently developing proposals for the replacement of the Financial Institutions (Prudential Criteria) Regulations, 1994 ("Regulations"). The new Regulations will effectively amend the local capital adequacy framework governing licensed financial institutions. Proposals have been heavily influenced by the recommendations of the Basel Committee for Banking Supervision and at this time, the simpler approaches under Pillar 1 of the Basel 2 framework for the determination of the Minimum Capital Requirement are being considered. In addition, the implementation of qualitative and quantitative liquidity standards - namely the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR)) are being contemplated *(Box I below contains additional details).*

Insurance Sector

The Insurance Bill

The Insurance Bill was laid in Parliament for debate in November 2011, but when Parliament was prorogued in June 2012, the Bill lapsed. Subsequently, the draft legislation was revised to take into consideration additional comments received from the industry. On May 28, 2013, the Bill was introduced for debate in the Senate.

Quantitative Impact Studies

Participation in the second quantitative impact study (QIS) initiated in August 2012 on the Financial Condition Report (FCR) framework fell below expectations as only six out of eighteen general insurance companies and four out of fourteen life insurance companies submitted a FCR. Nevertheless, the submissions by the general insurance companies were encouraging as the reports reflected a reasonable level of understanding although this was their first attempt at completing a FCR.

The Central Bank is currently meeting with the companies to discuss their report and to provide further guidance where necessary.

A further QIS was launched in August 2013. This will provide another opportunity for insurers to assess their capital adequacy position and ability to undertake suitable stress tests/financial condition analysis on their business plans. Companies have been requested to submit their capital filings as at 31st December 2012 by the end of November 2013. A submission date of March 2014 has been given for the Financial Condition Report.

BOX 1
THE AMENDMENT OF THE
FINANCIAL INSTITUTIONS (PRUDENTIAL CRITERIA) REGULATIONS, 1994

The Central Bank of Trinidad and Tobago (Central Bank) is currently developing policy proposals for the amendment of the Financial Institutions (Prudential Criteria) Regulations, 1994 (thereinafter referred to as "Prudential Criteria Regulations". The Prudential Criteria Regulations has not been updated since its inception under the Financial Institutions Act, 1993 (FIA 1993). The enactment of new legislation in Trinidad and Tobago (FIA 2008), international developments in banking supervision such as BASEL II and BASEL III, as well as revised BASEL Core Principles issued by the BCBS in 2012 have made it necessary to update the Prudential Criteria Regulations.

1. BASEL II and BASEL III

Under Basel 2, the calculation of the minimum capital requirement (Pillar 1) incorporates capital charges for credit risk, market risk and operational risk. Institutions are also required to evaluate their activities and risk exposure to ensure that the capital set aside is sufficient for the risk undertaken (Pillar 2) and where appropriate hold additional capital, particularly to address risks not addressed under the first pillar. Moreover, market discipline is encouraged under the third pillar (Pillar 3) through significant market disclosure. At this time, the current capital regime aligns with the Basel I framework which requires institutions licensed under the FIA to hold capital in respect of credit and market risk only.

Following the global financial crisis of 2008, the Basel Committee on Banking Supervision released the Basel 3 framework with a view to strengthening capital and liquidity rules and promoting a more resilient banking sector. The redefining of capital (with greater focus on common equity tier 1 capital) and the introduction of liquidity and leverage standards are important recommendations under this framework.

Notably, the BCBS issued the revised Basel Core Principles in 2012. Accordingly, it is important that any revisions to prudential regulation in Trinidad and Tobago also be guided by these revised principles.

1. Recommendations of the International Monetary Fund

The International Monetary Fund (IMF) conducted its Financial System Stability Assessment on Trinidad and Tobago in 2010. Among other things, the IMF recommended that Trinidad and Tobago introduce key measures to strengthen the regulation and supervision of the banking sector to address:

i. risk weights for sovereign exposures to ensure they conform to international standards;
ii. capital charges for operational risk;

BOX 1 Continued
THE AMENDMENT OF THE FINANCIAL INSTITUTIONS (PRUDENTIAL CRITERIA) REGULATIONS, 1994

iii. supervisory review of bank's capital needs in line with Pillar 2 of the Basel 2 framework;
iv. enhanced disclosure of individual bank information in line with Pillar 3 of the Basel 2 framework;
v. requirements under Basel 3 including liquidity standards and the leverage ratio;
vi. supervision of systemically important financial institutions.

These, among other issues, have necessitated revisions to the existing prudential framework governing banks and non-bank financial institutions in Trinidad and Tobago.

3. The Way Forward

The Central Bank is committed to strengthening prudential regulation of the banking sector by:

i. Revising the capital adequacy framework to treat with a wider range of risks and to ensure that capital held for risk is more closely aligned with exposures, particularly in respect of sovereign risks and securitized assets;
ii. Improving the quality and quantity of capital;
iii. Promoting enhanced risk management and governance by:
  - *o Encouraging institutions to conduct regular reviews of their risk exposure to ensure that capital reserving aligns with the risks undertaken;*

iv. Encouraging individual institutions to conduct regular stress testing of portfolios;
v. Encouraging enhanced disclosure and greater transparency particularly regarding capital and capital adequacy; and
vi. Introducing prudential standards into law.

The Central Bank will issue a policy proposal document for revision of the prudential framework governing banks and non-bank financial institutions in December 2013. In keeping with the Central Bank's approach to legislative reform, consultative sessions will be held with the industry and Quantitative Impact Studies will be conducted to assess the impact of the proposals on institutions. This will require parallel reporting by institutions and allow time for compliance with the new requirements.

General Insurance Provisions for Unpaid Claims

The Central Bank has completed its assessment of the new claim reporting forms submitted by eleven general insurance companies in respect of their most recent financial year end. The data reported was deemed acceptable with only minor errors encountered. Further testing of this information revealed an improvement in provisions for unpaid claims.

The Central Bank continues to work closely with companies that are still experiencing difficulties with this new reporting regime.

Credit Union Sector

The Credit Union Bill

The Credit Union Bill and Draft Regulations and a proposal for a Protection Fund for credit unions were presented for Ministerial review. Consequential and some "fast-tracked amendments" to the Co-operative Societies Act are expected to be presented at the same time.

Pension Plan Sector

Occupational Pension Plans Bill

In December 2012, the Central Bank issued the Final Policy Proposal Document (PPD) for a new Occupational Pension Plans Bill. Prior to issuing the final document the industry was invited to comment on Draft PPDs in December 2009 and October 2011. The Central Bank received extensive written comments from approximately thirty (30) stakeholders including pension plans, insurance companies, banks and non-banks, plan sponsors, trustees, actuaries, law firms and national trade unions. Many of the industry comments received were incorporated in the final PPD. This document has been forwarded to the Minister of Finance for approval by the Cabinet. Once the PPD is approved, the drafting of the Occupational Pension Plans Bill will commence.

All Sectors

National Financial Crisis Management Plan

The Central Bank is in the process of finalizing a National Financial Crisis Management Plan. This Plan is to be used in the management and resolution of financial crises involving institutions regulated by the Central Bank of Trinidad and Tobago.

International Regulatory Developments

Supervisory framework for measuring and controlling large exposures

The Basel Committee has issued a consultative document regarding a supervisory framework for measuring and controlling large exposures by banks. A survey of member countries revealed that although there is generally a consistent approach to the regulation of large exposures, there are significant differences with regards to the scope of application, the value of large exposure limits, the definition of capital, methods for calculating exposure values and the treatment of credit risk mitigation techniques.

The consultative document seeks to provide a framework which will enable consistency in the way that institutions and regulators measure, aggregate and control exposures to counterparties. It is also intended to mitigate the contagion risk which may be created if a systemically important financial institution (SIFI) experiences significant financial difficulty and losses. In addition, the framework was developed to enhance the oversight of shadow banking through the inclusion of policies, like 'look through', which are designed to capture bank-like activities conducted by non-banking institutions.

The proposed framework will supplement the existing Basel risk-based capital requirements and when finalised will replace the current guidance on large exposures (Basel Committee's "Measuring and Controlling Large Credit Exposures, 1991").

[16]Source: Basel Committee on Banking Supervision, Consultative Document, "Supervisory framework for measuring and controlling large exposures, March 2013. http://www.bis.org/publ/bcbs246.pdf

APPENDIX II
INSTITUTIONS LICENSED UNDER THE FIA, 2008
As at March 2013

- Citibank (Trinidad & Tobago) Limited
- First Caribbean 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 December 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
- NAGICO Insurance (Trinidad and Tobago) Limited
- Gulf Insurance Limited
- Maritime General Insurance Company Limited
- Motor and General Insurance Company Limited[17]
- 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

- Pan-American Life Insurance Company of Trinidad and Tobago Ltd
- 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

[17] 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 December 2012

Inactive Life Insurance Companies

- Caribbean Atlantic Life Insurance Company Limited (CALICO) (Under Judicial Management)
- 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

Active Association of Underwriters

- Lloyd's Underwriters

APPENDIX IV
OCCUPATIONAL PENSION PLANS REGISTERED UNDER THE INSURANCE ACT, 1980
As at March 2013

Active registered Pension Plans

1. 3M Interamerica Inc Pension Fund Plan
2. A.S. Bryden & Sons (Trinidad) Ltd. Pension Fund Plan
3. Aegis Business Solutions Limited Pension Plan
4. Agostini Insurance Brokers Limited Pension Fund Plan
5. Agostini Limited Retirement Plan
6. Airports Authority Pension Fund Plan
7. Albrosco Limited Staff Pension Plan
8. Ansa McAl Pension Fund Plan (formerly Alstons Ltd. Pension Plan)
9. Amoco Trinidad Oil Company Pension Fund Plan
10. Amour's Funeral Homes Ltd. Pension Fund Plan
11. Angostura Bitters (Dr. J.G.B Siegert & Sons) Limited Pension Fund Plan
12. Ansa McAl Limited Pension Fund Plan
13. Anthony N. Sabga Limited Pension Fund Plan
14. ASA Wright Nature Centre Pension Fund Plan
15. Ashland Trinidad and Tobago Limited Pension Fund Plan
16. Associated Brands Ltd. Group Pension Fund Plan
17. Atlantic LNG Pension Fund Plan
18. B.W.I.A. Pilots Pension Fund Plan
19. Bank of Commerce of Trinidad and Tobago Limited Retirement Plan
20. Barbados Mutual Pension Scheme
21. Baroid Trinidad Services Limited Staff Pension Fund Plan
22. Bawodes Limited Pension Fund Plan
23. Berger Paints Trinidad Limited Pension Fund Plan (Monthly Paid) Employees
24. Berger Paints Trinidad Limited Pension Fund Plan for Weekly Paid Employees
25. Bermudez Biscuit Company Limited Staff Pension Fund Plan
26. Bristol Myers Squibb (West Indies) Ltd. Pension Fund Plan
27. British American Insurance Company (Trinidad) Limited Pension Fund Plan
28. British Gas Trinidad Limited Pension Fund Plan
29. British High Commission Pension Fund Plan
30. BWIA General Staff Pension Fund Plan
31. C.B.P. Limited Pension Plan
32. C.M.B Packaging Trinidad Limited Pension Fund Plan
33. Caribbean Bulk Storage and Trading Company Limited Pension Fund Plan
34. Caribbean Industrial Research Institute Pension Fund Plan
35. Caribbean Packaging Industries Limited Pension Fund Plan for Junior Staff Employees
36. Central Bank of Trinidad and Tobago Pension Scheme
37. Century Eslon Limited Pension Fund Plan
38. Citibank (Trinidad and Tobago) Limited Pension Fund Plan

APPENDIX IV
OCCUPATIONAL PENSION PLANS REGISTERED UNDER THE INSURANCE ACT, 1980
As at March 2013

39. Clark and Battoo Ltd. Staff Pension Fund Plan
40. Coca Cola Bottling (Trinidad and Tobago) Pension Fund Plan
41. Coconut Growers Association Pension Fund Plan
42. Colonial Fire and General Insurance Company Limited Pension Fund Plan
43. Colonial Life Insurance Company (Trinidad) Limited Staff Pension Fund Plan
44. Consolidated Insurance Consultants Limited Pension Fund Plan
45. PWC Limited Pension Fund Plan (formerly Coopers and Lybrand Pension Fund Plan)
46. CPI Limited Defined Contribution Pension Plan
47. CUNA Caribbean Insurance Society Pension Fund Plan
48. Development Finance Limited Pension Fund Plan
49. Diego Martin Credit Union Cooperative Society Staff Pension Fund Plan
50. E&Y Services Limited Pension Fund Plan
51. Envirotec Holdings Limited Pension Fund Plan (formerly Waste Disposal Limited Pension Fund Plan)
52. EOG Resources Trinidad Limited Employees Pension Fund Plan
53. Eric Solis Marketing Limited Staff Pension Fund Plan
54. F.T. Farfan and Sons Limited Pension Fund Plan
55. Ferreira Optical Limited Pension Fund Plan
56. First Citizens Bank Pension Fund Plan
57. Fujitsu ICL Caribbean (Trinidad) Limited Pension Fund Plan
58. Furness Trinidad Limited Pension Fund Plan
59. Grace Kennedy Trinidad and Tobago Limited Pension Fund Plan
60. Guardian Defined Benefit Pension Fund Plan
61. Guardian Holdings Group Defined Contribution Pension Plan (formerly N.E.M (West Indies) Staff Superannuation Scheme)
62. Gulf Engineering Services Limited Pension Fund Plan
63. Gulf Insurance Limited Pension Fund Plan
64. Guyana and Trinidad Mutual Fire Insurance Company Limited Pension Fund Plan
65. H.S Services Limited Pension Fund Plan
66. Halliburton Trinidad Limited Pension Fund Plan
67. Hand Arnold (Trinidad) Limited Employees Pension Scheme
68. Heinekin Trinidad and Tobago Limited Pension Fund Plan
69. Home Construction Limited Staff Pension Fund Plan
70. Hydro Agri Trinidad Limited Salaried Employees Pension Plan
71. IBM Retirement Plan
72. Insurance Brokers West Indian Limited Pension Fund Plan
73. J.N. Harriman and Company Limited Pension Fund Plan

APPENDIX IV
OCCUPATIONAL PENSION PLANS REGISTERED UNDER THE INSURANCE ACT, 1980
As at March 2013

74. J.T.A Supermarkets Limited Pension Fund Plan
75. Janouras Customs Design Limited Pension Plan
76. Johnson & Johnson (Trinidad) Ltd. Staff Pension Fund Plan
77. Joseph Charles Bottling Works and Investments Limited Pension Fund Plan
78. Junior Schools Limited Staff Pension Plan
79. L.J. Williams Pension Fund Plan
80. Lake Asphalt of Trinidad and Tobago (1978) Limited (Monthly) Pension Fund Plan - Staff
81. Lake Asphalt of Trinidad and Tobago (1978) Limited (Weekly) Pension Fund Plan -Employees
82. Lange Trinidad Limited Pension Fund Plan
83. Laughlin and DeGannes and Associate Companies Pension Fund Plan
84. Lazzari and Sampson Limited Pension Fund Plan
85. Lever Brothers (West Indies) Ltd. Pension Fund Plan
86. Life of Barbados Pension Fund Plan
87. Lifestyle Motors Limited Pension Fund Plan
88. Lonsdale/Saatchi and Saatchi Advertising Limited Staff Pension Fund Plan
89. Mainstream Foods Limited Pension Fund Plan
90. Mandev-Qualassure Pension Fund Plan
91. Maritime Life (Caribbean) Limited Pension Fund Plan
92. Master Mix of Trinidad and Tobago Limited Pension Fund Plan
93. Mc Cann Erickson (Trinidad) Limited Pension Fund Plan
94. Mega Insurance Company Limited Pension Fund Plan
95. Mittal Steel Point Lisas Ltd. Pension Fund Plan
96. MTS Pension Fund Plan
97. NALIS Pension Fund Plan
98. National Flour Mills Pension Fund Plan
99. National Gas Company of Trinidad and Tobago Pension Fund Plan
100. National Helicopter Services Limited Pension Fund Plan
101. National Insurance Board Pension Fund Plan
102. National Insurance Property Development Company Limited Pension Fund Plan
103. National Union of Government and Federated Workers- Elected Officers Pension Fund
104. National Union of Government and Federated Workers- Staff Pension Fund Plan
105. Navarro's Shipping Limited Pension Fund Plan
106. Neal & Massy Wood Group Ltd Pension Plan
107. Neal and Massy Group Pension Fund Plan
108. Nestle Trinidad Limited Pension Fund Plan
109. Nestle Unionized Employees Pension Fund Plan
110. Niherst Pension Fund Plan
111. Oilfield Workers Trade Union Staff Pension Fund Plan

APPENDIX IV
OCCUPATIONAL PENSION PLANS REGISTERED UNDER THE INSURANCE ACT, 1980
As at March 2013

112. PCS Nitrogen Merged Pension Fund Plan
113. Penta Paints Caribbean Limited Pension and Widows Benefit Scheme
114. Pepsi Cola Trinidad Bottling Company Limited Pension Fund Plan
115. Phoenix Park Gas Processors Limited Staff Pension Fund Plan
116. Point Lisas Industrial Development Corporation Limited Pension Fund Plan
117. Port Authority of Trinidad and Tobago Daily Paid Pension Fund Plan
118. Port Authority of Trinidad and Tobago Monthly Paid Pension Fund Plan
119. Prestige Holdings Limited Pension Fund Plan
120. PRES-T-CON Limited Pension Plan
121. Print - A - Pak Ltd. Pension Fund Plan
122. RBP Elevator and Escalator Limited Pension Fund Plan
123. RBTT Pension Fund Plan
124. Rentokil Initial (Trinidad) Limited Pension Fund Plan
125. Repsol E&P T&T Limited Pension Fund Plan
126. Republic Bank of Trinidad and Tobago Limited Pension Fund Plan
127. Rhand Credit Union Co-operative Society Limited Staff Pension Fund Plan
128. Scotiabank Trinidad and Tobago Limited Pension Fund Plan
129. Sealand Services Incorporative Pension Fund Plan
130. Servol Limited Pension Fund Plan
131. Small Business Development Company Limited Staff Pension Fund Plan
132. Southern Medical Clinic Limited Pension Fund Plan
133. Southern Sales and Services Company Limited Pension Fund Plan
134. Stellar Distributions (Trinidad) Staff Pension Fund Plan
135. T. Geddes Grant (Trinidad) Staff Savings Pension Fund Plan
136. T. Geddes Grant Limited Pension Fund Plan
137. Tatil Life Sales Representatives Pension Fund Plan
138. TECU Credit Union Co-operative Society Limited Pension Fund Plan
139. Telecommunications Services of Trinidad and Tobago Limited Pension Fund Plan
140. Texaco (Trinidad) Limited Staff Retirement Plan
141. The Beacon Insurance Company Limited Pension Fund Plan for Monthly and Weekly Paid
142. The FirstCaribbean International Bank (Trinidad & Tobago) Limited Pension Plan (formerly The Mercantile Banking and Finance Corporation Ltd. Pension Fund Plan)
143. The Group Pension Fund Plan for Non-Professional Employees of Fitzstone Limited
144. The Group Pension Plan for the Managerial Employees of American Life and General Insurance Company (Trinidad and Tobago) Limited
145. The Group Pension Plan for the Non-Managerial Employees of American Life and General Insurance Company (Trinidad and Tobago) Limited

APPENDIX IV
OCCUPATIONAL PENSION PLANS REGISTERED UNDER THE INSURANCE ACT, 1980
As at March 2013

146. The Group Pension Scheme for the Agents of American Life and General Insurance Company (Trinidad) Limited
147. The Home Mortgage Bank Pension Fund Plan
148. The Incorporated Trustees of the Anglican Church in the Dioceses of Trinidad and Tobago Pension Fund Plan
149. The Institute of Marine Affairs Pension Fund Plan
150. The Myerson Tooth Company Ltd. Pension Fund Plan
151. The Regional Health Authorities Pension Fund Plan
152. The Synod of the Presbyterian Church in Trinidad Pension Fund Plan
153. The Trinidad and Tobago Stock Exchange Pension Fund Plan
154. The University of the West Indies (St. Augustine) Staff Pension Fund Plan
155. Thomas Peake and Company Limited Pension Fund Plan
156. Trinidad and Tobago Civil Aviation Authority Pension Fund Plan
157. Trinidad and Tobago Electricity Commission Pension Fund Plan
158. Trinidad and Tobago Electricity Commission Provident Fund
159. Trinidad and Tobago Methanol Company Limited Pension Fund Plan
160. Trinidad and Tobago Mortgage Finance Company Limited Pension Fund Plan
161. Trinidad and Tobago National Petroleum Marketing Company Limited Pension Fund Plan 1
162. Trinidad and Tobago National Petroleum Marketing Company Limited Pension Fund Plan 2
163. Trinidad and Tobago Petroleum Company Limited Staff Pension Fund Plan
164. Trinidad and Tobago Pilots' Association Pension Fund Plan
165. Trinidad and Tobago Port Contractors Limited Staff Pension Plan
166. Trinidad and Tobago Solid Waste Management Company Limited Pension Fund Plan
167. Trinidad and Tobago Telephone Co. Ltd. Staff Pension Fund Plan
168. Trinidad and Tobago Unit Trust Corporation Pension Fund Plan
169. Trinidad Building and Loan Association Pension Fund Plan
170. Trinidad Cement Limited Employees Pension Fund Plan
171. Trinidad Concrete Products Limited Pension Fund Plan
172. Trinidad Contractors Limited Pension Plan
173. Trinidad Express Newspapers Limited Pension Fund Plan
174. Trinidad Hilton (International) Limited Pension Fund Plan
175. Trinidad Nitrogen Company Limited Staff Pension Fund Plan
176. Trinidad Ropeworks Limited Retirement Plan for Employees
177. Trinidad Systems Pension Plan
178. Trinrico Steel & Wire Products Limited Pension Fund Plan
179. Trintoplan Consultants Limited Staff Pension Fund Plan
180. Tucker Energy Services Holdings Limited Pension Plan

APPENDIX IV
OCCUPATIONAL PENSION PLANS REGISTERED UNDER THE INSURANCE ACT, 1980
As at March 2013

181. Unicomer (Trinidad) Limited Pension Plan (formerly Courts (Trinidad) Limited Pension Plan)
182. Unilever Caribbean Limited Hourly Rated Employees Pension Plan
183. United States of America Embassy in Trinidad and Tobago Pension Fund Plan
184. Water and Sewerage Authority Pension Fund Plan
185. West Indian Tobacco Company Limited Staff Pension Fund Plan
186. Western Scientific Company Limited Pension Fund Plan
187. William H Scott Limited Pension Fund Plan
188. Y. De Lima and Company Limited Pension Fund Plan
189. Youth Training and Employment Partnership Programme Limited Pension Fund Plan

Central Bank of
Trinidad & Tobago

Financial Stability Report 2013