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Central Bank of Trinidad & Tobago

Financial
Stability Report

Mid-Year Review, June 2011

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STABILITY REPORT
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FINANCIAL STABILITY REPORT
June 2011

EXECUTIVE SUMMARY

The economic environment in which financial institutions in Trinidad and Tobago operated for most of 2010 and into early 2011 was relatively sluggish. The bright spot continued to be the energy sector, although during the last quarter of 2010 maintenance work depressed output levels in several companies in the sector. Meanwhile, there was little evidence of a revival in distribution and construction activity from the depressed levels of 2009, while agriculture was hard hit by drought and subsequent floods.

Disruptions to domestic agricultural supplies had a large impact on food prices, driving headline inflation into the double digits in 2010. Headline inflation eased somewhat in early 2011 as agricultural production normalized, while demand pressures from other sources remained minimal, as reflected in the decline in core inflation to around 3.0 per cent. Limited employment data show that there was a dip in the unemployment rate during the second quarter of 2010, although this is unlikely to have been sustained throughout the rest of that year.

On the policy side, the Government's plans to substantially boost spending in a bid to kick start a recovery were not fully realized because of delays in project execution. Meanwhile, the Central Bank's accommodative monetary policy also had a limited short-term impact in reviving credit, particularly for business entities, despite a lowering of interest rates across the board.

Within this economic climate, financial institutions faced several challenges. First of all, some borrowers experienced difficulties in servicing their loans on time because of slower cash flows. Second, businesses and individuals became more careful in taking on new debt, leading to a drop in demand for loans. Third, the lower interest rate environment reduced financial institutions' profits from this source of income. As a result of these factors, there has been some increase in the incidence of non-performing loans, credit to businesses has slackened while giving way to more consumer loans (particularly those backed by mortgages), and financial institutions have taken efforts to reduce operating expenses and boost non-interest earnings in order to shore up profitability.

Overall, despite some challenges, the financial system remained very stable, well capitalized and profitable. Based on the results of updated stress tests, commercial banks, in particular, continued to demonstrate the capacity to deal adequately with adverse shocks in several areas, including credit, property prices, exchange rates, interest rates and liquidity.

Commercial Banks

- Deposit growth at commercial banks has decelerated considerably, reaching just 1.2 per cent year-on-year in March 2011. One factor behind this slow growth was a fall in foreign currency deposits as some energy companies shifted their deposits from domestic commercial banks. Moreover, there has been a movement away from longer-term to short-term deposits as the low interest rates caused savers to become more indifferent between holding liquid demand deposits and longer term time deposits.

- Total assets of commercial banks have also grown slowly—by 0.5 per cent in the year to March 2011. The increase was led largely by some expansion of the loan portfolio with lending to consumers showing signs of recovery. Consumer lending rose for the sixth consecutive month in March 2011, especially in the category of real estate mortgage loans. On the other hand, business credit continued to weaken, falling by 2.5 per cent on a 12 month basis in March 2011. There were contractions in credit to the major business categories, including manufacturing, construction and distribution. In contrast, commercial banks increased their holdings of (risk-free) Central Government Securities.

- Commercial banks' liquidity conditions tightened during the first quarter of 2011. At the end of March 2011, the ratio of liquid assets to total assets stood at 23.8 per cent, or 1.4 percentage points lower than at

March 2010. Similar trends were noted in the ratio of liquid assets to short-term liabilities while holdings of excess reserves at the Central Bank declined.

- Banks continued to limit their exposure to customers outside of Trinidad and Tobago. Foreign exposure as a per cent of total assets fell to 5.5 per cent at the end of 2010 and further to 5.2 per cent at March 2011 from 6.8 per cent at the end of 2009. The exposure that remains on their books are generally highly-rated sovereign securities, and loans and investments in other government and quasi-government entities in the CARICOM and wider Caribbean region.

- During 2010, the ratio of commercial banks' non-performing loans to total loans reached 5.0 per cent – the first time in approximately 10 years. At the end of 2010, the ratio stood at 5.3 per cent and rose further to 5.5 per cent in March 2011. These non-performing loans are primarily on the business as opposed to consumer side and reflect continued exposure to the luxury real estate development sector and an increased exposure to commercial mortgages and corporate demand-type business loans. Nonetheless, commercial banks have held high levels of provisioning over the past year thus assuring that they will be able to buffer potential losses from these elevated levels of non-performing loans.

- In terms of large exposures, in early 2011, the commercial banking system was most heavily exposed to the Financial, Construction and Other Services sectors. Because of the fragility of some activities in these sectors in the current economic setting, such exposure could pose a potential vulnerability.

- Despite high spreads between loan and deposit rates, banks experienced a loss of income in 2010 relative to 2009, mainly on account of weak credit demand and low interest rates on government securities. Interest income from banks' core earning activities, lending and investments, declined by 11.7 per cent in 2010 compared to 2009. Banks reacted by increasing income from non-core sources, in particular fee income and foreign exchange earnings. At the same time, they attempted to contain and manage operating expenses. The return on assets and return on equity ratios slipped from 2.7 and 20.2 per cent in 2009 to 2.3 and 17.2 per cent, respectively in 2010. While there has been some dispersion in the performance of the commercial banks, the median levels of profitability remain quite strong.

- Commercial banks have been improving the level and quality of their capital, mainly through retention of profits and increases in statutory reserves. As a result, banks continue to see improvements in their capital adequacy ratio from 22.0 per cent in March 2010 to 24.6 per cent in March 2011. The ratio is also higher as a result of the changes in asset composition towards lower-risk categories. This increase in the level of capital has improved banks' ability to absorb potential asset losses or write-offs.

Non-Banks

- Over the course of 2010, non-banks have seen a contraction in their balance sheets. Contributory factors included a reduction in credit demand by businesses, a shift in mortgage loans towards commercial banks, and a reduction in the activity of nonbanks in the capital market.

- The contraction in credit by non-banks has been accompanied by an improvement in the risk profile of the portfolio. While several non-banking institutions' loan portfolios were affected by the economic downturn, some compensated by trimming expenses and adopting aggressive loan recovery measures. The ratio of non-performing loans to total loans in the non-bank sector fell to 2.8 per cent at the end of December 2010 after climbing to a high of 11.7 per cent in September 2010, mainly due to the disposal of a large non-performing real estate loan in October 2010. By March 2011, the non-performing loans ratio increased slightly to 2.9 per cent largely associated with increased past due loans made to some foreign small and medium enterprises in the tourism sector.

- Interest income of non-banks declined in 2010 against a background of weak credit demand and low interest rates on loans and investments. However, the sector successfully grew their operating income by increasing fee-based income by 64.4 per cent ($193 million) over the year, particularly from fees earned from foreign exchange transactions and asset management services. As a result there were marginal increases in the return on equity and return on asset ratios in 2010. Profitability rose further in early 2011 as institutions benefitted from underwriting services associated with handling bond issues.

Insurance

- During 2010, despite the subdued economic climate, low interest rates and the inactivity of Colonial Life Insurance Company (Trinidad) Limited (CLICO) and British American Life Assurance Company (Trinidad) Limited (BA), the insurance sector (excluding CLICO and BA) reported growth in both premium income and assets. While the key financial indicators for the life sector remained stable, there was some slippage in the overall performance of the non-life sector.

- Gross premium income for the life insurance industry (excluding CLICO and BA) increased by 7.2 per cent in 2010 which was a much slower rate than in previous years. Given the low interest rate environment and the more aggressive marketing programmes undertaken by the larger insurance companies, policy holders showed a greater preference for wealth management products (especially individual annuities and unit-linked products) as opposed to traditional ordinary life policies.

- For the life sector, the increase in claims has levelled off in 2010, following a noticeable rise in 2009 as policyholders surrendered their policies in the wake of the intervention into CLICO and BA.

- One of the key recommendations made in the 2006 Financial Sector Assessment Programme (FSAP) report was the need for improved financial soundness indicators (FSIs) to monitor and assess the stability of the insurance sector. **This mid-year review includes a number of new FSIs for both the life and non-life segments of the insurance industry.** These preliminary indicators for the life sector suggest that liquidity and capital ratios have been declining since 2006 although these remain at satisfactory levels. However, improved operating expense ratios and stable investment returns in the life sector have translated into slightly better return on equity results. It should be noted that under the current Insurance Act, no clear capital regime is specified.

- The capital and liquidity ratios for the non-life sector have also declined in 2010 relative to the previous year. However, unlike the life segment of the market, operating expenses have increased while investment income has declined in 2010. The combined effect of lower investment income and rising operating expenses has resulted in some erosion in earnings and profitability ratios for the non-life segment. **The return on equity ratio for the non-life segment fell to 11.8 per cent in 2010 from 23.8 per cent in 2008.**

- An analysis of the motor vehicle insurance industry has shown that there is a high degree of under-pricing of the cost of motor vehicle insurance and a consequential understatement of claims reserves. In the interest of policyholder protection and to promote the safety and soundness of non-life insurance companies, the Central Bank has embarked on a new methodology to assess the adequacy of claims reserves established by the insurance companies.

- The results of this study suggest that several motor insurers particularly those that specialize in third party coverage are underestimating their claim liabilities. Addressing this problem through improved pricing and by raising claims reserves to appropriate levels would lead to some degree of consolidation in the non-life sector. These revisions could result in higher premiums for motor insurance coverage. In the longer run however, these changes would lead to the enhanced stability of the non-life insurance sector and a more timely and equitable system for claims settlement.

Anti-Money Laundering and Anti-Terrorist Financing

- The criminal use of financial institutions to filter illicit financial flows can irrevocably damage the reputation of financial institutions and by extension the financial sector. The reputational damage may result in loss of investor confidence and as a consequence threaten the liquidity and solvency of financial institutions. Trinidad and Tobago's geographic location between major illicit drug producing and drug consuming countries makes it particularly vulnerable to money laundering and financial crime.
- A report published by the Caribbean Financial Task Force (CFATF) in 2007 highlighted many deficiencies with the AML/ATF framework instituted in Trinidad and Tobago and determined that the country was compliant with only one of the 40+9 Recommendations, largely compliant with 6, partially compliant with 13 and noncompliant with 20. Trinidad and Tobago was also rated non-compliant with the then 8 existing Special Recommendations on terrorist financing.
- In 2009, Trinidad and Tobago embarked on a number of significant initiatives aimed at bolstering the local AML/ATF regime and improving its compliance with FATF's Recommendations. The most significant of those initiatives included:

  1. Improvements to the legislative and regulatory architecture; and
  2. Establishment of the Financial Intelligence Unit (FIU);

  Between 2009 and 2010, Trinidad and Tobago enacted the following substantive legislation to move the country closer to compliance with the FATF's Recommendations:

  - the **Proceeds of Crime Act Chap 11:27 (POCA),** which, inter alia, criminalizes money laundering, was amended in 2009
  - the **Anti-Terrorism Act 2005 (ATA),** which criminalizes the financing of terrorism, was amended in January 2010;
  - The **Financial Intelligence Unit of Trinidad and Tobago Act (FIUTTA)** was assented to in October 2009; and
  - the Financial Obligations Regulations (FOR), were made in January 2010.

- However, although the FIU has been established, it is still not yet fully functional and therefore not yet in a position to carry out its mandate effectively. The Government of the Republic of Trinidad and Tobago has been taking steps to complete a comprehensive Action Plan in order to raise the country's level of compliance and prevent it from being blacklisted.

Regulatory and Supervisory Developments

The Central Bank is working on several initiatives to enhance regulation and improve market conduct in the financial sector. The Bank is currently undertaking a survey of fees and charges with a view to providing greater disclosure to the general public. In addition, a new guideline for the residential mortgage market is being prepared to improve customer knowledge and awareness about mortgage contracts and the conduct of business in the mortgage market.

CHAPTER 1

THE MACROECONOMIC ENVIRONMENT

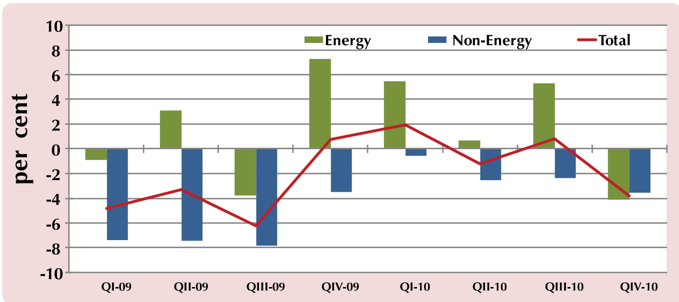
Macro-economic Developments[1]

The domestic economy continued to display signs of sluggishness in 2010, with real GDP provisionally estimated to have declined marginally by 0.6 per cent, following a 3.5 per cent contraction in 2009 **(Table 1.1)**. The energy sector expanded by 1.7 per cent notwithstanding somewhat lower output of petrochemicals. Meanwhile, the non-energy sector continued on its downward trajectory, posting a decline of around 2.3 per cent, as construction and distribution activities slipped further during the year while weather-related supply shocks disrupted domestic agricultural production.

Throughout the course of 2010, non-energy activity has been consistently subdued. Data for the final quarter of the year point to a year-on-year decline of 3.6 per cent in the non-energy sector. Despite some improvement in retail sales during the quarter, overall distribution performed poorly. In addition, falling sales of cement and reduced agricultural produce brought to market in the fourth quarter led to contractions in construction and agriculture. Manufacturing output in the fourth quarter of 2010 was basically unchanged from a year earlier, although the chemicals sub-sector received a boost with the introduction of melamine production since the second half of 2010.

At the same time, following five consecutive quarters of growth, the energy sector contracted by 4.1 per cent in the fourth quarter of 2010, as several energy companies temporarily halted production to conduct maintenance operations. As a result, the economy is estimated to have contracted by about 3.8 per cent (year-on-year) in the last three months of 2010 **(Chart 1.1)**.

Chart 1.1
Real GDP Growth



Source: Central Bank of Trinidad and Tobago.

[1]For a detailed description of macroeconomic developments, see Central Bank of Trinidad and Tobago, *Monetary Policy Report,* April 2011.

Table 1.1
Selected Macroeconomic Indicators, 2005-2010

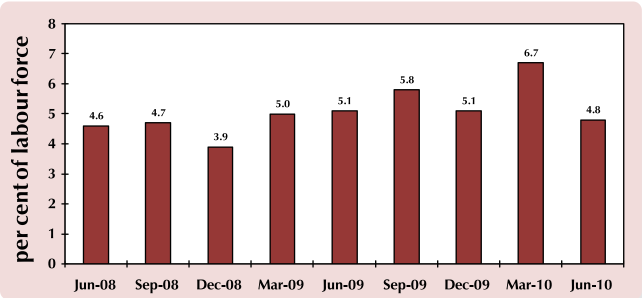
(in per cent unless otherwise indicated)

	2005	2006	2007	2008	2009	2010
Real GDP Growth (year-on-year change)	6.2	13.4	4.8	2.4	-3.5	-0.6+
Energy	8.3	21.8	1.7	-0.2	2.6	1.7+
Non-Energy	5.0	6.4	7.6	4.2	-7.2	-2.3+
Construction	16.1	6.2	7.1	4.5	-7.6	-5.8+
Distribution	4.5	15.1	3.3	9.8	-21.2	-5.3+
Finance, Insurance and Real Estate	-2.4	1.0	10.4	3.7	-4.7	2.3+
Inflation (12 month change)						
Headline	7.2	9.1	7.6	14.5	1.3	13.4
Food Inflation (%)	22.6	22.0	16.8	30.6	-0.2	29.5
Core	2.7	4.6	3.9	7.1	2.2	4.7
Unemployment Rate (period average)	8.0	6.2	5.5	4.6	5.3	6.0e
Equity Prices						
Composite Stock Price Index (1000=1983)	1,067.4	969.2	982.0	842.9	765.3	835.6
Real Estate Prices						
Median House Price (TT$)	951,250	1,065,000	1,076,994	930,000	850,000	875,000
Fiscal Balance/GDP (fiscal year)	5.2	6.9	1.7	7.5	-4.9	-0.2
Public Sector Debt/GDP* (end of fiscal year)	35.6	32.1	28.8	24.7	32.9	37.3
External Current Account/GDP	22.4	39.4	24.7	31.2	8.2	14.1e
Net Official Reserves (US$Mn) (end of period)	3,998.8	5,117.6	6,658.7	9,364.2	8,651.6	9,070.0
Import Cover (months)	8.9	9.9	9.4	11.5	11.9	13.1
Energy Prices (period average)						
Petroleum (WTI - US$/bbl)	56.6	66.0	72.3	99.6	61.7	79.4
Natuarl Gas (Henry Hub - US$/mmbtu)	8.9	6.8	7.0	8.9	4.0	4.4
Methanol (US$/tonne)	284.1	376.4	434.2	504.0	241.0	338.3

+: Estimate based on the Central Bank's Quarterly GDP Index. Data for 2005-2009 are sourced from the Central Statistical Office.
e: Estimate
* Total public sector debt expressed as a per cent of GDP excludes treasury bills and treasury notes issued for open-market operations as well as debt management bills.

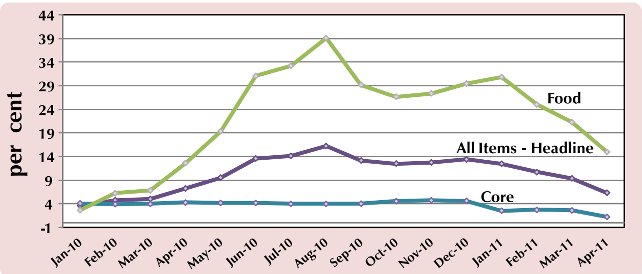
The latest official statistics show that the unemployment rate decreased to 4.8 per cent in the second quarter of 2010, down from a 3-year high of 6.7 per cent recorded in the first quarter of the year **(Chart 1.2)**. The decline in the unemployment rate was partly associated with mid-year national and local government elections as well as a decline in the labour force. In fact, during the second quarter, there were 13,600 fewer persons with jobs than in the corresponding period of 2009, with job losses concentrated in the construction and services sectors. Based on the performance of the economy during the second half of the year, the unemployment rate could have reached close to 6.0 per cent by the end of 2010. Available statistics on wages show that average weekly earnings in the manufacturing sector decreased by 1.6 per cent on a year-on-year basis in the fourth quarter of 2010.

Chart 1.2
Unemployment Rate



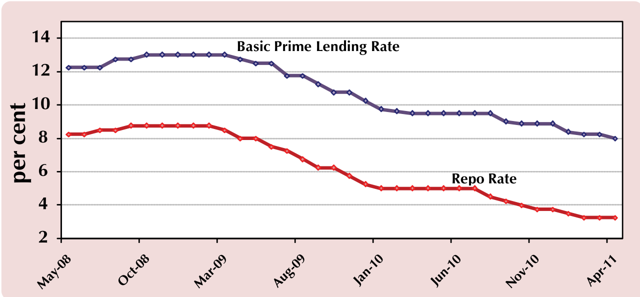
Headline inflation reached double digits during 2010 on the back of an escalation in domestic food prices. Inflationary pressures have eased somewhat in recent months, with headline inflation slowing to 6.4 per cent in April 2011 **(Chart 1.3)**. While domestic agricultural production has been recovering, the surges in international prices of wheat, dairy, oil and sugar do not appear to have yet been reflected in local prices but are expected to be passed on to consumers in the coming months. Core inflation fell below 3.0 per cent for the first four months of 2011, compared to an average of 4.1 per cent throughout 2010. The decline in core inflation, along with movements in other price indicators, suggests that demand pressures on local prices continue to be weak.

Chart 1.3
Index of retail Prices
/Year-on-Year Per Cent Change/



In a bid to support a revival of economic activity, the Central Bank continued on the path of lowering its main policy or 'repo' rate. Between October 2010 and April 2011 the rate was reduced on 4 separate occasions to its lowest historical level of 3.3 per cent. Commercial banks responded by lowering prime lending rates from a median of 9.0 per cent in September 2010 to 8.0 per cent in mid-April 2011 **(Chart 1.4)**. The weighted average lending rate fell to 9.5 per cent in March 2011 from 10.3 per cent in September 2010.

Chart 1.4
Repo Rate and Commercial Banks Basic Prime Lending Rate



In spite of the reduction in lending rates, private sector credit has been slow to revive. While there has been a recovery in consumer lending in recent months, credit granted to businesses continued to be weak, with March 2011 marking the seventeenth consecutive month of year-on-year contractions. Credit granted to all the major business sectors including manufacturing, construction and distribution declined during 2010 and into the first quarter of 2011.

Liquidity levels in the financial system remained high throughout 2010 but have declined since late in that year, due partly to measures adopted by the monetary authority including a mandated $1.0 billion increase in commercial bank fixed deposits at the Central Bank. This, as well as lower net domestic fiscal injections, brought excess reserves down to a daily average of roughly $1.0 billion in April 2011, from $4.0 billion in November 2010. As a consequence, interest rates on short term government securities have inched up from historically low levels leading to some narrowing in the differential between domestic and US treasury bill rates **(Charts 1.5 and 1.6)**

Chart 1.5
Trinidad and Tobago Government Yield Curve

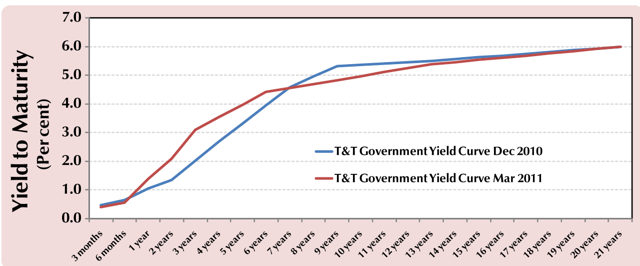
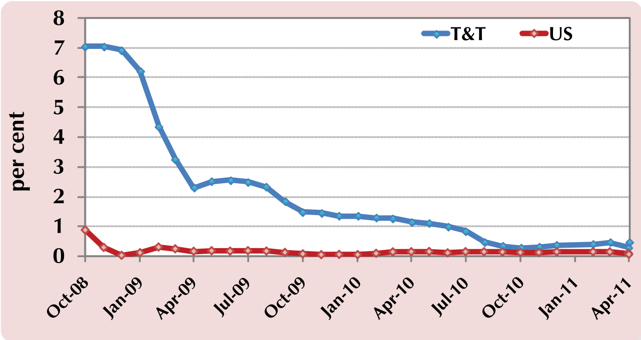
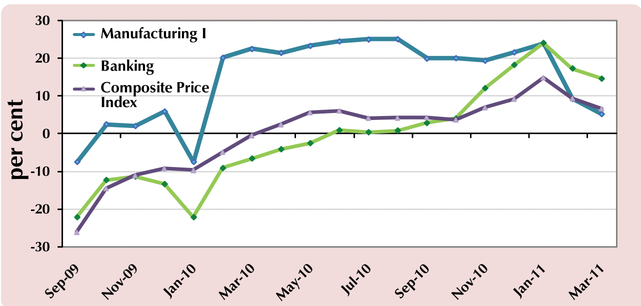


Chart 1.6
Comparative 90-Day Treasury Bill Rates Trinidad and Tobago and the United States



During 2010, trading on the local stock market recovered much of the ground that was lost in 2009 **(Chart 1.7)**. Activity however was relatively low in the first quarter of 2011, with roughly 14.6 million shares valued at $191 million changing hands during the period, compared with 25.6 million shares traded with a collective value of $239 million in the first quarter of 2010. Share trading was concentrated in the better performing sub-indices, with Banking and Non-banking shares accounting for 60.7 per cent of total trades.

Chart 1.7
Trinidad and Tobago Stock Price Index – Selected Sub Indices
/Year-on-Year Per Cent Change/



In terms of government operations, for the first half of the fiscal year 2010/2011 (October 2010 through March 2011) the fiscal outturn was better than originally budgeted with a deficit of TT$207.5 million compared to the budgeted deficit of TT$3,278.3 million. This lower than anticipated deficit was due to a slowdown in expenditure by the Central Government consequent on delays in the implementation of large projects. Despite these initial setbacks the government's intention is to maintain an expansionary fiscal stance to stimulate the economy and support job creation as major government projects on enhancing the road network and health care facilities are put in motion.

With respect to the external accounts, preliminary data for 2010 point to a merchandise trade surplus on the order of US$3.4 billion as prices of Trinidad and Tobago's energy and energy-based exports rose, while the value of imports declined. Gross official reserves increased by around US$418 million over the course of 2010 and further into 2011, reaching approximately US$9.6 billion or 13.9 months of import cover by the end of April 2011.

CHAPTER 2

THE BANKING SYSTEM AND FINANCIAL STABILITY

Background

As discussed in Chapter 1, the economic environment in which the financial institutions in Trinidad and Tobago operated for most of 2010 and into early 2011 was relatively sluggish, with little inflationary pressures evident outside of food and very low interest rates. Within this climate financial institutions faced several challenges. First of all, some borrowers experienced difficulties in servicing their loans on time because of reduced cash flows. Second, businesses and individuals became more careful in taking on new debt, leading to a drop in demand for loans. Third, the lower interest rate environment reduced financial institutions' interest income. As a result of these factors, there has been some increase in the incidence of nonperforming loans, and credit to businesses has slackened though there are signs of a pickup in consumer credit. To shore up profitability, financial institutions have taken efforts to reduce operating expenses and boost non-interest earnings though this was partly offset by the reduction in deposit rates. Overall, despite some challenges, the financial system remained very stable, well capitalized and profitable. Based on the results of updated stress tests, commercial banks in particular continued to demonstrate the capacity to deal adequately with adverse shocks in several areas, including to credit, property prices, interest rates and liquidity.[1]

A. Commercial Banks

Deposits

In the twelve months to March 2011 deposits at commercial banks increased by a marginal 1.2 per cent compared with a 21.2 per cent increase a year earlier **(Chart 2.1)** and the deposit to loan ratio fell **(Chart 2.2)**. The marginal growth in total deposits is largely attributed to the fall in foreign currency deposits (13.6 per cent) – a trend that has occurred over the 7 months ending March 2011 **(Chart 2.3)** in the context of a shift of deposits by some energy sector companies from the domestic commercial banks. Moreover, there has been a movement away from longer term to short term deposits. This is likely due to the lower interest rate environment which has caused savers to become more indifferent between holding liquid demand deposits and longer term time deposits **(Chart 2.4)**.

Credit

After contracting for most of 2010, private sector credit granted by commercial banks started to slowly recover from November of that year and in March 2011 the 12-month growth rate reached 1.5 per cent. Consumer lending rose for the sixth consecutive month in March 2011 by 5.2 per cent and real estate mortgage loans rose by 8.9 per cent over the same period. On the other hand, business credit continued to weaken, falling by 2.5 per cent in March 2011 **(Chart 2.5)**. A further disaggregation of the data reveals that there were contractions in credit to the major business categories, including manufacturing, construction and distribution. In

Chart 2.1
Commercial Banks Growth in Total Deposits
/Year-on-Year Per cent Change/

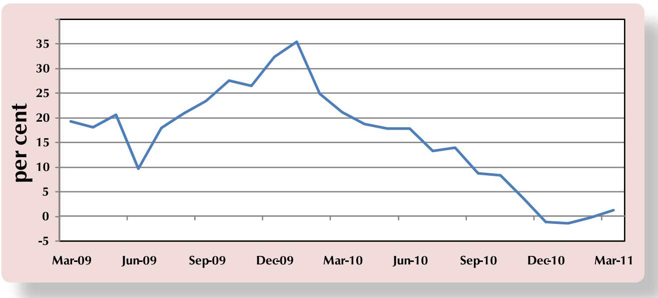
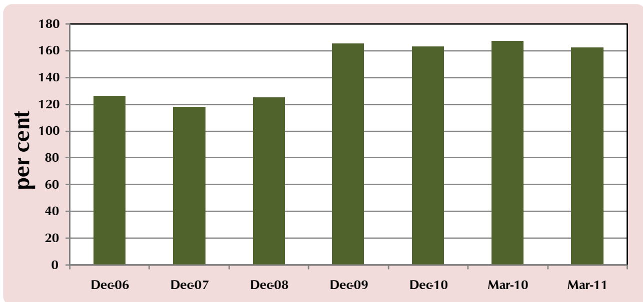


Chart 2.2
Commercial Banks: Deposit to Loan Ratio
/Per cent/



[1] See Box 2.1 later in this Chapter for a summary of the stress tests on the banking system for June 2010 and December 2010.

Chart 2.3
Commercial Banks: Foreign Currency Deposits
/Year-on-Year Per cent Change/

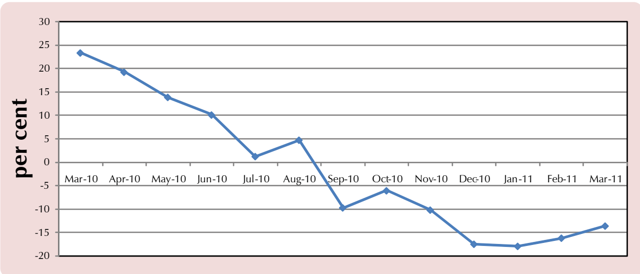
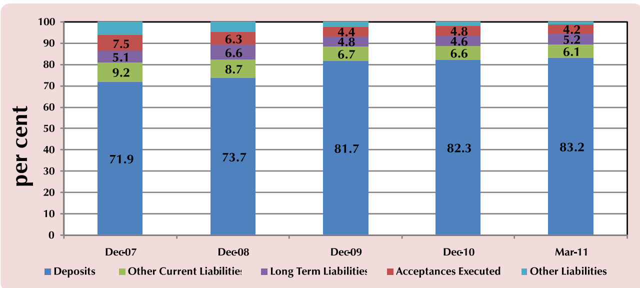


Chart 2.4
Commercial Banks: Liability Portfolio Mix



contrast, commercial banks' credit to the public sector grew by 22.7 per cent on a year-on-year basis in March 2011. This is largely on account of an increase in holdings of Central Government Securities by the commercial banks. Loans and advances to public sector entities also rose, but at a much slower pace than the rise in holdings of securities.

Liquidity

Commercial banks' liquidity conditions tightened during the first quarter of 2011. As at the end of March 2011 the ratio of liquid assets to total assets stood at 23.8 per cent, or 1.4 percentage points lower than at March 2010 **(Table 2.3)**. This is mainly on account of commercial banks reducing their holdings with correspondent banks abroad, since foreign currency deposits placed with the commercial banks have declined. These tighter liquidity conditions were also manifested in the level of average excess reserves at the Central Bank, which stood at TT$1.3 billion in the first four months of 2011 compared to TT$1.7 billion for the same period last year **(Chart 2.6)**. This partly reflected the Central Bank's request to commercial banks to increase their compulsory deposit at the Bank by $1 billion in November 2010, as well as the counterpart to higher sales of foreign exchange to the market by the Central Bank.

Foreign Country Exposure

Commercial banks' foreign exposure (as measured by the sum of their assets in foreign countries as a per cent of total assets), fell to 5.5 per cent at the end of 2010 and even further to 5.2 per cent at the end of March 2011 from 8.2 per cent at the end of 2007 **(Table 2.4)** . This trend shows that commercial banks have continued to limit their exposure to customers outside of Trinidad and Tobago, in loans as well as investments. The exposure that remains on their books however, are generally highly rated sovereign securities including US Treasury Bills and Notes, and loans and investments in other government and quasi government entities in the CARICOM and wider Caribbean region.

Chart 2.5
Commercial Banks: Growth of Private Sector Credit - Consumer, Business and Real Estate
/Year-on-Year Per cent Change/

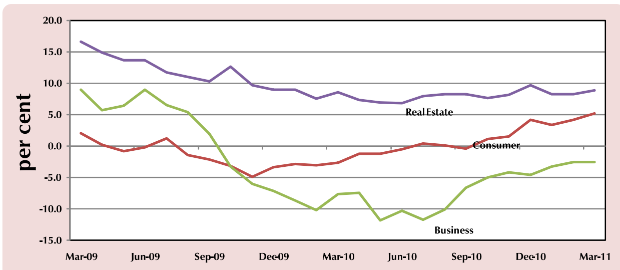


Chart 2.6
Commercial Banks: Excess Liquidity[2]

[2] At the end of 2006 the ratio was 10.0 per cent.

Table 2.1
Commercial Banks - Distribution of Assets
2007 - March 2011

(TT$Mn)	Dec-07	Dec-08	Dec-09	Dec-10	Mar-10	Mar-11
Per cent of Total Assets						
Liquid Funds	15.3	21.2	23.2	22.2	22.7	21.9
Interbank Funds Sold	0.4	0.0	0.2	0.2	0.2	0.0
Investments (net)	15.1	12.5	17.3	18.2	18.5	18.7
Loans (net)	52.8	51.5	43.5	43.6	42.9	44.4
Businesses	25.6	25.5	20.6	20.0	20.7	20.1
Consumers	21.9	20.5	17.3	18.4	17.3	18.3
Other Assets	16.4	14.8	15.8	15.8	15.7	15.0

Source: Central Bank of Trinidad and Tobago.

Table 2.2
Trinidad and Tobago: Structure of the Financial System
2006 - 2010

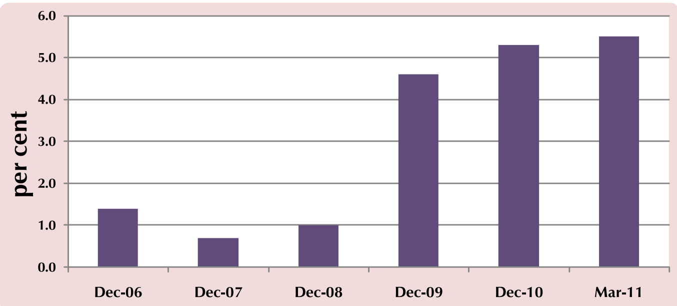
	2006	2007	2008	2009	2010
As a Per Cent of Total Financial System Assets					
Commercial Banks	36.1	36.5	39.1	44.7	45.4
Nonbank Financial Institutions	13.3	13.6	12.0	5.9	4.9
Credit Unions	3.3	3.2	3.1	3.4	4.0
Insurance Companies	15.8	16.2	15.9	14.8	13.3
Private Registered Pension Funds	12.7	12.3	11.0	11.5	12.4
Development Banks	1.3	1.3	1.5	1.6	1.6
Thrift Institutions	0.0	0.0	0.0	0.0	0.0
National Insurance Board	7.7	7.4	7.6	7.7	8.4
Unit Trust Corporation	9.2	9.1	9.2	9.8	9.2
Deposit Insurance Corporation	0.5	0.5	0.6	0.6	0.7
As a Per Cent of GDP					
Commercial Banks	58.6	55.3	51.5	83.8	79.9
Nonbank Financial Institutions	21.6	20.5	15.9	11.2	8.7
Credit Unions	5.4	4.8	4.1	6.4	7.1
Insurance Companies	25.7	24.5	21.0	27.7	23.3
Private Registered Pension Funds	20.6	18.6	14.4	21.5	21.9
Development Banks	2.2	1.9	1.9	3.0	2.9
Thrift Institutions	0.1	0.1	0.0	0.1	0.1
National Insurance Board	12.4	11.2	10.0	14.5	14.8
Unit Trust Corporation	15.0	13.8	12.2	18.3	16.2
Deposit Insurance Corporation	0.8	0.8	0.7	1.2	1.3
Stock Market					
Number of Listed Companies	34	33	34	32	32
Market Capitilization (in billions of TT$)	96.8	98.2	76.4	70.6	77.8
Market Value of Shares Traded (in millions of TT$)	2,498.0	2,250.0	2,191.0	1,474.2	864.5
Memo Item					
GDP (in billions of TT$)	116.0	137.0	170.9	124.1	129.8

Source: Central Bank of Trinidad and Tobago.

Credit Quality

During 2010 the ratio of commercial banks' non-performing loans to total loans exceeded 5.0 per cent – the first time in approximately 10 years. At the end of 2010 the ratio stood at 5.3 per cent and increased further to 5.5 per cent in March 2011 (**Table 2.3** and **Chart 2.7**)[3]. These higher levels of non-performing loans are mainly on the business as opposed to consumer side. They reflect in part continued exposure to the luxury real estate development sector as well as problems faced by some businesses in servicing commercial mortgages and corporate demand type loans (**Table 2.5** and **Chart 2.8**). Due to their conservative provisioning practices, commercial banks have held high levels of provisioning over the past year thus assuring that they will be able to buffer any potential losses arising from these elevated levels of non-performing loans.

Chart 2.7
Commercial Banks: Non-performing Loans to Total Loans



Large Exposures

As at March 2011, the commercial banking system was most heavily exposed to the Financial[4] , Construction and Other Services sectors **(Chart 2.9)**. Because of the declines noted in these sectors and the already high levels of non-performing loans in these sectors **(Chart 2.8)**, such exposure reveals a potential vulnerability that the commercial banks may face.

Chart 2.8
Commercial Banks - Distribution of Non-performing Loans by Sector - December 2010

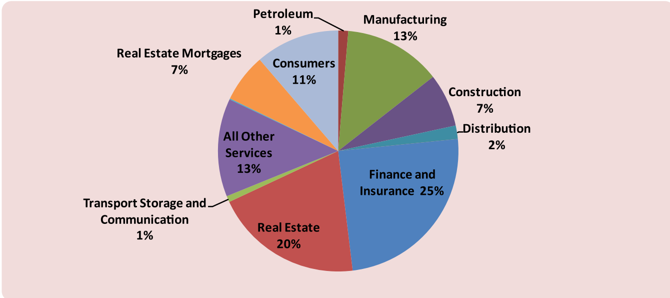
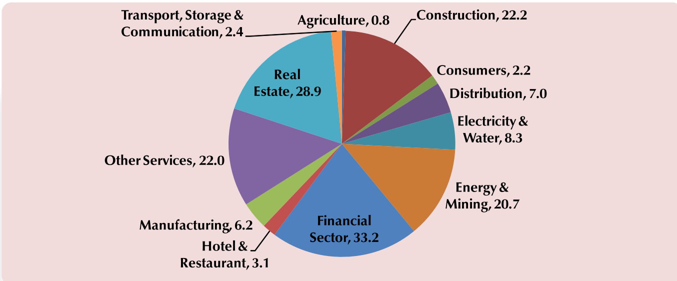


Chart 2.9
Large Exposures by Sector as a Per cent of Capital – March 2011



[3] Resubmissions of data from 2009 caused increases in the ratio for the end of 2009 from previous publications from 3.4 per cent to 4.6 per cent.
[4] The financial category includes activities of banks with their affiliates and groups in Trinidad and Tobago and elsewhere.

Table 2.3
Trinidad and Tobago: Financial Soundness Indicators
2007 - March 2011

	2007	2008	2009	2010	Mar-11p
(in per cent unless otherwise indicated)					
Capital adequacy					
Regulatory capital to risk-weighted assets	19.1	18.8	20.5	24.2	24.6
Regulatory Tier I capital to risk-weighted assets	17.0	15.5	18.5	21.7	21.4
Regulatory Tier II capital-to-risk-weighted assets	2.1	3.2	2.0	2.5	3.2
Regulatory capital-to-total assets	12.4	12.1	10.7	12.2	12.3
Banking sector asset composition					
Sectoral distribution of loans-to-total loans					
Households	41.4	39.9	39.8	42.2	41.2
of which:					
Proportion secured as mortgage loans	26.1	28.4	36.7	37.4	38.2
Financial sector	22.5	19.8	18.8	16.3	18.0
Oil and gas sector	2.8	3.3	3.2	3.2	3.2
Construction	6.1	6.8	10.3	11.8	11.1
Transport and communication	2.8	1.8	2.2	2.0	2.1
Non-residents	7.1	6.6	5.9	4.5	4.6
Geographic distribution of loans-to-total loans					
Domestic	93.3	93.6	94.5	95.8	95.7
Foreign	6.7	6.4	5.5	4.2	4.3
Foreign currency loans-to-total loans	21.4	23.0	22.8	18.7	19.4
Banking sector asset quality					
Nonperforming loans-to-gross loans	0.7	1.0	4.6	5.3	5.5
Nonperforming loans (net of provisions)-to-capital	-0.3	1.1	7.8	10.6	12.7
Specific provisions-to-impaired assets	109.7	72.4	52.3	38.7	29.7
Specific provisions-to-gross lending	0.8	0.7	2.4	2.1	1.6
Banking sector earnings and profitability					
Return on equity	27.3	25.9	20.2	17.2	18.6
Return on assets	3.4	3.5	2.7	2.3	2.6
Interest margin-to-gross income	61.4	65.2	66.6	67.0	67.3
Non-interest expenses-to-gross income	48.3	49.7	58.1	63.3	60.6
Spread between average lending and deposit rates	7.9	8.3	10.1	9.1	8.8
Banking sector liquidity					
Liquid assets-to-total assets	17.0	22.1	25.0	24.3	23.8
Liquid assets-to-total short-term liabilities	22.6	30.0	32.5	31.9	31.6
Customer deposits-to-total (non-interbank) loans	118.0	124.7	165.2	163.0	161.8
Foreign currency liabilities-to-total liabilities	33.8	32.7	33.1	27.5	27.6

Source: Central Bank of Trinidad and Tobago.

End of Period except for Banking Sector Earnings and Profitability.

Figures in Italics are estimates for the period.

Earnings and Profitability

Despite high spreads between loan and deposit rates (**Table 2.6** and **Chart 2.10**), commercial banks experienced some loss of income in 2010 when compared to 2009, mainly on account of weak credit demand and low interest rates on government securities. Interest income from banks' core earning activities, lending and investments, declined by 11.7 per cent in 2010 compared to 2009. Commercial banks reacted to the fall in interest income in part by increasing income from non-core sources, in particular fee income and foreign exchange earnings which both increased by 3.2 per cent (**Chart 2.11).** At the same time they attempted to contain and manage operating expenses (which declined by 8.5 per cent) primarily by dropping deposit rates. Interest paid on deposits fell by over $600 million in 2010 compared to 2009. Overall however, the decline in operating expenses in 2010 did not fully compensate for the reduction in operating income (**Table 2.5**).

Chart 2.10
Commercial Banks: Weighted Average Loan and Deposit Rates

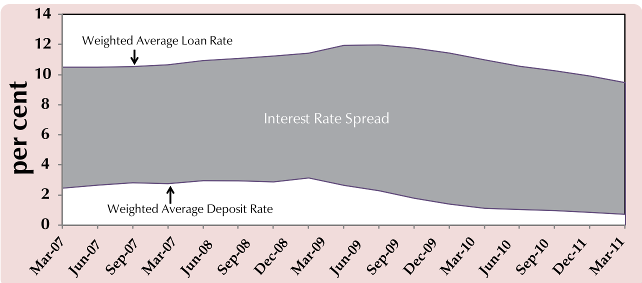
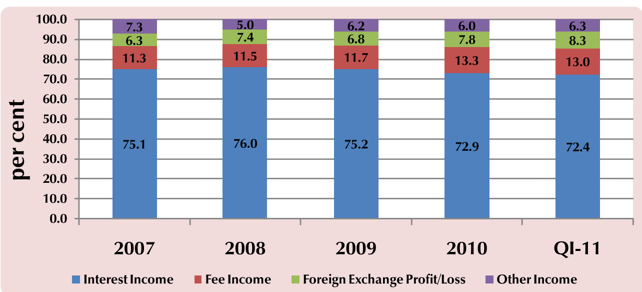


Chart 2.11
Commercial Banks: Components of Operating Income



While there has been some dispersion in the performance of the commercial banks, the median levels of profitability remain quite strong, albeit somewhat lower than in 2009. The return on assets and return on equity ratios slipped from 2.7 and 20.2 per cent in 2009 to 2.3 and 17.2 per cent respectively in 2010 (**Table 2.3** and **Chart 2.12**). By March 2011, earnings indicators recovered some ground with the return on assets ratio reaching 2.6 per cent and the return on equity ratio at 18.6 per cent. Banking system profitability is reflected in the stock market as the Banking sub-index increased in 2010 by 18.2 per cent and by a further 5.3 per cent to March 2011.

Capital Adequacy

Commercial banks have been improving the level and quality of their capital, mainly through retention of profits and increases in statutory reserves. As a result, banks continue to see improvements in their capital adequacy ratio. The ratio is also higher as a result of the changes in asset composition towards lower-risk categories—for example, as noted earlier, the shift to more government securities and less private sector credit. The sector's capital adequacy ratio rose from 22.0 per cent in March 2010 to 24.6 per cent in March 2011, well in excess of the required minimum (**Table 2.3**). This increase in the level of capital has improved commercial banks' ability to absorb potential asset losses or write-offs.

[5] The Capital Adequacy Ratio is calculated as Total Qualifying Capital (including Tier I and Tier II Capital) as a per cent of Risk Weighted Assets.

Table 2.4
Commercial Banks: Foreign Country Exposure

/TT$ Millions/

	2007	2008	2009	2010	Mar-11
Total Foreign Country Exposure	**6,259.1**	**5,959.6**	**7,158.1**	**5,764.3**	**5,445.7**
of which:					
USA	554.8	631.3	2,136.6	1,050.3	868.8
CARICOM	3,696.7	4,131.1	4,191.6	3,902.8	3,200.5
Non-CARICOM CARIBBEAN	1,296.0	1,134.3	784.2	618.2	748.1
Memo Item:					
Total Foreign Country Exposure as a per cent of Gross Assets	8.2	6.7	6.8	5.5	5.2

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.

Comparative Performance

Compared to its regional counterparts, the Trinidad and Tobago commercial banking sector continues to exhibit relatively strong performance as indicated by higher levels of capital adequacy and profitability although the recent increases in non-performing loans, if sustained, are a cause for concern **(Table 2.7).**

Table 2.5
Commercial Banks: Summary Performance Indicators
2007 - March 2011

/Per cent/

	2007	2008	2009	2010	Mar-11p
Profitability					
Return on Assets	3.4	3.5	2.7	2.3	2.6
Return on Equity	27.3	25.9	20.2	17.2	18.6
Net Interest Margin/Total Assets	4.3	4.4	4.2	3.8	3.6
Efficiency					
Total Operating Expenses/Total Operating Income	64.7	63.9	61.5	63.2	62.5
Asset Quality					
Nonperforming Loans/Gross Loans	0.7	1.0	4.6	5.3	5.5
Nonperforming Loans net of Provisions/Capital	-0.3	1.1	7.8	10.6	12.7
Nonperforming Loans by Type					
Overdraft	0.1	0.2	0.2	0.1	0.1
Demand	0.2	0.4	2.7	2.9	2.9
Installment	0.2	0.2	0.9	1.2	1.3
Real Estate Mortgages	0.1	0.1	0.2	0.2	0.3
Credit Cards	0.0	0.1	0.1	0.0	0.1
Sources of Income					
As a per cent of total operating income					
Interest Income	75.1	76.0	75.2	72.9	72.4
Fee Income	11.3	11.5	11.7	13.3	13.0
Foreign Exchange Profit/Loss	6.3	7.4	6.8	7.8	8.3
Other Income	7.3	5.0	6.2	6.0	6.3

Source: Central Bank of Trinidad and Tobago.

Figures in italics represent estimates for the period.

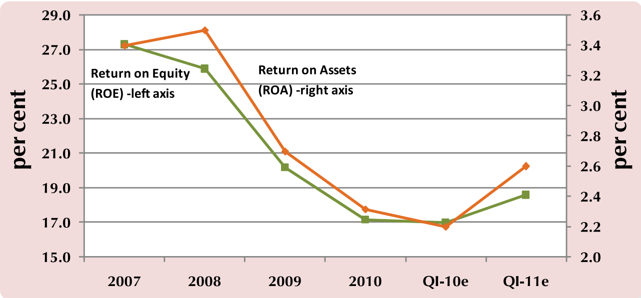
Table 2.6
Commercial Banks: Interest Rate Spread and Interest Margin Ratios

/Per cent/

	2007	2008	2009	2010	Mar-10	Mar-11p
Weighted Average Loan Rate (end-of-period)	10.7	11.5	11.5	9.9	11.0	9.5
Weighted Average Deposit Rate (end-of-period)	1.8	3.1	1.4	0.9	1.1	0.7
Interest Rate Spread (end-of-period)	8.9	8.3	10.1	9.1	9.9	8.8
Net Interest Margin/ Operating Income	44.4	46.1	50.1	54.6	53.4	56.9
Net Interest Margin/ Average Total Assets	4.3	4.4	4.2	3.8	3.7	3.6

Source: Central Bank of Trinidad and Tobago.

Chart 2.12
Commercial Banks: Return on Assets and Return on Equity



B. Non-Bank Financial Institutions

As at December 2010 non-banking institutions numbered 17, one more than in the previous year. Over the course of 2010, non-banks have seen a contraction in their balance sheets. This was driven by two main factors: (i) reduced credit demand by businesses and a shift in mortgage loans to commercial banks; and (ii) a decline in the activity of non-banks in the capital market activities.

Traditionally, the non-bank financial institutions placed minimal reliance on deposits for funding their operations, but rather relied on other short and long term fundraising instruments. This composition has changed in recent years with an increased reliance on deposits, though longer term fundraising instruments, such as collateralized investment certificates, remain the main source of funding (Table 2.8). Overall, there was an absolute decline in the liabilities of the non-banking sector of over TT$2.0 billion over the past 12 months, which can be directly linked to their declining credit portfolio **(Chart 2.13)**. Like the commercial banks, the credit portfolio of the non-banks has also been affected by the depressed economic environment. The non-banks experienced declines in loans to businesses and real estate mortgage loans by 19.0 and 9.9 per cent (year-on-year) respectively at the end of March 2011. Lending to consumers increased however by 3.7 per cent, similar to the trend with the commercial banks.

The contraction in credit by the non-banks has been accompanied by an improvement in the risk profile of the portfolio. While several non-banking institutions' loan portfolios were affected by the economic downturn, some were successful in maintaining a level of stability by trimming expenses and adopting aggressive loan recovery measures. The ratio of non-performing loans to total loans in the non-bank sector fell to 2.8 per cent at the end of December 2010 after climbing to a high of 11.7 per cent in September 2010, mainly as a result of the disposal of a large non-performing real estate loan in October 2010 **(Chart 2.14)**. As a result, the level of specific provisioning held by the non-banks also decreased from $281 million in September 2010 to $57 million in December 2010. By March 2011, the non-performing loans ratio increased slightly to 2.9 per cent of total loans **(Table 2.9)**. This is largely associated with increased past due loans by two institutions to some

Table 2.7
Comparative Bank Soundness Indicators, 2006-2010

/Per cent/

	2006	2007	2008	2009	2010
(i) Regulatory Capital to Risk Weighted Assets					
Brazil	18.9	18.7	18.3	18.8	17.7*
Chile	12.5	12.2	12.5	14.3	14.1**
Colombia	13.1	13.6	15.4	17.2	18.0
Mexico	16.1	15.9	15.3	16.5	16.9
Bahamas	24.8	24.9	23.5	26.1	26.0
Barbados	14.4	16.4	16.1	17.5	17.1
Guyana	15.4	15.0	14.9	18.3	18.9
Jamaica	16.1	14.5	13.9	18.3	17.2
Trinidad and Tobago	18.0	19.0	18.8	20.5	24.2
(ii) Non-Performing loans to Total Loans					
Brazil	3.5	3.0	3.1	4.2	3.3*
Chile	0.8	0.8	1.0	2.9	2.7
Colombia	2.6	3.3	3.9	4.0	2.9
Mexico	1.4	1.3	3.0	2.8	2.0
Bahamas	4.2	4.3	6.1	9.4	10.4
Barbados	4.5	2.9	3.4	7.2	10.3
Guyana	11.5	10.6	5.3	8.3	6.5
Jamaica	2.2	2.0	2.6	4.2	5.4
Trinidad and Tobago	1.6	1.1	1.0	4.6	5.3
(iii) Return on Assets					
Brazil	2.7	2.9	1.3	1.9	2.2*
Chile	1.3	1.1	1.2	1.5	1.7
Colombia	2.5	2.4	3.6	3.5	3.9
Mexico	3.1	2.7	1.4	1.5	1.8
Barbados	2.0	1.7	1.4	1.6	1.3
Guyana	0.5	0.5	0.5	0.7	0.6
Jamaica	3.5	3.5	4.1	3.4	2.8
Trinidad and Tobago	3.4	3.4	3.5	2.7	2.3
(iv) Return on Equity					
Brazil	27.3	28.9	14.5	20.4	23.7*
Chile	18.6	16.2	18.5	21.4	20.7
Colombia	20.2	19.5	28.1	26.2	27.2
Mexico	26.2	19.9	14.8	15.2	16.8
Barbados	17.9	18.8	16.1	16.2	11.7
Guyana	6.9	6.8	6.3	6.7	6.1
Trinidad and Tobago	25.2	27.7	25.9	20.2	17.2

Source: International Monetary Fund and the Central Banks of Barbados, Guyana and Jamaica.

* As at Sep-10.

** As at Nov-10.

Chart 2.13
Non-Banks: Credit to the Private Sector - Total and Businesses

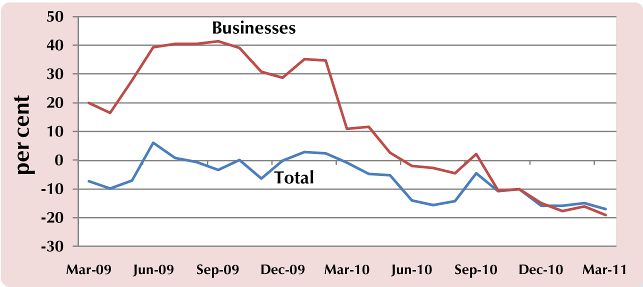


Chart 2.14
Non-Banks: Non-performing Loans to Total Loans

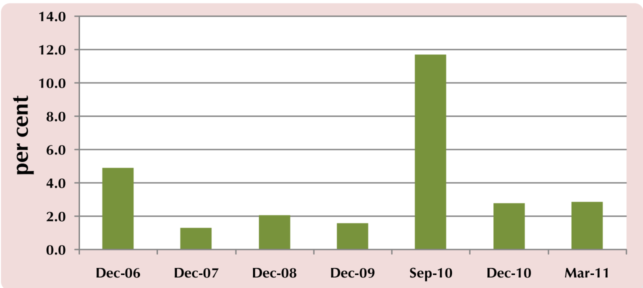
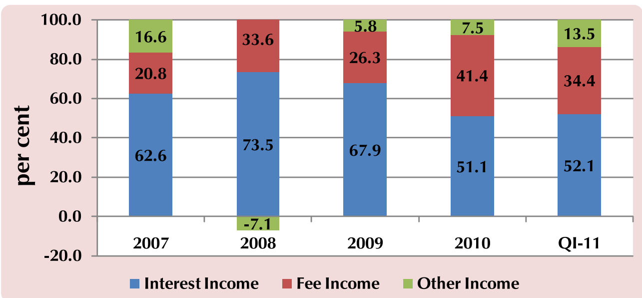


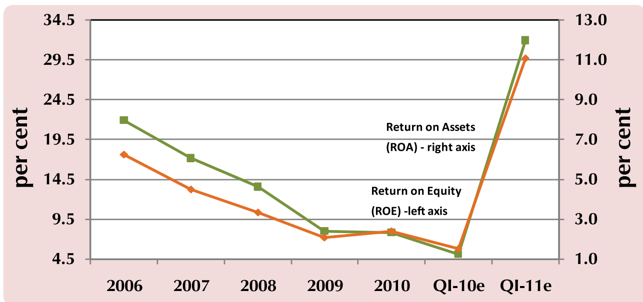
Chart 2.15
Commercial Banks: Components of Operating Income



foreign small and medium enterprises in the tourism sector.

Interest income declined in 2010 by 21.5 per cent compared to 2009, as the non-banks, against a background of weak credit demand and low interest rates on loans and investments, were also faced with a contracting balance sheet **(Table 2.10).** However, the sector successfully grew their operating income by increasing fee-based income by 64.4 per cent ($193 million) over the year **(Chart 2.15)**. The increases in fee income came from fees earned from foreign exchange transactions and asset management services. These trends resulted in marginal increases in the return on equity and return on asset ratios which increased from 8.0 per cent to 8.1 per cent and 2.1 per cent to 2.5 per cent respectively from 2009 **(Chart 2.16** and **Table 2.9).** Quarter I of 2011 saw a significant increase in profitability compared to the previous year for the sector as institutions benefitted from underwriting services associated with bonds issued during the quarter.

Chart 2.16
Non-Banks: Return on Assets and Return on Equity



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

In the November 2010 Financial Stability Report the Central Bank reported the results of the stress tests on commercial banks in Trinidad and Tobago based on December 2009 data. The tests examined credit, property price, interest rate, exchange rate and liquidity risk utilizing single factor as well as scenario tests. The basic conclusion was that the commercial banking sector could sustain itself against considerable upward levels of stress in part because of prudent banking practices as well as the buffer offered by high initial levels of capitalization. Nonetheless asset concentration needed to be carefully monitored as certain groups or sectors to which banks are exposed could face prolonged strains in a weak economic environment.

Since that time, the Central Bank, in collaboration with the commercial banks, has conducted two additional rounds of the stress tests, maintaining the same framework for comparability purposes and using information for June 2010 and December 2010.

The results of the new tests are very similar to those based on December 2009 information (see Table). In fact, banks increased their capital adequacy ratios (CARs) progressively from 20.5 per cent to 22.0 per cent in June 2010 and 22.7 per cent in December 2010, expanding the cushion against certain shocks. The post shock CAR of the banking system remained in excess of the 8.0 per cent regulatory minimum for all shocks. Some of the key results are as follows:

- As regards the **interest rate shock**, the substantial upward movement of 700 basis points had the greatest impact on the system's CAR, reducing it by 11.6 per cent in December 2010 and 12.1 per cent in June 2010 (compared with 11.5 per cent in December 2009). The slightly greater sensitivity in the later periods in the new tests was due to the fact that banks' portfolios showed a slightly greater mismatch between the amount of liabilities relative to assets to be re-priced during the 0-1 year time horizon.

- With respect to the **foreign exchange risk** test, banks continued to maintain long positions in foreign currency resulting in an improved CAR following a 40.0 per cent depreciation of the Trinidad and Tobago dollar against the United States dollar.

- In the case of the **credit risk** test, the commercial banking system continued to show minimal exposure with the CAR falling by no more than 2.5 percentage points.

- Similarly the impact of a 30.0 per cent decline in **property prices** remained very small, and the decline in the CAR actually narrowed to less than 1.0 per cent (from 2.0 per cent in December 2009).

- As regards the **scenario shocks**, the **energy price** scenario led to the greatest fall in the CAR (around 10.4 per cent in June and December 2010) mainly due to the effect of the large assumed increase in interest rates of 500 basis points. Banks maintained limited regional exposures resulting in the CAR decline of less than 2.0 per cent in the **regional natural disaster** scenario at all three test dates. There was some increase in the impact of the **local natural disaster** however as banks increased their holdings of sovereign securities during 2010.

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

In interpreting these results, the main areas of continued caution would be that close watch needs to be kept on (i) credit risk, as reflected in the increase in non-performing loans in recent months; (ii) large exposures, particularly to those sectors that are vulnerable to an economic downturn; and (iii) sovereign risk, which is attaining increased prominence worldwide especially given the prolonged debt problems in Europe.

Moving forward, the Central Bank will continue to conduct the stress tests on a semi-annual basis, integrating them into its surveillance of the banking system. The parameters of the tests are expected to be modified in light of the changing domestic and global economic outlook.

Commercial Banks Stress Test Results – December 2009, June 2010 and December 2010

		Capital Adequacy Ratio Commercial Banks					
		Dec-09		Jun-10		Dec-10	
	Pre-Shock CAR	20.5%		22.1%		24.2%	
	Pre-Shock CAR Adjusted for Guideline Provisions	20.5%		22.1%		22.7%	
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	9.0%	-11.5%	10.0%	-12.1%	11.1%	-11.6%
	Interest Rate ↓ 100 basis points	22.0%	1.5%	23.7%	1.6%	24.2%	1.5%
2 - Foreign Exchange Risk	TT Dollar depreciates 40 per cent	21.3%	0.8%	22.4%	0.3%	23.4%	0.7%
3 - Credit Risk	Credit Portfolio worsens on a/c of 20 per cent decline in GDP	18.8%	-1.7%	20.0%	-2.1%	20.2%	-2.5%
4 - Credit Risk - Property Price Shock	Property Prices ↓ 30 per cent	18.5%	-2.0%	21.3%	-0.8%	21.8%	-0.9%
5 - Credit Risk - Large Exposures	**Large Exposure – Sectors (50 per cent shock)**						
	Sector 1	Real Estate: 18.7%	-1.8%	Financial Sector: 19.4%	-2.7%	Financial Sector: 22.0%	-0.7%
	Sector 2	Other Services: 19.4%	-1.1%	Real Estate: 20.7%	-1.4%	Real Estate: 22.6%	-0.1%
	Sector 3	Financial Sector: 19.5%	-1.0%	Other Services: 21.6%	-0.5%	Construction: 22.7%	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	11.1%	-9.4%	11.6%	-10.5%	12.4%	-10.3%
	Policy Response	21.1%	0.6%	22.0%	-0.1%	22.5%	-0.2%
7 - Local Disaster Scenario	Local Natural Disaster	19.6%	-0.9%	18.7%	-3.4%	19.2%	-3.5%
8 - Regional Disaster Scenario	Regional Natural Disaster	18.8%	-1.7%	20.4%	-1.7%	20.8%	-1.9%
Days until liquid							
9 - Liquidity Risk	Bank Run	67		71		70	

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.

Table 2.8
Non-Banks*: Liability Portfolio Mix

/TT$ Millions/

	Dec-07	Dec-08	Dec-09	Dec-10	Mar-10	Mar-11
Deposits	1,238.4	1,174.0	1,171.6	2,012.8	1,442.9	2,039.9
Other Current Liabilities	6,839.1	6,354.4	2,803.9	977.8	2,154.0	1,108.8
Long Term Liabilities	3,399.6	2,996.3	5,964.2	3,916.9	5,621.6	3,641.7
Other Liabilities	143.4	46.2	83.1	524.2	127.7	552.0
Total Liabilities	11,620.5	10,570.8	10,022.9	7,431.7	9,346.3	7,342.4

Source: Central Bank of Trinidad and Tobago.

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

Table 2.9
Non-Bank Financial Institutions*: Summary Performance Indicators, 2007-March 2011

/Per cent/

	2007	2008	2009	2010	Mar-10	Mar-11P
Profitability						
Return on Assets	4.5	3.3	2.1	2.5	*1.5*	*11.1*
Return on Equity	17.1	13.5	8.0	8.1	*5.1*	*31.9*
Net Interest Margin: Total Assets	1.3	1.4	2.9	2.8	*2.7*	*6.5*
Efficiency						
Total Operating Expenses: Total Operating Income	57.6	71.2	73.2	53.9	55.0	27.8
Asset Quality						
Non-performing Loans: Gross Loans	1.3	2.1	1.6	2.8	1.5	2.9
Non-performing Loans Net of Provisions: Capital	-0.4	1.7	1.3	2.0	-0.4	2.2

Source: Central Bank of Trinidad and Tobago.
Figures in italics represent estimates for the period.
* Effective January 30, 2009, the Central Bank assumed control of Clico Investment Bank under Section 44(d) of the Central Bank Act. As a consequence, data reported does not include balances for Clico Investment Bank for comparability purposes.

Table 2.10
Non-Banks*: Distribution of Assets

/TT$ Millions/

	Dec-07	Dec-08	Dec-09	Dec-10	Mar-10	Mar-11p
Liquid Funds	2,497.0	1,943.7	2,221.2	1,081.6	1,595.8	1,644.7
Investments (net)	5,167.6	4,911.3	3,830.0	3,303.7	3,926.1	3,387.3
Loans (net)	4,301.4	3,959.1	4,823.0	4,666.1	4,865.9	4,330.9
Businesses	2,864.3	2,638.0	3,338.4	2,861.9	3,445.3	2,809.5
Consumers	1,128.1	1,006.0	935.5	914.8	925.9	671.1
Customer Liabilities Acceptances	6.2	3.8	3.8	6.1	3.8	3.2
Equity in Subsidiaries and Affiliates	598.3	670.3	688.6	742.4	690.4	727.5
Accounts Receivable	414.7	483.8	292.2	314.7	358.7	315.5
Fixed Assets	157.6	154.2	145.7	121.9	119.9	118.5
Prepaid and Other Assets	2,180.1	1,860.5	1,834.8	991.2	1,751.0	713.4
Total Assets	15,322.8	13,986.7	13,839.2	11,227.7	13,311.5	11,241.1

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

CHAPTER 3

THE INSURANCE SECTOR

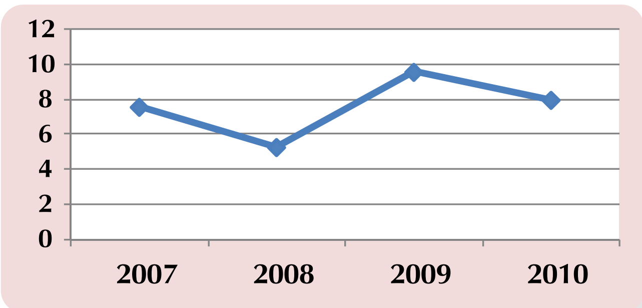
The growth in the insurance sector was negatively impacted by the subdued economic climate, inactivity in the businesses of Colonial Life Insurance Company Limited (CLICO) and British American Life Insurance Company Limited (BA) following the intervention by the Central Bank in 2009 and the exit of one insurance company from the market. The sector continued to experience a slight improvement in 2010 as reflected by increased growth in premium income and in total assets. This Report on the insurance sector excludes Clico and BA.

A. Life Insurance

Assets

Total assets for the life insurance industry rose by 8.0 per cent to $15.6 billion in 2010 compared with $14.4 billion in the previous year **(Chart 3.1)**. The twelve life insurance companies operating in the industry held approximately 77.9 per cent of the share of assets in the total insurance industry.

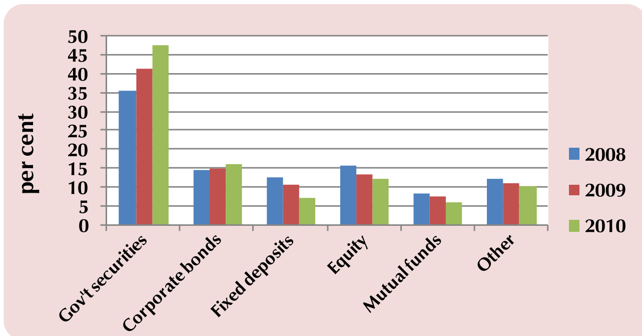
Chart 3.1
Life Insurance Industry: Growth of Total Assets
/Per cent/



Source: Central Bank of Trinidad and Tobago.

Provisional data submitted by insurance companies indicate that for 2010, 47.6 per cent of total investments were in government securities while 12.5 per cent comprised equity **(Chart 3.2)**. Over the past three years, life insurance companies have been significantly increasing their holding in government securities as these investments attracted higher yields compared to equity investments. Holdings of equities in the portfolio of insurance companies have in fact shrunk significantly from $2.5 billion in 2007 to $1.3 billion by 2010, mainly on account of the greater preference for government securities on the one hand and the decline in equity returns on the other. Equity returns using the Composite Index on the Trinidad and Tobago Stock Exchange showed this decline to be close to 15.0 per cent, as the Index fell to 835.6 at the end of 2010 from 982.0 at the end of 2009.

Chart 3.2
Investment Structure of Life sector



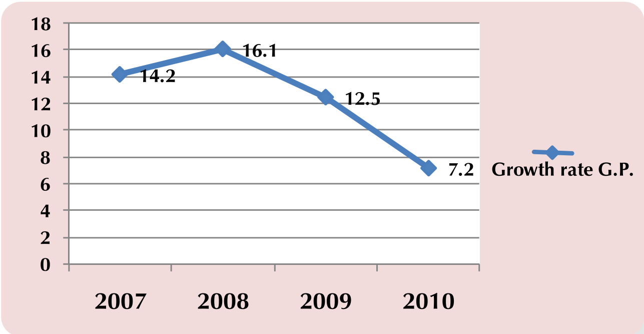
Source: Central Bank of Trinidad and Tobago.

Premiums

Gross Premiums rose by 7.2 per cent **(Chart 3.3)**. However, the rate of growth was significantly slower than in previous years. This reduced rate of growth was due to a decline in local underwriting of group health insurance business and a slower rate of growth in the sale of individual annuities.

In terms of lines of business **(Table 3.1)**, the growth in premium income largely reflected a shift towards wealth management products, especially "individual annuities" and "unit-linked funds", followed by ordinary life. Encouraged by the aggressive marketing strategies of some of the larger life insurance companies and the increase in inflation over the period 2008 to 2009, consumers showed a preference for wealth management products over the traditional ordinary life products. Individual annuities has shown a steady increase as a percentage of gross premium income, reaching 16.7 per cent in 2010, compared with 13.4 per cent in 2006. The share of gross premiums for ordinary life, in contrast, has been steadily declining over the last five years to 20.8 per cent in 2010 from 24.9 per cent in 2006. Nonetheless, wealth management products and ordinary life insurance accounted for 68.2 per cent of total premium income in 2010.

Chart 3.3
Life Industry: Growth in Gross Premium Income
/Year-on-Year Per cent Change/



Source: Central Bank of Trinidad and Tobago.

Table 3.1
Life Industry: Distribution of Gross Premiums by Lines of Business

	2006	2007	2008	2009	2010
			/Per cent/		
Ordinary Life	24.9	23.9	21.5	20.6	20.8
Group Life	5.1	7.4	8.2	7.1	7.1
Group Pension	1.0	0.9	0.9	0.6	1.1
Deposit Administration	1.8	1.8	2.3	2.1	1.6
Individual Annuities	13.4	14.8	14.8	16.1	16.7
Unit-Linked Funds	28.5	28.2	30.0	29.4	30.7
Other	25.4	23.1	22.3	24.1	22.1
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: Central Bank of Trinidad and Tobago.

Claims

Unlike in 2009 when there was a noticeable rise in gross claims arising from increased surrenders of policies following the intervention into Clico and BA, the increase in claims has leveled off in 2010 **(Table 3.3).**

Table 3.2
Life Industry: Distribution of Gross Claims by Lines of Business

	2006	2007	2008	2009	2010
	/Per cent/				
Ordinary Life	17.5	19.7	17.4	18.3	17.7
Group Life	3.7	6.1	4.1	4.4	5.2
Group Pension	1.3	1.7	4.9	1.2	2.6
Deposit Administration	2.8	3.4	2.0	5.5	2.6
Individual Annuities	17.9	22.1	20.1	19.1	20.3
Unit-Linked Funds	30.8	20.4	21.9	21.2	20.3
Other	26.0	26.6	29.5	30.3	31.3
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: Central Bank of Trinidad and Tobago.

Table 3.3
Classification of Life Insurance: Gross Claims

	2006	2007	2008	2009	2010
	/TT$ Mn/				
By Death	119.9	177.8	161.8	176.2	184.5
By Maturity	81.3	91.4	102.9	132.6	128.9
By Annuity	155.1	184.9	161.6	219.6	200.4
By Surrender	399.1	289.4	379.0	409.5	393.9
Interim Bonuses	0.9	0.1	0.2	0.1	0.2
Disability Claims	13.3	65.2	9.7	11.5	20.7
Short term Business Claims	221.7	175.5	279.5	336.3	365.3
Total	**991.3**	**984.3**	**1,094.6**	**1,285.7**	**1,293.9**

Source: Central Bank of Trinidad and Tobago.

Actuarial Liabilities

With the greater shift towards wealth management products, individual annuities and unit-linked products now account for over one-half of the life industry's total liabilities (**Table 3.4**). Despite the slower rate of growth for new ordinary life business over the last few years, this traditional line of business is still significant and accounts for just over one-third of total liabilities. It is also important to note that there has been a sharp fall in the local group health insurance business.

With the lower yield on investments, the discount rate for the computation of reserves has declined resulting in an increase in actuarial liabilities. Other actuarial assumptions such as mortality and expenses have remained relatively unchanged.

In 2010, some life insurance companies strengthened their actuarial liabilities held by par policyholders by transferring a portion of their capital into their actuarial reserves.

Table 3.4
Life Insurance Industry: Liability Structure

	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010
	/ TT$ Mn/					/Per cent/				
Ordinary Life	2,702.3	2,923.4	3,730.8	3,369.7	3,686.0	35.7	35.1	41.2	35.1	35.0
Group Life	140.5	42.0	44.6	56.8	54.5	1.9	0.5	0.5	0.6	0.5
Group Pension	372.5	403.1	383.3	399.0	384.8	4.9	4.8	4.2	4.2	3.7
Deposit Administration	532.2	597.5	667.9	681.7	743.4	7.0	7.2	7.4	7.1	7.1
Individual Annuities	1,563.5	1,835.8	1,938.3	2,515.7	2,808.9	20.7	22.0	21.4	26.2	26.7
Unit-Linked Funds	1,688.6	1,962.5	2,128.5	2,376.6	2,714.0	22.3	23.5	23.5	24.7	25.8
Other	566.0	571.7	151.5	204.0	146.1	7.5	6.9	1.7	2.1	1.4
Total	**7,565.6**	**8,335.9**	**9,045.0**	**9,603.4**	**10,537.6**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: Central Bank of Trinidad and Tobago.

Financial Soundness Indicators

Following the recommendation of the Financial Sector Assessment Program (FSAP) in 2006, the Bank has been working on the development of a number of financial soundness indicators for the industry in keeping with global best practice. These suggested indicators comprise largely capital adequacy, asset quality, earnings and profitability, liquidity and actuarial reserve ratios.

Life Insurance Financial Soundness Indicators

The financial soundness indicators for the life industry are detailed in **Table 3.5**.

Capital adequacy

As there is no clear capital regime at present, the capital used in these ratios is measured as assets minus liabilities with some adjustments made for "non-participating life surplus" and goodwill. For the life industry, the capital adequacy indicators (capital to total assets and capital to technical reserves) have remained fairly stable for the last three years, although there has been a slight reduction in 2010.

Table 3.5
Financial Soundness Indicators

/Per cent/

	2006	2007	2008	2009	2010
Capital Adequacy					
Capital to total assets	26.5	25.5	25.1	25.4	24.2
Capital / technical reserves	39.0	36.4	35.2	36.6	34.1
Asset Quality					
(Real estate +unquoted equities + debtors) / total assets	23.5	22.1	12.7	11.2	10.6
Equity Holdings / total assets	23.5	22.1	12.7	11.2	10.6
Earnings and Profitability					
Expense ratio = expense (incl commissions) /net premium	50.7	47.6	43.6	40.7	36.1
Investment yield = Investment income to investment assets	6.2	6.6	6.3	6.8	6.2
Return on Equity (ROE) = Pre-tax profits to shareholders funds	9.3	7.8	7.6	10.3	14.8
Liquidity					
Liquid assets to current liabilities	27.6	31.5	42.1	38.9	29.2

Source: Central Bank of Trinidad and Tobago.

Asset quality

For the life industry, asset quality (measured mainly by the ratio of real estate plus unquoted equities plus loans to total assets), has been declining since December 2008 largely on account of the fall in the value of properties resulting from the contraction of the real estate market. In December 2010, this ratio fell to 14.6 per cent from 15.7 at the end of the previous year.

The ratio of equity holdings to total assets also declined to 10.6 per cent at the end of 2010 reflecting lower investments and returns in stock markets.

Earnings

With operating expenses registering little change over the past three years, and with increasing net premiums, the expense ratio for the life sector has been gradually declining. This ratio fell to 36.1 per cent in 2010 from 40.7 per cent in 2009. Meanwhile the return on equity ratio rose to 14.8 per cent in 2010, up from 7.8 per cent in 2007.

Liquidity

The liquidity ratio (the ratio of liquid assets to short-term liabilities) gradually decreased to 29.2 per cent in 2010 from 42.1 per cent in 2008 as companies shifted from shorter-term (such as fixed deposits) to higher yeilding investments, such as government and corporate bonds. Despite the fall in this ratio, liquidity is still considered to be at a satisfactory level.

Statutory Fund

Under the Insurance Act (1980), insurance companies are required to maintain assets in their statutory funds to cover liabilities for policies whose owners are residents of Trinidad and Tobago. In 2009, the Central Bank changed the reporting requirements from an annual to a quarterly basis to allow for continuous monitoring of the statutory fund balances.

As at December 2010, the surplus balances in the statutory fund amounted to $714 million **(Table 3.6)**, a slight decrease from the previous year, with all but one company reporting a surplus in their statutory fund balances.

Table 3.6
Insurance Companies - Trends in the Statutory Fund
December 2009 - December 2010

/TT$ Million/

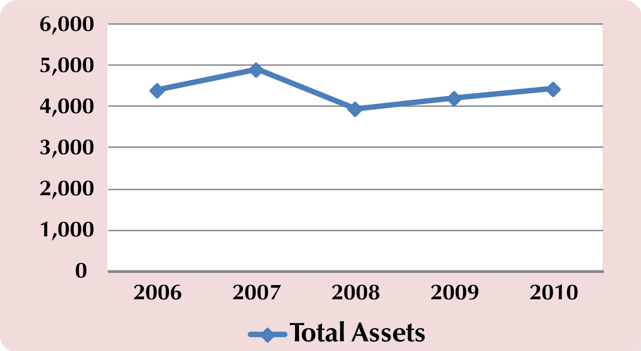
	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10
Long Term (excluding Clico and BA)					
Statutory Fund Assets	11,111.3	11,438.2	11,556.9	11,756.7	12,232.0
Statutory Fund Requirement	10,373.6	10,671.2	10,807.4	10,940.7	11,518.0
Surplus (Deficit)	737.7	767.0	749.5	816.0	714.0

Source: Central Bank of Trinidad and Tobago.

B. Non-Life Insurance

The non-life insurance business has also been affected by the relatively sluggish economy as well as the withdrawal of a significant international insurer from the general insurance sector. While most companies in the non-life business remain well capitalized, some companies, primarily in the motor insurance line of business, are under-capitalized. These companies have been under-pricing risks and understating claims reserves. Given the serious implications for the policyholders of these companies and, by extension, the stability of the industry, the Bank has undertaken a number of initiatives to address claims reserving and pricing (See **Box 3.1** on "Challenges in the Motor Insurance Industry" for a detailed discussion of this issue).

Chart 3.4
Non-Life Industry, Total Assets
/TT$ Million/



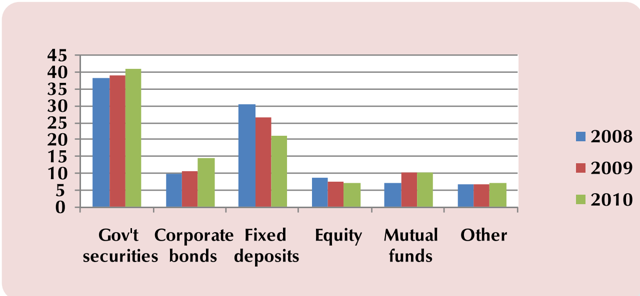
Source: Central Bank of Trinidad and Tobago.

Assets

The total assets of non-life insurance companies have remained in the vicinity of just over $4.0 billion over the last three years **(Chart 3.4)**. In 2010, there was a slight increase in total assets to $4.4 billion from $4.2 billion in 2009.

In 2008, one of the major players in the non-life sector divested its investment in a subsidiary resulting in the decline in the total assets of the sector in that year. Barring this restructuring total assets have grown at a steady pace each year since then. As in the case of the life segment of the industry, non-life companies have a predominance of government securities and fixed deposits in their investment portfolios rather than equities or mutual funds **(Chart 3.5)**. This allocation reflects the need to maintain more liquid and low-risk assets to match their short-term liabilities. During 2010, investments in government securities and corporate bonds increased as funds were moved from fixed deposits because of the very low rates available from the banks.

Chart 3.5
Investment Structure of Non-Life sector
/Per cent/



Source: Central Bank of Trinidad and Tobago.

Gross Premiums

Gross premium income of the non-life insurance sector of the industry fell by 6.0 per cent to $2.9 billion in 2010, when compared to the previous year **(Table 3.7)**. An analysis of the non-life premium income by major lines of business indicates that the reason for this decline was the significant fall in property insurance business (7.7 per cent) as well as the transfer by one non-life insurer of a portion of the group health business to an insurer in the life insurance segment of the market. Premiums from the property and motor vehicle insurance business accounted for 82.0 per cent of gross premium income in 2010.

Table 3.7
Non-Life Insurance
Distribution of Gross Premium Income

	2006	2007	2008	2009	2010
			/% change/		
Property	n/a	10.7	5.0	16.2	(7.7)
Motor Vehicle	n/a	25.5	19.5	(2.0)	(0.8)
Group Health	n/a	51.6	12.6	(7.1)	(34.4)
Workmen's Compensation	n/a	30.3	14.8	(5.2)	1.0
Other	n/a	16.8	21.5	(11.1)	(4.7)
Total	**n/a**	**18.8**	**12.9**	**3.8**	**(6.0)**

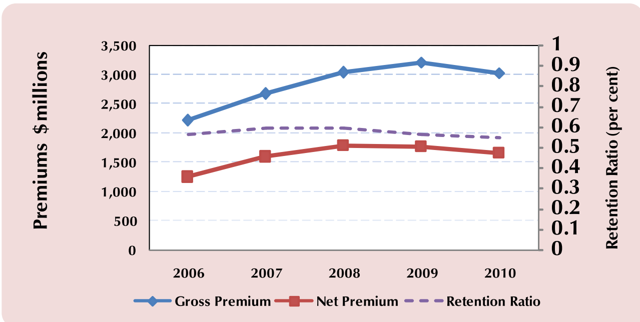
Source: Central Bank of Trinidad and Tobago.

Reinsurance

The majority of companies in the non-life sector place their reinsurance with large international reinsurers. With an average retention ratio of approximately 57.0 per cent over the last five years, local non-life companies have been ceding 43.0 per cent of their premiums to reinsurers **(Chart 3.6)**.

The property segment of the non-life business, which has exposure to very large claim amounts and to natural disasters, is heavily dependent on reinsurance with an average of 16.0 per cent of the premiums being retained by the local insurers. Over the five year period, 2005-2010, motor vehicle insurance which is characterized by relatively frequent but small claim amounts, had an average retention ratio of around 90.0 per cent.

Chart 3.6
Non-Life Industry
Gross/Net Premiums and Retention Ratio



Source: Central Bank of Trinidad and Tobago.

Claims

The overall ratio of claims to premiums (the gross loss ratio) has been on a declining trend between 2007 and 2009. In 2010, this ratio increased to 31.6 per cent largely on account of a sharp increase on claims for property insurance **(Table 3.8)**. For motor vehicles, the gross loss ratio fell to 52.7 per cent in 2010 from 59.6 per cent in 2009. Cognizant of the potential for the under-reserving of claims in the motor vehicle insurance industry, the Central Bank has undertaken an initiative to upgrade its assessment of the adequacy of claims reserves.

Table 3.8
Non-Life Insurance: Gross Claims Incurred

	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010
	/TT$ Mn/					Gross loss ratio (%)				
Property	152.9	247.4	100.4	88.1	183.3	14.6	21.3	8.2	6.2	14.0
Motor Vehicle	453.5	461.2	614.7	609.8	584.7	59.6	48.3	53.8	54.5	52.7
Group Health	77.5	102.9	119.5	114.7	72.6	78.8	69.1	71.3	73.6	71.0
Workmen's Compensation	58.6	49.7	70.9	35.0	32.4	87.9	57.2	71.2	37.0	34.0
Other	48.4	91.6	69.3	91.2	57.6	17.7	28.7	17.8	26.4	17.5
Total	790.8	952.8	974.8	938.8	930.6	35.1	35.6	32.3	30.0	31.6

Source: Central Bank of Trinidad and Tobago.

Customer Complaints

As regards customer complaints in the insurance industry, information received from the Office of the Financial Services Ombudsman (OFSO) indicates that the number of complaints reported on insurers fell by 15.0 per cent in 2010 **(Table 3.9)**. The OFSO admits that more than 90.0 per cent of the complaints still relate to motor vehicle insurance.

Table 3.9
Non-Life Insurance Industry:Complaints Received on Insurance Services 2006-Mar 2011

	2006	2007	2008	2009	2010	Jan-Mar 2011
Analysed by Type of Complaint						
Inadequate	107	105	84	109	91	29
Denial of Claim	81	60	58	74	65	17
Undue Delay	209	123	77	99	79	17
Other	9	14	6	3	6	3
Total	**406**	**302**	**225**	**285**	**241**	**66**
Resolved By						
Agreement	189	211	169	194	173	29
Recommendation	1	0	1	0	0	0
Award	0	1	0	0	0	0
OFSO Dismissal*	201	113	67	71	73	18
Customer Withdrawal	6	5	6	5	2	2
Financial Supervision Rejection	0	0	0	0	0	0
Court Referral	1	1	2	0	1	0

* This information was previously reported as OFSO Withdrawal.
Source: Central Bank of Trinidad and Tobago.

General Insurance Financial Soundness Indicators

Similar to the life insurance sector, financial soundness indicators have also been developed for the non-life segment of the market. They also comprise largely of asset quality, earnings and profitability and actuarial issues.

Table 3.10
Financial Soundness Indicators:Non-Life sector

/Per cent/

Insurance Sector	2006	2007	2008	2009	2010
Asset Quality					
(Real estate +unquoted equities + debtors) / total assets	19.2	18.4	18.7	17.6	17.0
Debtors / (gross premiums + reinsurance recoveries)	18.6	15.5	12.9	11.1	12.1
Reinsurance and Actuarial Issues					
Risk Retention Ratio = Net premiums written/ total gross premiums	56.4	59.7	59.4	56.3	54.9
Net technical reserves/average of net claims paid in the last three years	n/a	147.3	129.4	124.0	140.9
Earnings and Profitability					
Expense ratio = expense (incl commissions) /net premium	43.3	40.9	42.1	45.1	48.8
Investment income/net premium	8.3	11.9	9.3	10.7	8.4
Return on Equity (ROE) = Pre-tax profits to shareholders funds	7.1	12.1	23.8	17.0	11.8
Return on assets (ROA)(E)	3.9	6.4	7.8	6.9	4.7
Liquidity					
Liquid assets to current liabilities	49.4	51.2	56.4	59.3	49.8

Source: Central Bank of Trinidad and Tobago.

Asset Quality

The asset quality in the non-life sector continued to improve over the past five years. Riskier assets such as real estate and unquoted equities contribute less than 20.0 per cent of the total assets of the sector.

Reinsurance and Actuarial Issues

In the case of the non-life sector, an average of 57.0 per cent of the premiums has been retained over the last five years by the companies with the balance paid to reinsurers. In 2010, the net technical reserves ratio (which is a measure of net technical reserves held relative to net claims paid out) showed a significant increase rising to 140.9 per cent in 2010 from 124.0 per cent in 2009. This strengthening of claims reserves is consistent with the Central Bank's increased focus on this area over the last two years.

Earnings and Profitability

There was a marked reduction in the earnings of the non-life sector in 2010. The expense ratio rose to 48.8 per cent in 2010 from about 41.0 per cent in 2007 and premium income in the sector fell. In addition, the ratio of investment income to net premiums also declined in the lower interest rate environment. The return on equity and return on assets ratios both displayed a similar trend declining to 11.8 per cent and 4.7 per cent respectively in 2010 from 17.0 per cent and 6.9 per cent in 2009.

Liquidity

With the shift in investments to longer-term government and corporate bonds from fixed deposits, the liquidity ratio (measured by liquid assets to current liabilities) declined to 49.8 per cent in 2010 from 59.3 in 2009. Despite this decrease, the ratio is still considered to be in a satisfactory range.

Box 3.1 CHALLENGES FOR THE MOTOR INSURANCE INDUSTRY

In Trinidad and Tobago, the Motor Vehicles Insurance (Third-Party Risks) Act, first enacted in 1935, makes it a legal requirement to have third-party liability insurance in order to operate a motor vehicle. The objective of this compulsory insurance requirement is to protect innocent persons, who may have their property damaged or who may suffer personal injury or death because of the negligent actions on the part of the driver of another motor vehicle.

Although many insurers write motor insurance coverage, there exists an unacceptable concentration risk in a particular segment of the market. Currently, five (5) out of eighteen (18) companies currently writing motor insurance, provide 90.0 per cent of the third-party coverage to maxis and taxis. Furthermore, at December 31, 2009, 60.0 per cent of maxis with third-party insurance were insured with two companies.

The Central Bank is concerned that insurance companies specialising in third-party motor insurance may have underpriced the cost of this risk. The charging of inadequate premiums has untoward consequences as companies then establish less than adequate reserves to cover the claims that they are liable for. Any under-reserving threatens policyholder protection and encourages poor service and unfair claims practices.

Understating claims reserves also results in companies compromising the integrity of their statutory funds as they hold less than adequate levels of assets to cover their motor insurance liabilities. Furthermore, in extreme cases, this could result in insurer insolvencies. Indeed, two non-life insurers that wrote primarily third-party motor insurance coverage have already been placed into liquidation.

Recognizing the seriousness and magnitude of this problem, the Bank has sought technical assistance from the IMF. Over the past three years, experts from the IMF have been working with the local insurance industry to find a workable solution to this issue. This effort has resulted in the application and implementation of a practical and internationally acceptable methodology by non-life insurers to test the adequacy of their claims reserves. The development of a test is also consistent with international accounting standards.

For motor insurers underwriting a high volume of comprehensive coverage, the outstanding claims reserve ranges from 42.0 to 67.0 per cent of one year's premium. For the third-party motor specialist companies, several have a ratio around 30.0 per cent and one is as low as 13.0 per cent. These results demonstrate that several third-party motor insurers are holding claims reserves that are significantly lower than market norms.

The optimal solution to the problem of under pricing and consequential poor claims practices is for the insurance industry to take responsibility for charging premiums commensurate with the risk they have underwritten. This could inevitably lead to a higher cost for the policyholder and some degree of consolidation in the market. Furthermore, there is a risk that charging higher premiums could result in an increase in the number of uninsured vehicles on the road. While statistics are not available, the industry estimates that 10.0 per cent of all vehicles on the road or approximately 39,000 are uninsured.

In the meantime, the Bank will continue to take appropriate regulatory action against companies that operate in an unsafe and unsound manner. This is consistent with its regulatory mandate.

There are other challenges facing the motor insurance industry which need to be addressed. These include:

- Better enforcement of licensing regulations;
- A programme to reduce uninsured driving;
- Speedier and less costly resolution of litigated claims; and
- Better handling of subrogation disputes among insurers.

These issues will call for close collaboration among all the relevant stakeholders.

CHAPTER 4

ANTI-MONEY LAUNDERING AND ANTI-TERRORIST FINANCING IMPLICATIONS FOR FINANCIAL STABILITY

Introduction

Money laundering (ML) is the process by which illegal assets, particularly cash, obtained or generated by criminal activity are moved via financial transactions to conceal or disguise their illicit origin. Terrorist financing (TF) pertains to the provision or collection of funds with the intention, or in the knowledge, that such funds are to be used in whole or in part to carry out a terrorist act or by a terrorist or terrorist organization.

Money laundering and terrorist financing have particularly significant economic and social consequences for developing countries whose markets tend to be small and therefore susceptible to disruption from criminal or terrorist influences. Consequently, ML and TF undermine the integrity of financial systems and pose a considerable threat to the economic and financial security of countries. The development of an effective framework for anti-money laundering (AML) and anti-terrorist financing (ATF) can assist in lowering levels of crime and corruption as well as reducing the vulnerability for financial institutions.

Money laundering and the financing of terrorism is a global problem which has many faces such as financial fraud, tax evasion, circumvention of exchange restrictions, sale of fictitious financial instruments or insurance policies, embezzlement, stock manipulation and connected party lending. The ease with which capital can now move across global financial markets has presented criminals and terrorists with opportunities to move their resources quickly, and hide their tracks. Countries with weak AML/ATF controls are susceptible to exploitation by persons engaged in money laundering and terrorist financing and the associated contagion risks threatens international financial stability. The extent of the international problem is underscored by the fact that annually an estimated 2 - 5 per cent of global GDP or $800 billion - $2 trillion in US dollars is attributable to money laundering[1].

Advances in technology, such as e-banking, mobile payments, internet payment services, pre-paid cards, have made the task of enforcement agencies and regulatory authorities all the more difficult. Many countries therefore acknowledge that the only way to effectively combat money laundering and terrorist financing, in this increasingly globalized market, is through a coordinated international response. Every member of the global community needs to put in place equally robust AML/ATF regimes which go beyond detection and enforcement to actively deter and prevent the activity.

The criminal use of financial institutions to filter illicit financial flows can irrevocably damage the reputation of financial institutions and by extension the financial sector. This may result in loss of investor confidence and, as a consequence, threaten the liquidity and solvency of financial institutions.

Further, legitimate businesses outside of the financial services industry may be threatened by "front" companies established to conceal illicit funds, given that the latter are not concerned with profit generation but with creating an avenue for "washing" money. The investment practices of persons engaged in money laundering and terrorist financing may also distort international capital flows as well as distort foreign exchange rates and interest rates thereby creating instability in the markets.

The Financial Action Task Force (FATF)

International efforts to counter the threat of money laundering and terrorist financing have been led by the Financial Action Task Force (FATF)[2] which has developed and issued the FATF 40+9 recommendations that provide international standards for an AML/ATF framework. The FATF recommendations encourage:

- the existence of an adequate and effective legislative framework that provides for the criminalizing of money laundering and terrorist financing and which allows the freezing and confiscating of assets and the imposition of appropriate sanctions;

[1] http://www.unodc.org/unodc/en/money-laundering/globalization.html.
[2] The FATF is a 35 member intergovernmental policy making body whose purpose is to establish international standards and develop and promote policies both at a national and international level to combat money laundering and terrorist financing.

- the establishment of a Financial Intelligence Unit (FIU);
- the implementation of an effective risk-based supervisory framework for the financial sector;
- the establishment and maintenance of domestic and international cooperation in respect of AML/ATF; and
- the imposition of regulatory requirements on designated non-financial business and professionals (DNFBPs) which include lawyers, accountants, real estate agents, jewelers, motor vehicle dealers, casinos, betting houses and private members' clubs.

At a national level, each country is expected to develop and implement a robust AML/ATF regime to counter the threat posed by money laundering and terrorist financing. The effectiveness of a country's AML/ATF framework is assessed on the basis of its compliance with the FATF recommendations and failure to comply has significant negative implications for a country's international reputation and global competitiveness.

Trinidad and Tobago's Compliance with AML/ATF Standards

As is the case with much of the Caribbean, Trinidad and Tobago's geographic location between the major illicit drug producing and drug consuming countries of the world makes it vulnerable to money laundering and financial crime.

In 2005, Trinidad and Tobago was subject to its third mutual evaluation of its AML/ATF framework by the Caribbean arm of the Financial Action Task Force known as the CFATF. The mutual evaluation establishes the extent of a country's compliance with the FATF's 40 + 9 Recommendations on AML and ATF. The report published in 2007 highlighted many deficiencies with the AML/ATF framework instituted and determined that Trinidad and Tobago was compliant with only one of the 40 Recommendations, largely compliant with 6, partially compliant with 13 and noncompliant with 20. Trinidad and Tobago was also rated non-compliant with the then 8 existing Special Recommendations on terrorist financing.

It should be noted that the principal reason for the non-compliant rating was the absence of legislation, regulations or other enforceable means to give effect to the requirements of the FATF Recommendations. Consequently, Trinidad and Tobago embarked on a number of significant initiatives aimed at bolstering the local AML/ATF regime and improving its compliance with FATF's Recommendations. The most significant of those initiatives included:

1. Improvements to the legislative and regulatory architecture; and
2. Establishment of the FIU;

1. Improved Legislative and Regulatory Architecture

Between 2009 and 2010, Trinidad and Tobago enacted substantive legislation to move the country closer to compliance with the FATF's Recommendations. Specifically, the Proceeds of Crime Act Chap 11:27 (POCA), which, inter alia, criminalizes money laundering, was amended in 2009 and the Anti-Terrorism Act 2005 (ATA), which criminalizes the financing of terrorism, was amended in January 2010. The Financial Intelligence Unit of Trinidad and Tobago Act (FIUTTA) was assented to in October 2009. Finally, the Financial Obligations Regulations (FOR) was made in January 2010.

2. The Financial Intelligence Unit (FIU)

The FIU was established by the FIUTTA in 2009. The establishment of a functional FIU is a critical step in moving Trinidad and Tobago closer to compliance with international standards. However, while the agency has been established, there is an urgent need to make it fully functional so that it can effectively carry out its mandate. The Government of Trinidad and Tobago has been taking steps to address this matter.

The FATF's List of countries with strategic deficiencies

Notwithstanding the aforementioned initiatives, the country appeared in the FATF's February 2010 public document on

"Improving Global AML/CFT Compliance" as one of the countries with strategic AML/ ATF deficiencies. The strategic deficiencies were listed as:-

a. implementing adequate procedures to identify and freeze terrorist assets without delay (Special Recommendation III);
b. implementing adequate procedures for the confiscation of funds related to money laundering (Recommendation 3); and
c. establishing a fully operational and effectively functioning FIU, including supervisory powers (Recommendation 26).

Despite having since enacted ATF and FIU Regulations, in February 2011, Trinidad and Tobago was elevated to an 'enhanced grey list' having been identified by FATF as one of the countries that has not made sufficient progress on its action plan as agreed with the FATF. The public document indicated that if the countries on the 'enhanced grey list' failed to take sufficient action to address significant components of their action plan by June 2011, the FATF will identify such jurisdictions as being out of compliance with agreed action plans and will take the additional step of calling upon its members to consider the risks arising from the deficiencies associated with the jurisdiction.
As noted previously, such actions could significantly impact our financial institutions, international trade and investment opportunities. For example, several online brokerage houses have placed Trinidad and Tobago on a restricted business list and persons from this country would be unable to open online accounts with such institutions.

The Central Bank's Role in AML/ ATF

The Central Bank of Trinidad and Tobago (the Central Bank) regulates financial institutions licensed under the Financial Institutions Act 2008, insurance companies and intermediaries registered under the Insurance Act Chap. 84:01 and bureaus de change under the Exchange Control Act. In addition, effective December 2008, the Central Bank was given the responsibility for the regulation and supervision of money transmission and remittance business pursuant to section 36 of the Central Bank Act.

It should be noted that the FOR specifically names the Central Bank as a Supervisory Authority for ensuring the compliance of those financial institutions and persons under its purview with AML/ATF requirements. Other named Supervisory Authorities are the Trinidad and Tobago Securities and Exchange Commission (the TTSEC) for securities firms and the FIU for financial institutions that are not supervised by either the Central Bank or the TTSEC and listed businesses.

The Central Bank utilizes on-site and off-site supervisory processes to verify the compliance of its regulated institutions with the AML/ATF requirements enshrined in relevant laws, regulations and supervisory guidelines. Through its on-site examination process, the Central Bank assesses the sufficiency of controls, systems, policies and procedures implemented by financial institutions in respect of AML/ ATF. The FOR also allows the Central Bank to take any regulatory action allowed in the legislation governing the sectors that it regulates to enforce compliance with AML/ATF requirements. Such regulatory actions include:-

(i.) Issuance of warning letters based on onsite examinations and external audit reports;
(ii.) Issuance of compliance directions;
(iii.) Seeking other injunctive or equitable relief as permitted under the relevant legislation;
(iv.) Revocation of licences or registration; and
(v.) Restriction of activities.

In general, the sectors have made improvements in their AML/ATF compliance regimes. However, areas noted for further improvement include customer identification and customer verification and in some sectors, suspicious activity reporting and record keeping.

It is important to note that robust AML/ATF regimes are not confined to banking institutions as all types of financial institutions can be used to launder money or fund terrorism. Currently, stringent AML/ATF regimes for some sectors (e.g. securities firms, credit unions, money remitters, insurance brokers, listed businesses) are not yet in place. In the case of the securities sector and listed businesses, the TTSEC and the FIU are taking measures to introduce adequate AML/ATF regimes for the institutions and persons that they supervise. However, the TTSEC's efforts to date have been stymied by the non-enactment of a new Securities Industries Bill. The FIU on the other hand has initiated a registration regime for listed businesses and is also conducting training for those entities.

In addition, the Central Bank has developed and circulated an AML/ATF compliance survey to registered insurance brokers earlier this year, the results of which would be used to prioritize AML/ATF reviews of brokers and target areas for compliance for insurance brokers as a whole.

Further, in April 2011, the Central Bank issued a revised draft Guideline for Anti-Money Laundering and Combating of Terrorist Financing for consultation with the industry. The aim of the Guideline is to assist the regulated financial institutions in developing robust AML/ATF compliance programmes that are consistent with legislative and regulatory requirements and which address sector specific issues.

The Way Forward

Trinidad and Tobago must urgently address the deficiencies in its national AML/ATF regime by implementing the actions in its Action Plan. This is necessary to ensure that Trinidad and Tobago is removed from the 'enhanced grey list'. It should be noted that implementation of the Action Plan would require much greater coordination and collaboration by all stakeholders, but in particular the agencies responsible for AML/ATF compliance. Such agencies include inter alia, the Government of Trinidad and Tobago, the FIU, the law enforcement authorities, the Central Bank, the TTSEC, the Ministry of National Security and the Department of Public Prosecutions.

The Central Bank expects that a robust national AML/ATF framework established and implemented would enhance the integrity and stability of the financial sector and its integration within the global financial marketplace. Strong AML/ATF controls increase public confidence in financial institutions and national systems and promote the integration of markets and investments through cross-border financial intermediation and direct foreign investment.

Appendices

Appendix I:	Developments in Regulation and Supervision
Appendix II:	Institutions Licensed Under the FIA, 2008 As at March, 2011
Appendix III:	Insurance Companies Registered under the Insurance Act, 1980 As at March, 2011
Appendix IV:	Pension Plans Registered under the Insurance Act, 1980 As at March, 2011

Appendix I
DEVELOPMENTS IN REGULATION AND SUPERVISION

In an effort to keep pace with an ever evolving financial landscape, the Central Bank has been consistently upgrading its regulatory processes and practices to increase regulatory efficiency. This appendix highlights the most important regulatory developments since 2010.

A. All Sectors

In April 2011, the Central Bank circulated its revised **Draft Guideline on Anti-Money Laundering and Anti-Terrorist Financing** to the financial industry for review and comments. The original Guideline was issued in 2005 and has been revised to take into consideration recently enacted legislation and regulations such as the Financial Obligations Regulations and other legislation pertaining to AML and ATF.

In addition to the AML/ATF Guideline, licensed financial institutions were reminded of the requirements under the legislation to submit a report prepared by the external auditors to the Central Bank verifying the adequacy of their compliance with the AML/ATF legislation.

In March 2011, the Central Bank circulated its revised **Draft Guideline on the Approval or Notification of New/Amended Insurance and Banking Products** to the financial industry for review and comments. The Guideline was developed to assist companies with the requirements for the notification and approval process for banking and insurance products.

B. The Banking System

In April 2011, the Central Bank is conducting a **survey of fees and charges in all bank and non-bank financial institutions**. Institutions were requested to provide a detailed breakdown on all fees and charges as well as information on how they are disclosed to the general public. The Central Bank is in the process of preparing a report which would be published.

C. The Insurance Sector

Life insurance companies have begun to submit returns based on the **newly proposed risk based capital adequacy framework**. Of the nine (9) life insurance companies using the new methodology, eight (8) attained the regulatory capital ratio of above 200.0 per cent with only one (1) company lying in the range 100.0 per cent to 150.0 per cent. On average, the capital adequacy ratio is well in excess of 150.0 per cent which is the benchmark subscribed to by other jurisdictions such as Canada and, more recently, Jamaica. **(Table A.1)**

Statutory reporting by some insurance companies has been plagued by inconsistencies between the records held by the companies and the records of the trustees of their respective statutory funds. In order to minimize the risks of inaccurate reporting, external auditors have been

Appendix I
DEVELOPMENTS IN REGULATION AND SUPERVISION

Table A.1
Capital Requirement Ratio
Insurance Industry's Results

Regulatory Required Capital Ratio	Life			Non-Life		
	QIS 1	QIS 2	PR	QIS 1	QIS 2	PR
Below 50%	4	3	0	1	1	0
50% - 100%	1	0	0	2	1	2
100% - 150%	0	1	1	2	2	2
150% - 200%	0	0	0	2	4	1
Above 200%	4	7	8	4	5	4
Total	9	11	9	11	13	9
Average Ratio (excl. –ve ratios)	141%	289%	289%	155%	179%	167%

Source: Central Bank of Trinidad and Tobago.

instructed to ensure that the companies reconcile the assets held in the statutory fund with the independent trustee listing.

In an effort to address the **untimely payment of claims in the non-life insurance sector**, the Central Bank has been working with the industry to facilitate a more efficient claims payment process. The Insurance Act requires insurers to settle judgment claims within two (2) months of the date of the judgment.

Appendix II
INSTITUTIONS LICENSED UNDER THE FIA, 2008
As at March, 2011

- Citibank (Trinidad & Tobago) Limited
- FirstCaribbean International Bank (Trinidad & Tobago) Limited
- First Citizens Bank Limited
- Intercommercial Bank Limited
- Republic Bank Limited
- Scotiabank Trinidad and Tobago Limited
- RBTT Bank 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 (Under management by the Central Bank pursuant to Section 44D of the Central Bank Act)
- 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
- RBTT Asset Management Limited
- RBTT Merchant Bank Limited
- RBTT Trust Limited
- Scotiatrust and Merchant Bank Trinidad and Tobago Limited

Appendix III
INSURANCE COMPANIES REGISTERED UNDER THE INSURANCE ACT, 1980
As at March 2011

Active Life Insurance Companies

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

Active General Insurance Companies

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

Active Composite (Life & General) Insurance Companies

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

Appendix III
INSURANCE COMPANIES REGISTERED UNDER THE INSURANCE ACT, 1980
As at March 2011

Inactive Life Insurance Companies

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

Inactive General Insurance Companies

- Antilles Insurance Limited
- Citizens Insurance Company Limited (In Compulsory Liquidation)
- Equitable Insurance Company Limited
- Goodwill Insurance Company Limited (In Compulsory Liquidation)
- Nem (West Indies) Insurance Limited
- Mountain General Insurance Company Limited
- Royal Caribbean Insurance Limited (De-registered)

Inactive Composite (Life & General) Insurance Companies

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

Active Association of Underwriters

- Lloyd's Underwriters

Appendix IV
PENSION PLANS REGISTERED UNDER THE INSURANCE ACT, 1980
As at March, 2011

ACTIVE PENSION PLANS

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

Appendix IV
PENSION PLANS REGISTERED UNDER THE INSURANCE ACT, 1980
As at March, 2011

- Century Eslon Ltd. Pension Fund Plan
- Citibank (Trinidad and Tobago) Ltd. Pension Fund Plan
- Clark and Battoo Ltd. Staff Pension Fund Plan
- Clico Investment Bank Ltd. Staff Pension Fund Plan
- Coates Brothers (Caribbean) Ltd. Pension Fund Plan
- Coca Cola Bottling (Trinidad and Tobago) Pension Fund Plan
- Coconut Growers Association Pension Fund Plan
- Colonial Fire and General Insurance Company Ltd. Pension Fund Plan
- Colonial Life Insurance Company (Trinidad) Ltd. Staff Pension Fund Plan
- Consolidated Insurance Consultants Ltd. Pension Fund Plan
- Coopers and Lybrand Pension Fund Plan
- Courts (Trinidad) Ltd. Pension Fund Plan
- CUNA Caribbean Insurance Society Pension Fund Plan
- Development Finance Ltd. Pension Fund Plan
- Diego Martin Credit Union Cooperative Society Staff Pension Fund Plan
- E&Y Services Ltd. Pension Fund Plan
- EOG Resources Trinidad Ltd. Employees Pension Fund Plan
- Eric Solis Marketing Ltd. Staff Pension Fund Plan
- F.T. Farfan and Sons Ltd. Pension Fund Plan
- Ferreira Optical Ltd. Pension Fund Plan
- First Citizens Bank Pension Fund Plan
- Fujitsu ICL Caribbean (Trinidad) Ltd. Pension Fund Plan
- Furness Trinidad Ltd. Pension Fund Plan
- Global Santa Fe South America LLC Pension Fund Plan
- Grace Kennedy Trinidad and Tobago Ltd. Pension Fund Plan
- Group Pension Plan for the Managerial Employees of American Life and General Insurance Company (Trinidad and Tobago) Ltd.
- Group Pension Plan for the Non-Managerial Employees of American Life and General Insurance Company (Trinidad and Tobago) Ltd.
- Gulf Engineering Services Ltd. Pension Fund Plan
- Gulf Insurance Ltd. Pension Fund Plan
- Guyana and Trinidad Mutual Fire Insurance Company Ltd. Pension Fund Plan
- H.S Services Ltd. Pension Fund Plan
- Halliburton Trinidad Ltd. Pension Fund Plan
- Hand Arnold (Trinidad) Ltd. Employees Pension Scheme
- Home Construction Ltd. Staff Pension Fund Plan
- Hydro Agri Trinidad Ltd. Pension Fund Plan
- IBM World Trade Corporation (Trinidad) Retirement Plan
- Industrial Agencies Limited (IAL) Engineering Ltd. Pension Fund Plan

Appendix IV
PENSION PLANS REGISTERED UNDER THE INSURANCE ACT, 1980
As at March, 2011

- Insurance Brokers West Indian Ltd. Pension Fund Plan
- J.N. Harriman and Company Ltd. Pension Fund Plan
- J.T.A Supermarkets Ltd. Pension Fund Plan
- Johnson and Johnson (Trinidad) Ltd. Staff Pension Fund Plan
- Joseph Charles Bottling Works and Investments Ltd. Pension Fund Plan
- Junior Schools Ltd. Staff Pension Plan
- L.J. Williams Pension Fund Plan
- Lake Asphalt of Trinidad and Tobago (1978) Ltd. (Monthly) Pension Fund Plan - Staff
- Lake Asphalt of Trinidad and Tobago (1978) Ltd. (Weekly) Pension Fund Plan - Employees
- Lange Trinidad Ltd. Pension Fund Plan
- Laughlin and DeGannes and Associate Companies Pension Fund Plan
- Lazzari and Sampson Ltd. Pension Fund Plan
- Lever Brothers (West Indies) Ltd. Pension Fund Plan
- Life of Barbados Pension Fund Plan
- Lonsdale/Saatchi and Saatchi Advertising Ltd. Staff Pension Fund Plan
- Mainstream Foods Ltd. Pension Fund Plan
- Mandev-Qualassure Pension Fund Plan
- Maritime Life (Trinidad) Ltd. Pension Fund Plan
- Master Mix of Trinidad and Tobago Ltd. Pension Fund Plan
- Mc Cann Erickson (Trinidad) Ltd. Pension Fund Plan
- Medianet Ltd. Monthly paid Staff Pension Fund Plan
- Mega Insurance Company Ltd. Pension Fund Plan
- Mittal Steel Point Lisas Ltd. Pension Fund Plan
- MTS Pension Fund Plan
- N.E.M (West Indies) Staff Superannuation Scheme
- National Flour Mills Pension Fund Plan
- National Gas Company of Trinidad and Tobago Pension Fund Plan
- National Helicopter Services Ltd. Pension Fund Plan
- National Insurance Board Pension Fund Plan
- National Insurance Property Development Company Ltd. Pension Fund Plan
- National Library and Information System Authority (NALIS) Pension Fund Plan
- National Union of Government and Federated Workers- Elected Officers Pension Fund Plan
- National Union of Government and Federated Workers- Staff Pension Fund Plan
- Navarro's Shipping Ltd. Pension Fund Plan
- Neal and Massy Group Pension Fund Plan
- Nestle Trinidad Ltd. Pension Fund Plan
- Nestle Unionized Employees Pension Fund Plan
- Niherst Pension Fund Plan
- Oilfield Workers Trade Union Staff Pension Fund Plan

Appendix IV
PENSION PLANS REGISTERED UNDER THE INSURANCE ACT, 1980
As at March, 2011

- PCS Nitrogen Trinidad Ltd. Pension Fund Plan No.1
- PCS Nitrogen Trinidad Ltd. Pension Fund Plan No.2
- Penta Paints Caribbean Ltd. Pension and Widows Benefit Scheme
- Pepsi Cola Trinidad Bottling Company Ltd. Pension Fund Plan
- Perreira & Company Ltd. Staff Pension Fund Plan
- Phoenix Park Gas Processors Ltd. Staff Pension Fund Plan
- Point Lisas Industrial Development Corporation Ltd. Pension Fund Plan
- Port Authority of Trinidad and Tobago Daily Paid Pension Fund Plan
- Port Authority of Trinidad and Tobago Monthly Paid Pension Fund Plan
- Prestige Holdings Ltd. Pension Fund Plan
- Print - A - Pak Ltd. Pension Fund Plan
- RBP Elevator and Escalator Ltd. Pension Fund Plan
- RBTT Pension Fund Plan
- Regional Health Authority Pension Fund Plan
- Rentokil International (Trinidad) Ltd. Pension Fund Plan
- Republic Bank of Trinidad and Tobago Ltd. Pension Fund Plan
- Rhand Credit Union Co-operative Society Ltd. Staff Pension Fund Plan
- Royal Caribbean Ins. Co. Ltd. Pension Fund Plan
- Scotiabank Trinidad and Tobago Ltd. Pension Fund Plan
- Sealand Services Inc. Pension Fund Plan
- Selco Ltd. Pension Fund Plan
- Servol Ltd. Pension Fund Plan
- Small Business Development Company Ltd. Staff Pension Fund Plan
- Southern Medical Clinic Ltd. Pension Fund Plan
- Southern Sales and Services Company Ltd. Pension Fund Plan
- Stellar Distributions (Trinidad) Staff Pension Fund Plan
- T. Geddes Grant (Trinidad) Staff Savings Pension Fund Plan
- T. Geddes Grant Ltd. Pension Fund Plan
- Tatil Life Sales Representatives Pension Fund Plan
- TECU Credit Union Co-operative Society Ltd. Pension Fund Plan
- Telecommunications Services of Trinidad and Tobago Ltd. Pension Fund Plan
- Texaco (Trinidad) Ltd. Staff Retirement Plan
- The Agents of American Life and General Insurance Company (Trinidad) Ltd. Pension Scheme
- The Beacon Insurance Company Ltd. Pension Fund Plan for Monthly and Weekly Paid Employees
- The Demerara Life Assurance Company of Trinidad and Tobago Ltd. Sales Staff Pension Plan
- The Group Pension Fund Plan for Non-Professional Employees of Fitzstone Ltd.
- The Home Mortgage Bank Pension Fund Plan
- The Incorporated Trustees of the Anglican Church in the Dioceses of Trinidad and Tobago Pension Fund Plan

Appendix IV
PENSION PLANS REGISTERED UNDER THE INSURANCE ACT, 1980
As at March, 2011

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

Appendix IV
PENSION PLANS REGISTERED UNDER THE INSURANCE ACT, 1980
As at March, 2011

- Trintoplan Consultants Ltd. Staff Pension Fund Plan
- United States of America Embassy in Trinidad and Tobago Pension Fund Plan
- Waste Disposal Ltd. Pension Fund Plan
- Water and Sewerage Authority Pension Fund Plan
- West Indian Tobacco Company Ltd.Staff Pension Fund Plan
- Western Scientific Company Ltd. Pension Fund Plan
- William H Scott Ltd. Pension Fund Plan
- Y. De Lima and Company Ltd. Pension Fund Plan
- Youth Training and Employment Partnership Programme Ltd. Pension Fund Plan

PENSION PLANS IN THE PROCESS OF BEING WOUND UP

- Associated Battery and Metal Industries Trinidad Ltd. Pension Fund Plan
- Aviation Services Trinidad and Tobago Ltd. Pension Fund Plan
- B.H. Rose Ltd. Pension Fund Plan
- Bottlers Ltd. Pension Fund Plan
- British Airways Pension Fund Plan
- BWIA (Ltd) Pilots Provident Fund
- C. Lloyd Trestrail & Co. Ltd. Pension Fund Plan
- Caribbean Packaging Industries Ltd. Pension Fund Plan for Senior Staff
- Caroni (1967) Ltd. Pension Fund Plan
- Caroni (1975) Ltd. Daily Paid Employees Contributory Pension Fund Plan
- Caroni (1975) Ltd. Employees Pension Fund Plan
- Cliffs and Associates Ltd. Pension Fund Plan
- Colgate Palmolive (Caribbean) Inc. Pension Fund Plan
- Colonial Life Insurance Co. (Trinidad) Ltd. Agents Pension Fund Plan
- Corbin Compton Ltd. Staff Pension Fund Plan
- Crown Life Caribbean Ltd. Employees Pension Fund Plan
- CTC Electronics Ltd. Pension Fund Plan
- Electrotec Services Ltd. Pension Fund Plan
- Employers Consultative Association Pension Fund Plan
- F.W. Woolworth Ltd. Pension Fund Plan
- General Building and Loan Association Staff Pension Fund Plan
- George Wimpey Caribbean Ltd. Pension Fund Plan
- Goellnicht and Stollmeyer (Marketing) Ltd. Pension Fund Plan
- Gordon Grant Staff Pension Fund Plan
- Guardian Life of the Caribbean Ltd. Pension Fund Plan
- Industrial Development Corporation Pension Fund Plan

Appendix IV
PENSION PLANS REGISTERED UNDER THE INSURANCE ACT, 1980
As at March, 2011

- Inglefield Ogilvy & Mather Caribbean Pension Fund Plan
- Insurance Consultants Ltd. Pension Fund Plan
- International Loss Adjusters Ltd. Pension Fund Plan
- Label House Ltd. Staff Pension Fund Plan
- Metal Industries Company Pension Fund Plan
- National Agro Chemicals Pension Fund Plan
- National Broadcasting Services of Trinidad and Tobago Pension Fund Plan
- Nationwide Staff "A" Pension Fund Plan
- Nationwide Staff "B" Pension Fund Plan
- Nationwide Staff "C" Pension Fund Plan
- Orange Grove National Company Ltd. Pension Fund Plan
- Premier Consolidated Oilfields Ltd. Pension Fund Plan
- PriceWaterhouse Coopers Ltd. Pension Fund Plan
- Rediffusion (Trinidad) Ltd. Pension Fund Plan
- Reinsurance Company of Trinidad and Tobago Ltd. Pension Fund Plan
- Santana Services Ltd. Pension Fund Plan
- Sherwin Williams (Caribbean) N.V. Pension Fund Plan
- Sissons Paints Ltd. Staff Pension Fund Plan
- Smith International Inc. Pension Fund Plan
- Stephens and Ross Ltd. Pension Fund Plan
- Super Chem Pension Fund Plan
- Swan Hunter Trinidad Ltd.Pension Fund Plan
- The National Commercial Bank of Trinidad and Tobago Pension Fund Plan
- The Shipping Corporation of Trinidad and Tobago Ltd. Pension Fund Plan
- Tourism & Industrial Development Co. of Trinidad & Tobago Pension Fund Plan
- Trinidad & Tobago Forest Products Ltd. Staff Pension Fund Plan
- Trinidad and Tobago BWIA International Airways Pension Fund Plan
- Trinidad and Tobago Export Development Corporation Pension Fund Plan
- Trinidad and Tobago Oil Company - Local Fund
- Trinidad and Tobago Oil Company Ltd. Provident Fund
- Trinidad and Tobago Printing and Packaging Company Pension Fund Plan
- Trinidad and Tobago Television Company Ltd. Pension Fund Plan
- Trinidad Broadcasting Company Ltd. Pension Fund Plan
- Trinidad Shipping Company Ltd. Retirement Pension Fund Plan
- Trinidad Textile Manufacturing Company Ltd. Pension Fund Plan
- Van Leer Containers Trinidad Ltd. Pension Fund Plan
- West Indian National Insurance Company Pension Fund Plan
- Workers Bank (1989) Ltd. Pension Fund Plan
- Yorke Structures Ltd. Pension Fund Plan

Central Bank of
Trinidad & Tobago

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