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Central Bank of Trinidad & Tobago

Financial STABILITY REPORT

December 2011

Central Bank of Trinidad and Tobago
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EXECUTIVE SUMMARY

Macroeconomic Environment

In 2011, the incipient global recovery following the financial crisis of the previous two years faltered badly. Natural disasters in Japan and elsewhere, political turmoil in the Middle East and North Africa and a resurgence in commodity prices set back stabilization efforts in several areas. Moreover, despite intense international policy dialogue and support programs, sovereign debt problems rocked the European banking sector, dimmed the growth prospects for most European nations and sent shock waves to international financial markets. As a result, real GDP growth in advanced economies turned out to be much lower than initially anticipated, although performance in the emerging markets was fairly robust. Some Caribbean economies benefitted from a pick-up in tourist arrivals and remittance flows, but high public debt and the rise in commodity prices created a drag on activity in several territories.

The Trinidad and Tobago economy was estimated to have contracted by 1.4 per cent in 2011. Output in the energy sector slipped in the context of heightened maintenance operations and maturing oil fields, while non-energy production was adversely affected by a reduction in working hours in the context of a curfew in several areas of the country in August-November. Inflation dropped into the single digits for most of 2011, strengthening the case for the continuation of the Central Bank's accommodative monetary policy. The repo rate was reduced to its lowest level of 3.00 per cent, prompting banks to also lower loan as well as deposit rates. With businesses hesitant to increase indebtedness in the subdued economic climate, limited company listings on the Stock Exchange and few new public sector bond offerings, liquidity in the financial system surged in 2011. By the final quarter of the year, however there were indications of a small revival in private sector credit demand.

The macroeconomic environment posed several challenges for the domestic financial system. Faced with lower demand for their products, businesses remained reluctant to increase their financial leverage. Some firms as well as individuals also had greater difficulty in servicing their loans on time, resulting in an increase in non-performing loans. This was especially true for debts associated with high-end real estate projects. Growth in deposits in financial institutions outpaced the increase in lending, contributing to unprecedented levels of liquidity and the decline in interest rates to record lows.

While deposit-taking financial institutions were able to offer lower rates to attract deposits, they also earned less interest on their investments and other assets. Several financial institutions reined in operating expenses in order to protect their profitability. Available insurance company data also show that insurers struggled to grow premium income and experienced slower asset growth in 2011. Overall, despite substantially slower growth in premium income over the course of the year, the insurance sector as a whole remained relatively stable, although several non-life companies, particularly those dealing with motor insurance, still need to substantially improve their operations.

Commercial Banks

Notwithstanding the challenges, the commercial banking system in Trinidad and Tobago remained stable, well capitalized and profitable, although close monitoring needs to continue on the quality of the loan portfolio and asset concentration:

- Banks experienced a sizeable build up in liquidity with excess reserves at the Central Bank rising to a daily average of $4.6 billion in September 2011 from $1.6 billion in June 2011. At end-September 2011, the ratio of liquid assets to total assets stood at 26.8 per cent, 4.5 percentage points higher than in September 2010.

- The ratio of non-performing loans (NPLs) to gross loans rose to 7.5 per cent in September 2011 from 6.8 per cent at the end of 2010, primarily reflecting weaknesses in the high-end real estate market.

- The ratio of provisions to NPLs declined from 35.6 per cent at the end of 2010 to 30.8 per cent in September 2011. The decline in the provisions/NPL ratio at the same time as the rise in the incidence of NPLs primarily reflected: a) write-off of large loans that had incurred heavy provisions and b) the fact that some loans that had slipped into the nonperforming category were backed by substantial collateral and government guarantees and so required less provisioning.

- As at September 2011, the large exposures (credits exceeding 10 per cent of capital to a borrowing entity) in the commercial banking system were mainly in the Finance, Real Estate, Energy/Mining and Construction sectors. High exposure of a few banks to certain sectors may represent a potential vulnerability.

- Commercial banks' exposure to foreign markets rose in the first nine months of 2011, primarily due to larger holdings of US government securities, mainly treasury bills. Exposure to the Caricom area has declined to 3.3 per cent as at September 2011 from 3.7 per cent at the end of 2010.

- In 2011, interest income declined and in an attempt to maintain their profit margins, banks took steps to reduce operating expenses. The return on equity ratio slipped to 16.8 per cent in September 2011, from 17.2 per cent in 2010, while return on assets held at 2.3 per cent. While profitability ratios were lower than in previous years they nevertheless remained quite strong by regional and international standards.

- At September 2011, the ratio of regulatory capital to risk weighted assets was 25.8 per cent, a ratio which is well in excess of the statutory minimum requirements (8 per cent) and among the highest in the Latin American and Caribbean regions. Further, the ratio of core (tier I) capital to risk weighted assets stood at 22.9 per cent at September 2011.

Non-Bank Financial Institutions

- Non-Banks have taken steps to strengthen their asset quality by reducing their exposure to weak and non performing assets, through in some instances, the sale of NPLs to commercial banks. Non-banks' ratio of NPLs to gross loans dropped to 4.1 per cent in September 2011 from 11.7 per cent a year earlier.

- With a healthier loan portfolio backed by higher value collateral, specific provisions declined to 29.6 per cent of impaired assets in September 2011, from 48.2 per cent in September 2010.

- In the nine months to September 2011, non-banks saw an upturn in profitability, bolstered by increases in fee income and substantial reduction in bad debt charges and interest expenses. The return on equity ratio jumped to 22.1 per cent by September 2011 from 4.5 per cent in 2010, while the return on assets rose to 8.4 per cent from 1.4 per cent over the same period.

- At end of September 2011, the large exposures in the non-banking sector were principally in the Finance, Electricity/Water and Other Services sectors.

- The non-banking sector remained well capitalized, with a capital adequacy ratio of 38.2 per cent as at the end of September 2011, well above the statutory limit of 8 per cent.

Life Insurance Companies

- Capital adequacy indicators remained fairly stable between 2007 and 2010 but declined somewhat in 2011 due to an increase in policyholder reserves. Nonetheless, the ratio of capital to technical reserves remains well above the international bench mark which is usually in the 7 per cent to 10 per cent range.

- Asset quality has improved as companies reduced their exposures (accounts receivables) to related parties in response to regulatory recommendations. Companies have also progressively increased their holdings of government bonds, while at the same time there has been a reduction in equity holdings.

- The return on investment fell slightly to 5.7 per cent as at September 2011 from 6.6 per cent in September 2009 mainly because re-investment opportunities were constrained by low interest rates and the limited issuance of new government and corporate bonds. The return on equity ratio rose to 11.5 per cent in 2011 from 8.1 per cent in 2010 as pre-tax profit increased, while equity capital fell.

- The liquidity ratio (liquid assets to short-term liabilities) rose as companies held more short-term assets (fixed deposits) in their portfolios. It should be noted that with a large portion of the Government securities concentrated in short to intermediate range tenors, reinvestment risk could pose a significant challenge to life insurance companies.

Non-Life Insurance Companies

- The motor insurance industry continues to be challenged by inadequate claims reserving, prompting the Central Bank to issue compliance directions to several companies in 2011.
- In 2011, in a bid to reduce their direct risk exposure, property insurers increased the amount of reinsurance held with international companies.
- Asset quality in relation to receivables deteriorated over the year due to an increase in outstanding amounts owed. This implies that the sector needs to monitor its credit control mechanisms more closely.
- The net technical reserves ratio (which is a measure of net technical reserves held relative to net claims paid out) showed a significant increase in 2011 due to regulatory action by the Central Bank to strengthen the claims reserves for motor vehicle business.
- The ratio of investment income to net premiums decreased in 2011 due to the low interest rate climate. As a result, the return on equity and return on assets ratios both displayed decreasing trends.
- Unlike some other financial entities, the liquidity ratio (measured by liquid assets to current liabilities) declined to 46.4 per cent in 2011 from 57.5 per cent in 2010, due mainly to a reduction in fixed deposit holdings.

Pensions

Some of the key features of the private pension system discussed in this Report are as follows:

- Private pension plans continue to account for a significant proportion (12.4 per cent as at 2010) of the assets of the financial system.
- Pension plans continue to hold large amounts of cash and pursue a relatively conservative investment strategy, with corporate trustees generally maintaining equity holdings equivalent to less than the allowed ratio of 50 per cent of their assets.
- The major component of pension plans' investment portfolios are in Trinidad and Tobago government bonds, local corporate bonds and equities.

CHAPTER 1

THE MACROECONOMIC ENVIRONMENT

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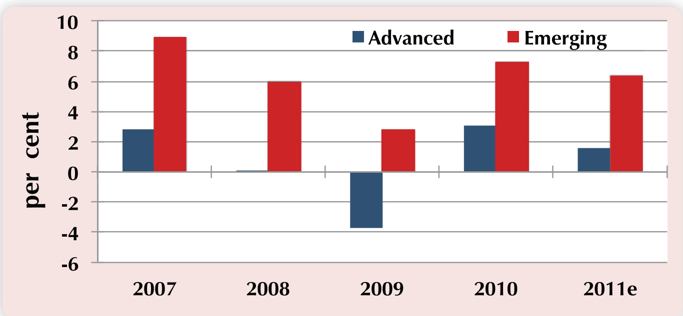
THE MACROECONOMIC ENVIRONMENT

Macroeconomic Developments[1]

The global economy in 2011 was marked by strong growth in emerging markets and some developing countries alongside a weak, faltering recovery in advanced economies **(Chart 1.1)**. The devastating earthquake and tsunami in Japan, political upheaval in the Middle East and North Africa and severe sovereign debt concerns in the euro area weighed heavily on real sector activity and financial markets. The United States economy remained very sluggish in 2011, although signs emerged toward the end of the year that new jobs were slowly being created. In terms of policy, the Federal Reserve undertook to maintain the almost zero federal funds rate at least through to mid-2013, but there remained disagreement along political lines regarding the appropriate fiscal policies to stimulate the economy. Despite intense international policy dialogue and support programs, sovereign debt problems rocked the European banking sector, dimmed the growth prospects for most European nations and sent shock waves to international financial markets.

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



Source: International Monetary Fund, World Economic Outlook Database, September 2011.

Performance in the emerging markets varied during the year but overall activity was robust. The expansion was buoyed by domestic demand, higher commodity prices and net inflows of private capital. In some economies, particularly in China, India and Brazil, growth was so strong that concerns surfaced about possible overheating and macroeconomic policies started to be tightened. Across Central and South America, growth stayed strong but slipped somewhat in 2011. Most Caribbean economies experienced a muted recovery in 2011, with some pick-up in tourist arrivals and remittance flows, although high levels of public debt and increased commodity prices created a drag on activity in some territories **(Table 1.1)**.

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

Table 1.1
Real GDP Growth: Selected Caribbean Countries

/Per cent/

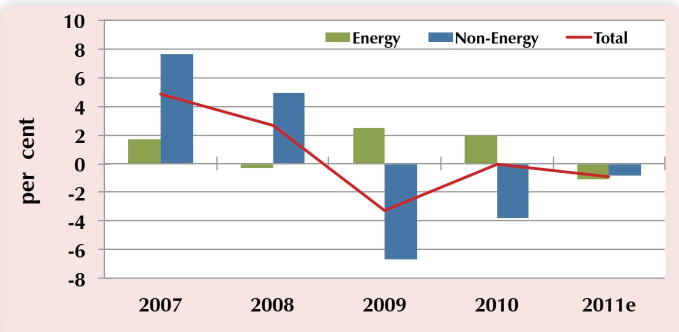
	2007	2008	2009	2010	2011e
The Bahamas	1.4	-1.3	-5.4	0.9	2.0
Barbados	3.8	-0.1	-3.8	0.2	1.0
Belize	1.2	3.7	1.4	2.8	2.5
Eastern Caribbean	5.4	2.8	-5.7	-2.2	0.4
Guyana	7.0	2.0	3.3	4.4	5.1
Jamaica	1.4	-0.8	-3.1	-1.4	1.5
Suriname	4.6	4.1	3.5	4.5	4.0

Sources: Regional Statistical Institutes, Regional Central Banks and International Monetary Fund.
e: Estimate.

Within this challenging global setting, the Trinidad and Tobago economy was estimated to have contracted by 1.4 per cent in 2011, following no growth in the previous year **(Chart 1.2)**. Despite increases in exploration activity, available data pointed to a drop in output in the energy sector, particularly in crude oil and natural gas production due to maintenance operations and maturing oil fields. The non-energy sector was also estimated to have contracted slightly. Signs of a slight pick-up towards the middle of the year were reversed by the subsequent effect of a curfew-induced reduction in working hours in August-November on production. Meanwhile, the slackening of demand pressures and the dissipation of a weather-related supply shock that occurred in 2010 helped to keep down the rise in food prices, and headline inflation dropped into the single digits for most of 2011 **(Chart 1.3)**.

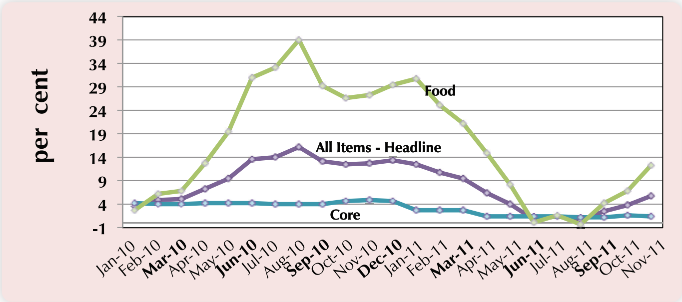
Chart 1.2
Real GDP Growth: Trinidad and Tobago

/Per cent Change/



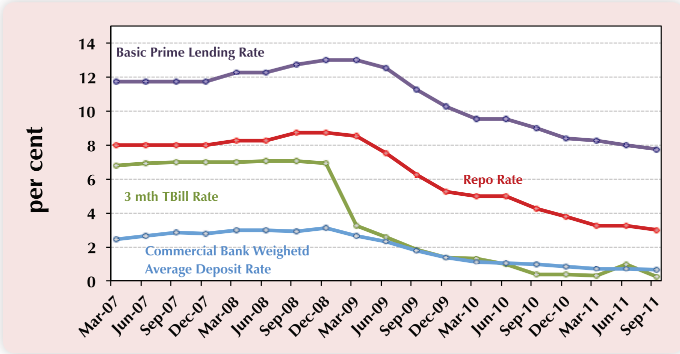
Source: Central Statistical Office of Trinidad and Tobago.

Chart 1.3
Index of Retail Prices
/Year-on-Year Per cent Change/



Source: Central Statistical Office of Trinidad and Tobago.

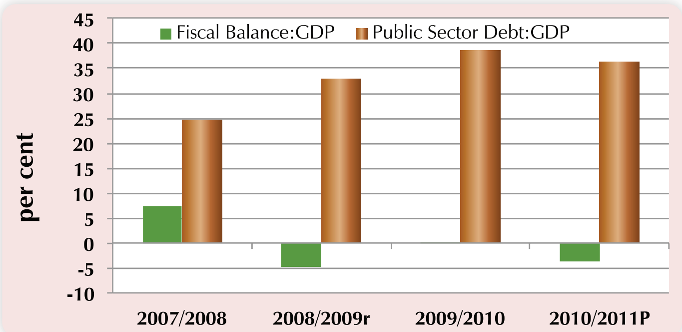
Chart 1.5
Selected Interest Rates
/Per cent/



Source: Central Bank of Trinidad and Tobago.

On the policy front, the Central Government ran a deficit in 2010/2011 (October to September) of a provisionally estimated 3.6 per cent of GDP in order to help stimulate economic activity **(Chart 1.4)**. The initial impact on the public sector debt was small—a 1 per cent increase to around 36.3 per cent of GDP—as much of the budget financing came from a drawdown of the government's deposits at the Central Bank. Monetary policy meanwhile was also accommodative. The repo rate was reduced on several occasions to its lowest ever rate of 3.00 per cent. The declines in the repo rate as well as the high levels of excess liquidity in the banking system led commercial banks to cut their lending rates as well as deposit rates **(Chart 1.5)**.

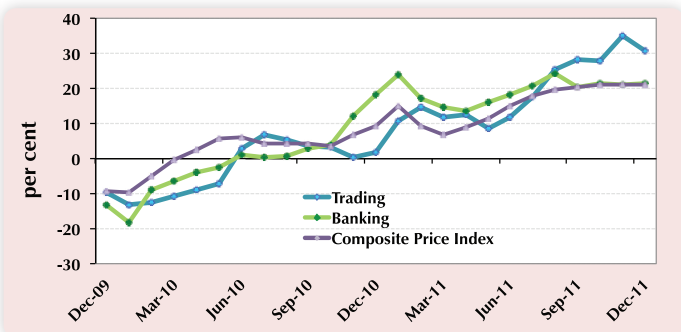
Chart 1.4
Fiscal Balance and Gross Public Sector Debt to GDP
/Per cent/



Source: Ministry of Finance.

There was in fact a general softening of interest rates across the financial system to very low levels, helping to spark interest in equity investments. This boosted stock market prices **(Chart 1.6)** although, with the exception of a few large one-off transactions, the actual volume of activity was limited because of the relatively small number of companies listed on the domestic Stock Exchange. By the third quarter of 2011, there were indications of an incipient revival in private sector credit demand, including from businesses, as financial institutions sought to rebuild their loan portfolios **(Chart 1.7)**. Real estate mortgage loans also continued to respond positively to the lower interest rate climate, with growth accelerating over the year to 9.8 per cent in September, 2011 (12-month basis).

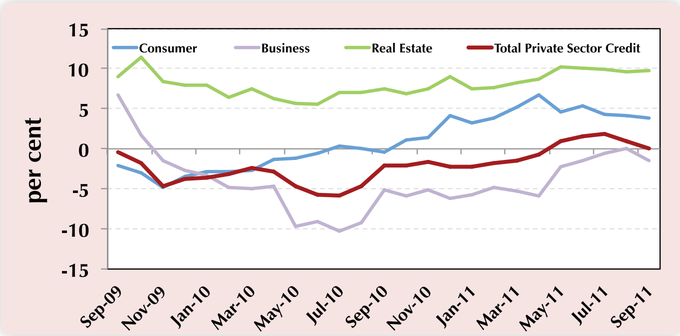
Chart 1.6
Trinidad and Tobago Stock Price Indices - Selected Sub-Sectors
/Year-on-Year Per cent Change/



Source: Trinidad and Tobago Stock Exchange.

Chart 1.7
Credit by the Consolidated Financial System: Major Categories

/Year-on-Year Per cent Change/



Source: Central Bank of Trinidad and Tobago.

Table 1.2
Selected Macroeconomic Indicators, 2005 – 2011

(in per cent unless otherwise indicated)

	2005	2006	2007	2008	2009	2010	2011[P]
Real GDP Growth (year-on-year change)	6.2	13.4	4.8	2.7	-3.3	0.0	-1.4
Energy	8.3	21.8	1.7	-0.3	2.5	2.0	0.0
Non-Energy	5.0	6.4	7.6	4.9	-6.7	-3.8	-1.0
Construction	16.1	6.2	7.1	4.5	-7.1	-28.4	-7.9
Distribution	4.5	15.1	3.3	9.8	-21.2	-11.6	-8.5
Finance, Insurance and Real Estate	-2.4	1.0	10.4	3.1	-4.5	8.1	4.3
Inflation (12 month change)							
Headline	7.2	9.1	7.6	14.5	1.3	13.4	5.7*
Food Inflation (%)	22.6	22.0	16.8	30.6	-0.2	29.5	12.3*
Core	2.7	4.6	3.9	7.1	2.2	4.7	1.4*
Unemployment Rate (period average)	8.0	6.2	5.5	4.6	5.3	5.9	6.3**
Equity Prices							
Composite Stock Price Index (1000=1983)	1,067.4	969.2	982.0	842.9	765.3	835.6	1,012.9
Real Estate Prices							
Median House Price (TT$)	951,250	1,065,000	1,076,994	930,000	850,000	875,000	1,000,000**
Fiscal Balance/GDP (fiscal year)	5.2	6.9	1.7	7.5	-4.9	0.1	-3.6
Public Sector Debt/GDP (end of fiscal year)^	35.6	32.1	28.8	24.7	32.9	38.6	36.3
External Current Account/GDP	22.4	39.4	24.7	31.2	8.2	18.3	5.4**
Net Official Reserves (US$Mn) (end of period)	3,998.8	5,117.6	6,658.7	9,364.2	8,651.6	9,070.0	9,822.7
Import Cover *(months)*	8.9	9.9	9.4	11.5	11.9	13.1	11.9
Energy Prices (period average)							
Petroleum (WTI - US$/bbl)	56.6	66.0	72.3	99.6	61.7	79.4	95.1
Natuarl Gas (Henry Hub - US$/mmbtu)	8.9	6.8	7.0	8.9	4.0	4.4	4.0
Methanol (US$/tonne)	284.1	376.4	434.2	504.0	241.0	338.3	430.0

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

[P] Provisional.
^ 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.
* As at November 2011.
** As at June 2011.

CHAPTER 2

FINANCIAL SECTOR DEVELOPMENTS

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FINANCIAL SECTOR DEVELOPMENTS

Background[2]

Against the backdrop of sluggish economic activity that characterized most of 2011, growth in deposits in financial institutions outpaced the increase in lending to the private sector. With limited supply of new government issues, banks increased their foreign investments and accumulated excess deposits at the Central Bank. Economic conditions also affected the insurance industry, with insurers experiencing slower asset growth and struggling to attract new business. This Chapter presents some of the main characteristics of asset and liability movements in banks, non-bank financial institutions and insurance companies up to the end of the third quarter of 2011.

[2]See Table 2.1 for the structure of the financial system up to 2010.

Table 2.1
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
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
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 Capitalization (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.

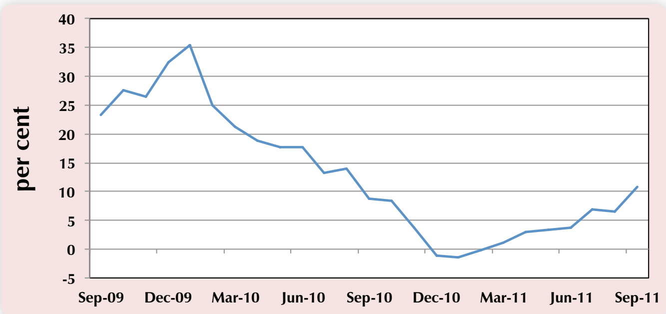
A. Commercial Banks

With limited alternative investment opportunities and low returns on other financial instruments, many investors/savers opted to keep their funds in commercial bank demand deposits. Total commercial bank deposits increased by 10.9 per cent in the twelve months to September 2011 compared with 8.7 per cent one year earlier **(Chart 2.1)**. With interest rates on time and savings deposits slipping to record low levels, customers retained a sizeable portion of their funds in transaction balances (demand deposits) in order to be poised to take advantage of any emerging return-earning opportunities. Demand deposits rose by 26.4 per cent in September 2011 (year-on-year), while time deposits fell by

13.1 per cent **(Table 2.2)**. Median rates on 3-6 month time deposits fell sharply to 0.35 per cent in September 2011 from 0.78 per cent a year earlier **(Table 2.3)**. The deposit-to-loan ratio, an indicator of the banks' liquidity, grew to 167.5 per cent in September 2011 from 158.1 per cent in September 2010 **(Chart 2.2)**.

Chart 2.1
Commercial Banks: Growth in Total Deposits

/Year-on-Year Per cent Change/



Source: Central Bank of Trinidad and Tobago.

Table 2.2
Commercial Banks: Deposits

	Total Outstanding Sep 2010 (TT$m)	Total Outstanding Sep 2011 (TT$m)	Year-on-Year Change Sep 2010 (Per cent)	Year-on-Year Change Sep 2011 (Per cent)
Demand Deposits				
Non Interest Bearing	6,308.8	7,581.7	-4.2	20.2
Interest Bearing	17,963.7	23,095.4	18.7	28.6
Total	**24,272.4**	**30,677.2**	**11.8**	**26.4**
Saving Deposits				
Ordinary & Cheque	16,264.8	18,501.1	24.0	13.7
Special	11,830.3	13,335.4	21.8	12.7
Total	**28,095.2**	**31,836.5**	**23.0**	**13.3**
Time Deposits				
Call Deposits	431.5	397.8	-31.1	-7.8
16 days - 3 mths	2,102.7	1,125.2	-4.4	-46.5
Over 3 mths - 6 mths	2,863.5	1,302.5	**-58.3**	**-54.5**
Over 6 mths - 1 year	11,213.4	9,956.1	23.6	-11.2
Over 1 year	1,872.6	3,280.2	1.1	75.2
Total	**18,483.7**	**16,061.8**	**-10.3**	**-13.1**
Total Deposits	**70,851.3**	**78,575.5**	**8.7**	**10.9**

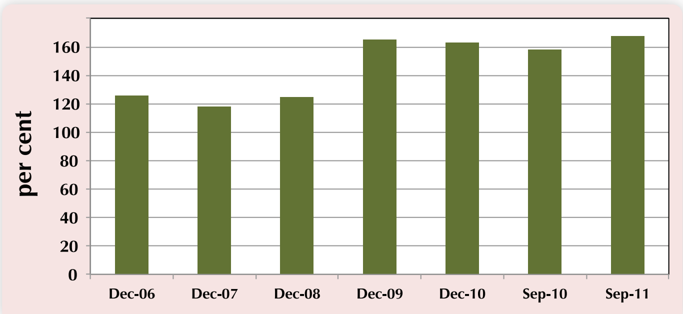
Source: Central Bank of Trinidad and Tobago.

Table 2.3
Commercial Banks: Median Deposit Rates
/Per cent/

	Sep-2010	Sep-2011
Demand Deposits		
Interest Bearing	0.0125	0.0025
Saving Deposits		
Ordinary & Cheque	0.3300	0.2000
Special	0.2900	0.2000
Time Deposits		
Call Deposits	0.2500	0.1250
16 days - 3 mths	0.5500	0.2800
Over 3 mths - 6 mths	0.7800	0.3500
Over 6 mths - 1 year	1.4500	2.0100
Total Deposits		

Source: Central Bank of Trinidad and Tobago.

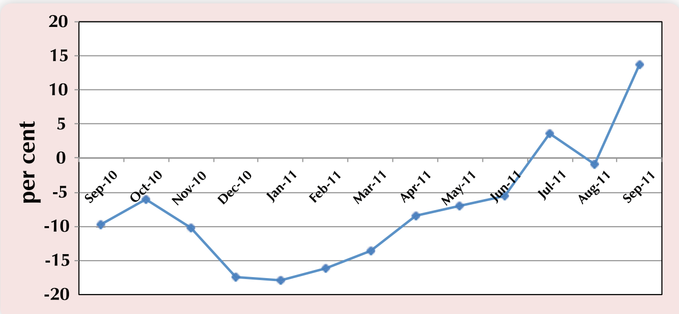
Chart 2.2
Commercial Banks: Deposit to Loan Ratio
/Per cent/



Source: Central Bank of Trinidad and Tobago.

Meanwhile, foreign currency deposit balances which had been declining for most of 2011, also increased by 13.8 per cent (year-on-year) in September 2011 **(Chart 2.3)**. As a percentage of total deposits, these balances rose to 25.9 per cent in September 2011 from 25.3 per cent in September 2010 reflecting a small rebalancing of portfolios in favour of foreign instruments.

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



Source: Central Bank of Trinidad and Tobago.

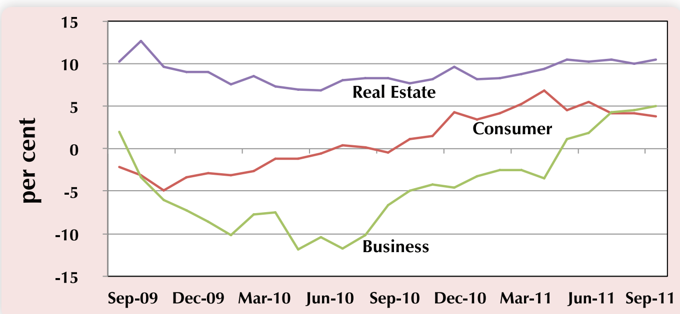
The asset side of the consolidated commercial banks' balance sheet reflected the move to more liquid instruments **(Table 2.4)**. Following an extended period of contraction, credit to the private sector recovered, albeit slowly, towards the end of the third quarter of 2011. Private sector credit granted by commercial banks grew by 4.1 per cent in the twelve months to September 2011 **(Chart 2.4)**. Consumer lending rose by 3.8 per cent, with some customers taking advantage of lower interest rates for the purpose of debt restructuring and refinancing. Bank loans granted to businesses also rose by 5 per cent (year-on-year) in September 2011 compared with a decline of 6.6 per cent a year earlier. Real estate mortgage lending, which has been the healthiest component of private sector lending over the past years, continued to grow at a robust pace in 2011. Spurred by relatively low mortgage rates, real estate mortgages loans granted by commercial banks rose by 10.5 per cent (year-on-year) in September 2011. On the other hand, there was a decline in banks' holdings of government securities resulting in a year-on-year contraction in credit granted to the public sector by 5.8 per cent in September 2011.

Table 2.4
Commercial Banks: Distribution of Assets
/Per cent/

	Dec-07	Dec-08	Dec-09	Dec-10	Sep-10	Sep-11ᵖ
Liquid Funds	15.3	21.2	23.2	22.2	20.0	23.1
Interbank Funds Sold	0.4	0.0	0.2	0.2	0.0	0.5
Investments (net)	15.1	12.5	17.3	18.2	18.8	18.3
Loans (net)	52.8	51.5	43.5	43.6	44.4	43.3
Businesses	*25.6*	*25.5*	*20.6*	*20.0*	*21.0*	*20.1*
Consumers	*21.9*	*20.5*	*17.3*	*18.4*	*17.9*	*17.7*
Other Assets	16.4	14.8	15.8	15.8	16.8	14.8

Source: Central Bank of Trinidad and Tobago.
ᵖ Provisional.

Chart 2.4
Commercial Banks: Growth of Private Sector Credit - Consumer, Business and Real Estate
/Year-on-Year Per cent Change/



Source: Central Bank of Trinidad and Tobago.

B. Non-Bank Financial Institutions[3]

Unlike their commercial bank counterparts, non-bank financial institutions continued to experience a balance sheet contraction, driven largely by shrinkage in their loan portfolio that was partly associated with more intense competition from banks. On a year-on-year basis to September 2011, net assets declined by 14.2 per cent, as the non-banks saw their loan portfolio fall by 24.1 per cent **(Table 2.5)**. This sharp downturn in credit was mainly due to a 31.3 per cent contraction in business lending and a 15.5 per cent decline in real estate mortgage loans in September 2011 **(Chart 2.5)**.

[3]This report on the non-bank financial institutions excludes CLICO Investment Bank.

In response to the slowdown in credit, non-banks adopted a strategy of reducing funding levels in order to lower expenses. Consequently, their major funding sources, such as short and longer term securitized instruments registered declines of 48.4 per cent and 21.5 per cent (year-on-year), respectively in September. Similarly, deposits fell by 19.3 per cent in September 2011 as non-banks became more selective in the acceptance of new deposits and released matured deposits (**Table 2.6 and Chart 2.6**).

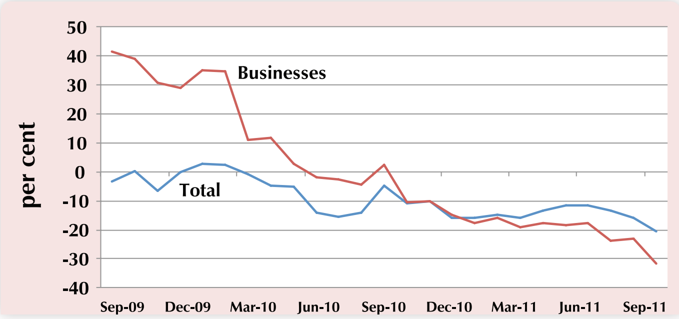
Table 2.5
Non-Banks: Distribution of Assets

/TT$ Millions/

	Dec-07	Dec-08	Dec-09	Dec-10	Sep-10	Sep-11[P]
Liquid Funds	2,497.0	1,943.7	2,221.2	1,081.6	1,314.9	1,852.6
Investments (net)	5,167.6	4,911.3	3,830.0	3,303.7	3,455.1	2,976.5
Loans (net)	4,301.4	3,959.1	4,823.0	4,666.1	4,706.5	3,572.1
Businesses	2,864.3	2,638.0	3,338.4	2,861.9	3,494.3	2,401.7
Consumers	1,128.1	1,006.0	935.5	914.8	919.4	931.6
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	696.0	727.6
Accounts Receivable	414.7	483.8	292.2	314.7	314.9	306.5
Fixed Assets	157.6	154.2	145.7	121.9	114.8	113.2
Prepaid and Other Assets	2,180.1	1,860.5	1,834.8	991.2	1,380.7	728.5
Total Assets	15,322.8	13,986.7	13,839.2	11,227.7	11,986.8	10,280.2

Source: Central Bank of Trinidad and Tobago.
[P] Provisional.

Chart 2.5
Non-Banks: Credit to the Private Sector - Total and Businesses
/TT$ Millions/



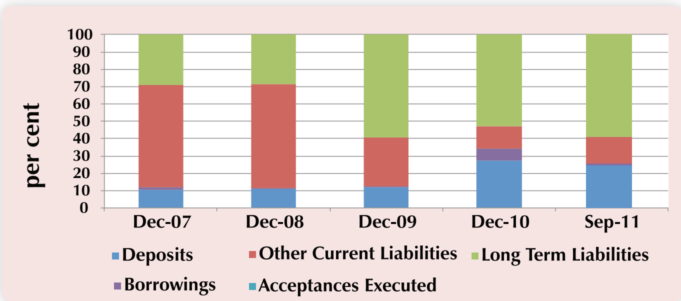
Source: Central Bank of Trinidad and Tobago.

Table 2.6
Non-Banks: Liability Portfolio Mix
/TT$ Millions/

	Dec-07	Dec-08	Dec-09	Dec-10	Sep-10	Sep-11p
Deposits	1,238.4	1,174.0	1,171.6	2,012.8	1,981.0	1,597.9
Other Current Liabilities	6,839.1	6,354.4	2,803.9	977.8	1,434.9	963.3
Long Term Liabilities	3,399.6	2,996.3	5,964.2	3,916.9	4,767.5	3,740.4
Other Liabilities	143.4	46.2	83.1	524.2	135.3	58.9
Total Liabilities	11,620.5	10,570.8	10,022.9	7,431.7	8,318.7	6,360.4

Source: Central Bank of Trinidad and Tobago.
p Provisional.

Chart 2.6
Non-Banks: Liability Portfolio Mix
/Per cent/



Source: Central Bank of Trinidad and Tobago.

C. Life Insurance Industry[4]

Historically the life insurance sector in Trinidad and Tobago sold primarily long term insurance products and held mostly government bonds in its investment portfolio. Whilst these government bonds were of a short-to medium-term nature and therefore not a perfect match for long-term liabilities, economic conditions were stable and reinvestment rates for government bonds were not expected to vary by any great extent. Furthermore, companies by using low interest rate assumptions in pricing their products built a significant conservative margin when compared with expected rates of return. In the early 2000s, life insurers took advantage of the buoyant economic conditions and expanded their holdings in equities and real estate (both for development and investment) which in some respects provide better maturity matches for the long-term liabilities.

Over the past ten years or so, the life insurance sector shifted its core product offerings to short-term insurance products such as deferred annuities and unit-linked products. By September 2011, these products grew to represent 52 per cent of policyholder liabilities, compared to 45.9 per cent in September 2008 (**Table 2.7**). On the other hand, traditional life insurance declined to roughly 35 per cent of policyholder liabilities in September 2011 compared to 37 per cent in September 2008. Further, with low yields on investments, the reduction in the discount rate used to value the actuarial liabilities of life companies has resulted in an increase in actuarial liabilities.

Table 2.7
Classification of Life Insurance: Liability Structure

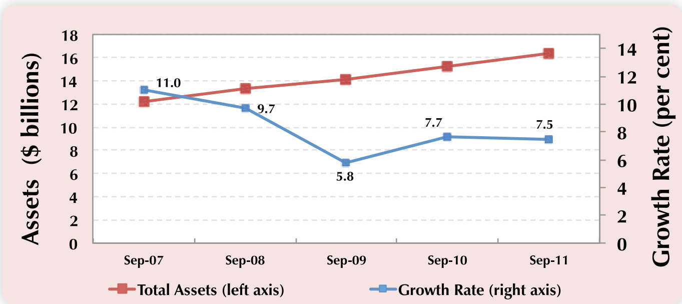
	Sep-07	Sep-08	Sep-09	Sep-10	Sep-11	Sep-07	Sep-08	Sep-09	Sep-10	Sep-11
	/TT$ Millions/					/Per cent/				
	Excluding Clico and BA									
Ordinary Life	2,948.1	3,309.9	3,333.5	3,483.1	3,994.9	36.1	36.6	35.6	34.2	34.8
Group Life	139.1	44.3	53.9	51.8	62.9	1.7	0.5	0.6	0.5	0.5
Group Pension	396.3	412.4	392.9	390.5	398.5	4.9	4.6	4.2	3.8	3.5
Deposit Administration	598.3	644.2	708.5	725.0	805.0	7.3	7.1	7.6	7.1	7.0
Individual Annuities	1,665.8	1,937.9	2,419.2	2,714.6	3,010.3	20.4	21.4	25.8	26.7	26.2
Unit Linked Funds	1,858.9	2,217.6	2,300.6	2,606.1	2,955.7	22.8	24.5	24.5	25.6	25.8
Other	561.6	483.7	162.5	214.6	246.7	6.9	5.3	1.7	2.1	2.2
Total	**8,168.1**	**9,050.0**	**9,371.2**	**10,185.6**	**11,474.1**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: Central Bank of Trinidad and Tobago.

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

Total assets of the life insurance sector increased by 7.5 per cent in the 12 months to September 2011 to reach $16.4 billion **(Chart 2.7)**. Balance sheets suggest that companies have been improving the quality of their investment portfolios. Insurers have boosted their holdings of government securities and corporate bonds by approximately $3 billion from 2008, to 61 per cent of the total investment portfolio and 42.8 per cent of total assets as at September 2011 **(Table 2.8 and Chart 2.8)**. However, unlike the trend in the early 2000s, asset allocation to less liquid investments has fallen over the past five years. As such, holdings in equities, real estate and other investments fell to 23.1 per cent in 2011 from 32.8 per cent of total investment in 2008.

Chart 2.7
Life Insurance Industry



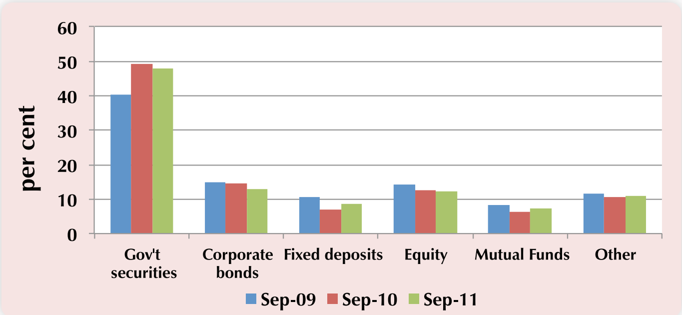
Source: Central Bank of Trinidad and Tobago.

Table 2.8
Life Insurance Assets

	Sep-07	Sep-08	Sep-09	Sep-10	Sep-11
	/TT$ Millions/				
Bank Deposits and Cash	144.6	82.2	146.2	369.4	568.3
Investments:	8,749.4	9,481.6	9,896.3	10,759.5	11,492.2
Government securities	2,463.3	3,071.4	3,993.9	5,295.9	5,513.8
Corporate Bonds	989.9	1,132.5	1,464.5	1,557.6	1,495.4
Fixed Deposits	668.0	1,312.9	1,037.4	760.3	999.8
Equity	2,559.7	1,888.4	1,424.1	1,357.9	1,412.9
Mutual Funds	817.5	858.2	814.8	660.7	831.8
Other investments	1,251.1	1,218.2	1,161.5	1,127.1	1,238.4
Loans	1,291.5	1,423.1	1,498.9	1,552.2	1,631.9
Accounts Receivable	934.4	1,199.6	1,367.7	1,315.5	1,346.3
Other Assets	1,062.5	1,181.3	1,230.4	1,228.6	1,329.0
Total	**12,182.4**	**13,367.8**	**14,139.5**	**15,225.2**	**16,367.6**
	/Per cent/				
Bank Deposits and Cash	1.2	0.6	1.0	2.4	3.5
Investments:	71.8	70.9	70.0	70.7	70.2
Government securities	20.2	23.0	28.2	34.8	33.7
Corporate Bonds	8.1	8.5	10.4	10.2	9.1
Fixed Deposits	5.5	9.8	7.3	5.0	6.1
Equity	21.0	14.1	10.1	8.9	8.6
Mutual Funds	6.7	6.4	5.8	4.3	5.1
Other investments	10.3	9.1	8.2	7.4	7.6
Loans	10.6	10.6	10.6	10.2	10.0
Accounts Receivable	7.7	9.0	9.7	8.6	8.2
Other Assets	8.7	8.8	8.7	8.1	8.1
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
	/Year-on-Year Per cent Change/				
Bank Deposits and Cash	N/A	-43.1	77.8	152.7	53.8
Investments:					
Government securities	N/A	24.7	30.0	32.6	4.1
Corporate Bonds	N/A	14.4	29.3	6.4	-4.0
Fixed Deposits	N/A	96.5	-21.0	-26.7	31.5
Equity	N/A	-26.2	-24.6	-4.7	4.1
Mutual Funds	N/A	5.0	-5.1	-18.9	25.9
Other investments	N/A	-2.6	-4.7	-3.0	9.9
Loans	N/A	10.2	5.3	3.5	5.1
Accounts Receivable	N/A	28.4	14.0	-3.8	2.3
Other Assets	N/A	11.2	4.2	-0.1	8.2
Total	**N/A**	**9.7**	**5.8**	**7.7**	**7.5**

Source: Central Bank of Trinidad and Tobago.

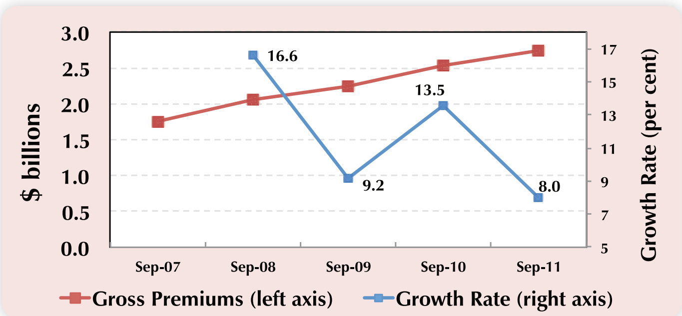
Chart 2.8
Investment Structure of Life Sector



Source: Central Bank of Trinidad and Tobago.

Gross premium income in both the traditional and wealth management product lines suffered setbacks in 2011. In the case of traditional life insurance business, growth in premium income fell to 8 per cent in September 2011 (year-on-year) from 13.5 per cent in September 2010 **(Chart 2.9)**. Growth in wealth management products (which are largely composed of individual annuities and unit linked funds) also fell to 7 per cent in the twelve months to September 2011 compared to an increase of 18 per cent in September 2010 **(Tables 2.9 and 2.10)**. The sharp retreat from the wealth management business reflected a greater hesitancy displayed by consumers to invest in this product line in the wake of the CLICO/BA fallout and the unattractive interest rate environment.

Chart 2.9
Life Industry – Gross Premiums and Growth Rate



Source: Central Bank of Trinidad and Tobago.

Table 2.9
Life Industry: Distribution of Gross Premiums by Lines of Business

	Sep-07	Sep-08	Sep-09	Sep-10	Sep-11	Sep-07	Sep-08	Sep-09	Sep-10	Sep-11
	/TT$ Millions/					/Per cent/				
Ordinary Life	445.3	448.5	477.5	513.4	524.5	25.4	21.9	21.4	20.2	19.1
Group Life	117.7	157.9	172.3	179.3	208.8	6.7	7.7	7.7	7.1	7.6
Group Pension	18.2	16.0	17.6	24.2	20.9	1.0	0.8	0.8	1.0	0.8
Deposit Administration	31.1	40.6	52.2	41.7	56.2	1.8	2.0	2.3	1.6	2.0
Individual Annuities	246.9	308.7	346.0	429.2	475.1	14.1	15.1	15.5	16.9	17.3
Unit Linked Funds	483.0	620.0	658.8	756.7	793.6	27.5	30.3	29.5	29.8	28.9
Other	414.0	456.2	511.7	594.4	663.3	23.6	22.3	22.9	23.4	24.2
Total	**1,756.3**	**2,048.0**	**2,236.2**	**2,538.9**	**2,742.4**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: Central Bank of Trinidad and Tobago.

Table 2.10
Life Industry: Distribution of Gross Premium by Lines – New Business and Renewal

	Sep-07	Sep-08	Sep-09	Sep-10	Sep-11	Sep-07	Sep-08	Sep-09	Sep-10	Sep-11
	/TT$ Millions/					/Year-on-Year Per cent Change/				
TRADITIONAL										
Ordinary Life										
New Business	70.7	70.3	97.2	97.3	90.5	N/A	-0.5	38.2	0.1	-7.0
Renewal	374.6	378.1	380.3	416.1	434.0	N/A	1.0	0.6	9.4	4.3
Group Life										
New Business	35.0	40.6	41.5	43.1	53.7	N/A	15.8	2.3	3.8	24.6
Renewal	82.7	117.3	130.8	136.2	155.1	N/A	41.9	11.5	4.1	13.9
Health										
New Business	33.1	83.3	0.0	134.3	156.4	N/A	151.6	-100.0	0.0	16.5
Renewal	289.7	276.4	406.9	339.1	380.0	N/A	-4.6	47.2	-16.7	12.1
NON-TRADITIONAL										
Individual Annuities										
New Business	97.6	117.8	159.3	216.4	231.6	N/A	20.7	35.3	35.8	7.1
Renewal	149.4	190.9	186.7	212.8	243.5	N/A	27.8	-2.2	14.0	14.4
Unit linked										
New Business	110.4	157.8	168.4	184.9	173.6	N/A	42.9	6.7	9.8	-6.1
Renewal	372.6	462.3	490.5	571.8	620.0	N/A	24.1	6.1	16.6	8.4
Group Pension										
New Business	0.0	0.0	0.0	0.0	8.5	N/A	0.0	0.0	0.0	0.0
Renewal	18.2	16.0	17.6	24.2	12.4	N/A	-11.8	9.9	37.2	-48.6
Deposit Administration										
New Business	0.2	0.0	0.0	0.0	0.0	N/A	-100.0	0.0	0.0	0.0
Renewal	30.9	40.6	52.2	41.7	56.2	N/A	31.6	28.3	-20.0	34.5
Other										
New Business	17.3	10.3	11.8	14.3	12.6	N/A	-40.8	14.8	21.2	-12.1
Renewal	73.9	86.2	93.0	106.7	114.4	N/A	16.6	7.9	14.7	7.2
TOTAL PREMIUMS	**1,756.3**	**2,048.0**	**2,236.2**	**2,538.9**	**2,742.4**	**N/A**	**16.6**	**9.2**	**13.5**	**8.0**

Source: Central Bank of Trinidad and Tobago.

With consumer confidence in unit linked funds low, gross claims, which includes surrenders, in the life insurance industry rose by 11.5 per cent (year-on-year) in September 2011 **(Tables 2.11 and 2.12)**. The surrender of wealth management products represented the largest component of claims as customers moved away from interest sensitive products, placing much of their funds instead in other financial institutions, especially banks.

Table 2.11
Classification of Life Insurance: Gross Claim

	Sep-07	Sep-08	Sep-09	Sep-10	Sep-11	Sep-07	Sep-08	Sep-09	Sep-10	Sep-11
	/TT$ Millions/					/Year-on-Year Per cent Change/				
By Death	171.9	155.5	174.5	187.1	215.6	N/A	-9.5	12.2	7.3	15.2
By Maturity	90.3	98.0	113.9	148.4	137.2	N/A	8.4	16.3	30.3	-7.5
By Annuity	169.8	183.3	199.3	216.7	195.4	N/A	8.0	8.7	8.7	-9.8
By Surrender	295.2	286.2	483.3	382.7	472.5	N/A	-3.0	68.8	-20.8	23.5
Interim Bonuses	0.3	0.1	0.2	0.1	0.2	N/A	-50.2	51.0	-47.3	70.7
Disability Claims	15.1	67.0	4.9	14.1	25.2	N/A	343.1	-92.7	187.3	78.4
Short term Business Claims	236.1	211.1	325.0	311.6	391.2	N/A	-10.6	54.0	-4.1	25.5
Total	**978.6**	**1,001.2**	**1,301.1**	**1,289.3**	**1,437.3**	**N/A**	**2.3**	**29.9**	**-0.9**	**11.5**

Source: Central Bank of Trinidad and Tobago.

Table 2.12
Life Industry: Distribution of Gross Claims by Lines of Business

	Sep-07	Sep-08	Sep-09	Sep-10	Sep-11	Sep-07	Sep-08	Sep-09	Sep-10	Sep-11
	/TT$ Millions/					/Per cent/				
Ordinary Life	198.4	178.4	224.3	226.9	262.3	20.3	17.8	17.2	17.6	18.2
Group Life	56.0	50.1	51.6	66.8	77.8	5.7	5.0	4.0	5.2	5.4
Group Pension	16.4	17.8	54.2	33.4	13.8	1.7	1.8	4.2	2.6	1.0
Deposit Administration	32.5	30.7	56.0	49.5	25.1	3.3	3.1	4.3	3.8	1.7
Individual Annuities	190.9	235.3	242.7	262.0	282.9	19.5	23.5	18.7	20.3	19.7
Unit Linked Funds	216.6	183.1	308.3	260.0	341.1	22.1	18.3	23.7	20.2	23.7
Other	267.8	305.8	364.1	390.7	434.3	27.4	30.5	28.0	30.3	30.2
Total	978.6	1,001.3	1,301.1	1,289.3	1,437.3	100.0	100.0	100.0	100.0	100.0

Source: Central Bank of Trinidad and Tobago.

D. Non-Life Insurance

Gross premium income written by the non-life insurance industry grew marginally, as an increase in property business offset a slowdown in the motor vehicle segment of the market. Gross premiums rose by 1.7 per cent (year-on-year) in September 2011 compared with a decline of 1.1 per cent in the corresponding period one year earlier. Premiums from the property and motor vehicle insurance business collectively accounted for 82.2 per cent of gross premiums earned in the 12 months to September 2011. Motor vehicle premiums grew by 0.8 per cent (year-on-year) in September 2011 compared to 5.7 per cent in September 2010 **(Tables 2.13 & 2.14)**. Despite increased sales of new vehicles, motor vehicle owners appeared to be keeping vehicles for longer periods and converting policies from full comprehensive to third party insurance. While consumers will derive the benefit of lower premiums arising from this trend, the industry will be exposed to the risks of higher unit cost of operations. Premiums for property business reflected an increase of 5 per cent (year-on-year) in 2011 as compared to a decrease of 1.7 per cent the previous year.

Table 2.13
Non-Life Insurance: Distribution of Gross Premium Income

	Sep-07	Sep-08	Sep-09	Sep-10	Sep-11	Sep-07	Sep-08	Sep-09	Sep-10	Sep-11
	/TT$ Millions/					/Year-on-Year Per cent Change/				
Property	1,132.9	1,259.5	1,374.6	1,351.3	1,419.2	n/a	11.2	9.1	(1.7)	5.0
Motor Vehicle	938.5	1,063.0	1,089.9	1,151.4	1,160.7	n/a	13.3	2.5	5.7	0.8
Group Health	69.3	173.7	163.3	118.3	108.1	n/a	150.9	(6.0)	(27.6)	(8.6)
Other	389.6	478.7	491.3	463.2	448.7	n/a	22.9	2.6	(5.7)	(3.1)
Total	**2,530.3**	**2,975.0**	**3,119.1**	**3,084.2**	**3,136.7**	**n/a**	**17.6**	**4.8**	**(1.1)**	**1.7**

Source: Central Bank of Trinidad and Tobago.

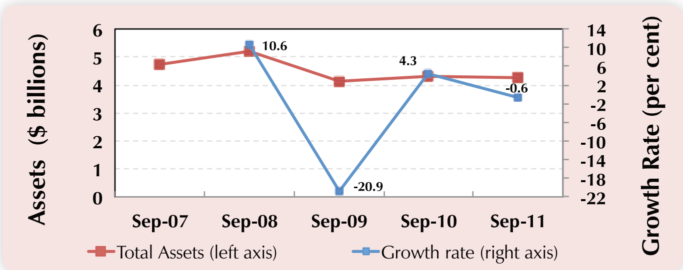
Table 2.14
Non-Life Insurance: Distribution of Gross Premium Income (New Business and Renewals)

	Sep-07	Sep-08	Sep-09	Sep-10	Sep-11	Sep-07	Sep-08	Sep-09	Sep-10	Sep-11
	/TT$ Millions/					/Year-on-Year Per cent Change/				
Property										
New Business	198.4	248.6	284.8	215.5	438.1	n/a	25.3	14.6	(24.4)	103.3
Renewal	934.5	1,010.9	1,089.8	1,135.9	981.0	n/a	8.2	7.8	4.2	(13.6)
Motor Vehicle										
New Business	434.3	403.7	347.9	358.0	338.5	n/a	(7.0)	(13.8)	(7.0)	(5.4)
Renewal	504.2	659.3	741.9	793.5	822.2	n/a	30.8	12.5	30.8	3.6
Group Health										
New Business	14.2	36.7	37.4	24.9	27.0	n/a	157.9	1.9	157.9	8.6
Renewal	55.0	137.0	125.9	93.4	81.1	n/a	149.1	(8.2)	149.1	(13.2)
Other										
New Business	148.6	146.8	149.9	123.8	142.4	n/a	(1.2)	2.1	(1.2)	15.0
Renewal	241.0	331.9	341.3	339.3	306.3	n/a	37.7	2.8	37.7	(9.7)
Total	**2,530.3**	**2,975.0**	**3,119.0**	**3,084.2**	**3,136.7**	**n/a**	**17.6**	**4.8**	**(1.1)**	**1.7**

Source: Central Bank of Trinidad and Tobago.

The total assets of the non-life insurance companies remained relatively flat at $4.3 billion in September 2011 (**Chart 2.10 and Table 2.15**). With government securities dominating the asset mix of the portfolio of non-life companies, the sharp decrease in holdings of treasury bills (43.0 per cent) was a major contributor to the stagnant asset growth.

Chart 2.10
Non-Life: Growth in Total Assets



Source: Central Bank of Trinidad and Tobago.

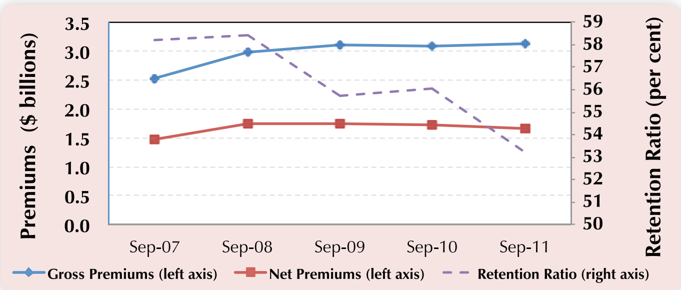
Table 2.15
Non-Life Insurance Industry: Assets

	Sep-07	Sep-08	Sep-09	Sep-10	Sep-11
	/TT$ Millions/				
Bank Deposits and Cash	282.2	284.8	396.9	541.3	434.4
Investments:	1,843.7	2,156.3	2,216.0	2,204.3	2,275.3
Government securities	568.9	758.3	788.9	919.6	922.9
Corporate Bonds	208.3	214.1	224.3	251.8	335.3
Fixed Deposits	598.0	659.4	622.5	458.5	427.1
Equity	220.7	227.3	197.0	151.0	174.1
Mutual Funds	103.6	146.9	231.2	261.1	201.1
Other investments	144.1	150.4	152.1	162.4	214.8
Loans	166.2	294.4	250.6	240.3	315.9
Accounts Receivable	787.9	703.7	641.5	606.5	563.3
Other Assets	1,639.1	1,786.4	627.8	716.7	693.2
Total	**4,719.0**	**5,225.6**	**4,132.9**	**4,309.0**	**4,282.0**
	/Per cent/				
Bank Deposits and Cash	6.0	5.4	9.6	12.6	10.1
Investments:					
Government securities	12.1	14.5	19.1	21.3	21.6
Corporate Bonds	4.4	4.1	5.4	5.8	7.8
Fixed Deposits	12.7	12.6	15.1	10.6	10.0
Equity	4.7	4.3	4.8	3.5	4.1
Mutual Funds	2.2	2.8	5.6	6.1	4.7
Other investments	3.1	2.9	3.7	3.8	5.0
Loans	3.5	5.6	6.1	5.6	7.4
Accounts Receivable	16.7	13.5	15.5	14.1	13.2
Other Assets	34.7	34.2	15.2	16.6	16.2
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
	/Year-on-Year Per cent Change/				
Bank Deposits and Cash	N/A	0.9	39.4	36.4	-19.7
Investments:					
Government securities	N/A	33.3	4.0	16.6	0.4
Corporate Bonds	N/A	2.8	4.8	12.2	33.2
Fixed Deposits	N/A	10.3	-5.6	-26.4	-6.8
Equity	N/A	3.0	-13.3	-23.4	15.3
Mutual Funds	N/A	41.7	57.4	12.9	-23.0
Other investments	N/A	4.4	1.1	6.8	32.2
Loans	N/A	77.2	-14.9	-4.1	31.5
Accounts Receivable	N/A	-10.7	-8.8	-5.5	-7.1
Other Assets	N/A	9.0	-64.9	14.2	-3.3
Total	**N/A**	**10.7**	**-20.9**	**4.3**	**-0.6**

Source: Central Bank of Trinidad and Tobago.

In the non-life sector, the majority of companies cede insurance business with large international reinsurers, mainly for property insurance and to a lesser extent, motor business. As at September 2011, approximately 47.0 per cent of insurance premiums were ceded to reinsurers. The average retention ratio over the last five years was 56.0 per cent (**Chart 2.11**).

Chart 2.11
Non-Life Industry: Premiums and Retention Ratio



Source: Central Bank of Trinidad and Tobago.

The overall ratio of net claims to net premiums (the net loss ratio) stood at 43 per cent in September 2011, and has been relatively stable over the last five years (**Table 2.16**). Notably, however, the net loss ratio for property business increased to 22.2 per cent in 2011 from 12 per cent in 2010, and this increase was offset by a decline in the net loss ratio for the group health segment, which fell to 72.4 per cent from 102.1 per cent over the same period. The sharp rise in the former was driven mainly by an increase in claims brought about by 'Hurricane Thomas' which affected Caribbean countries in the period under review.

Table 2.16
Non-Life Insurance: Gross Claims Incurred

	Sep-07	Sep-08	Sep-09	Sep-10	Sep-11	Sep-07	Sep-08	Sep-09	Sep-10	Sep-11
	/TT$ Millions/					Net loss ratio /per cent/				
Property	271.4	179.0	105.4	123.4	198.8	14.6	21.4	7.7	12.0	22.2
Motor Vehicle	487.2	540.2	596.7	600.9	597.6	53.6	49.2	55.8	54.0	51.3
Group Health	67.8	115.7	116.3	83.7	69.4	79.6	159.0	137.4	102.1	72.4
Other	115.6	134.8	138.9	96.4	113.7	31.0	29.2	33.3	30.2	28.6
Total	**941.9**	**969.7**	**957.3**	**904.3**	**979.5**	**43.2**	**44.1**	**44.4**	**43.0**	**43.0**

Source: Central Bank of Trinidad and Tobago.

CHAPTER 3

THE BANKING SECTOR AND FINANCIAL STABILITY

CHAPTER 3

THE BANKING SECTOR AND FINANCIAL STABILITY

A. Commercial Banks

Notwithstanding the more challenging economic environment in 2011, the commercial banking system which dominates the financial landscape in Trinidad and Tobago has remained stable, well capitalized and profitable **(Tables 3.1 and 3.2).** The banks do not face the funding problems that have adversely affected banks in Europe and to a lesser extent, the US. In contrast, the domestic banking system continues to be characterized by significant excess liquidity. However, the sector faces challenges in the form of slow credit demand, particularly by business firms, an increase in non-performing loans, and adapting to a very low interest rate environment.

Table 3.1
Trinidad and Tobago: Financial Soundness Indicators
2007 - Sep 2011

	2007	2008	2009	2010	Sep-11[p]
(in per cent unless otherwise indicated)					
Capital adequacy					
Regulatory capital to risk-weighted assets	19.1	18.8	20.5	24.2	25.8
Regulatory Tier I capital to risk-weighted assets	17.0	15.5	18.5	21.7	22.9
Regulatory Tier II capital-to-risk-weighted assets	2.1	3.2	2.0	2.5	2.9
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	41.0
of which:					
Proportion secured as mortgage loans	26.1	28.4	36.7	37.4	40.0
Financial sector	22.5	19.8	18.8	16.3	18.1
Oil and gas sector	2.8	3.3	3.2	3.2	4.5
Construction	6.1	6.8	10.3	11.8	11.1
Transport and communication	2.8	1.8	2.2	2.0	1.6
Non-residents	7.1	6.6	5.9	4.5	4.8
Geographic distribution of loans-to-total loans					
Domestic	93.3	93.6	94.5	95.8	95.6
Foreign	6.7	6.4	5.5	4.2	4.4
Foreign currency loans-to-total loans	21.4	23.0	22.8	18.7	20.1
Banking sector asset quality					
Nonperforming loans-to-gross loans	0.7	1.0	5.0[r]	6.8[r]	7.5
Nonperforming loans (net of provisions)-to-capital	-0.3	1.1	9.2[r]	15.5[r]	18.2
Total provisions-to-impaired loans*	148.2	99.4	55.1	35.6	30.8
Specific provisions-to-impaired loans	109.7	72.4	48.1[r]	30.0[r]	24.4
General provisions-to-gross loans*	0.3	0.3	0.3	0.4	0.5
Specific provisions-to-gross loans	0.8	0.7	2.4	2.1	1.8
Banking sector earnings and profitability					
Return on equity	27.3	25.9	20.2	17.2	16.8
Return on assets	3.4	3.5	2.7	2.3	2.3
Interest margin-to-gross income	61.4	65.2	66.6	67.0	64.7
Non-interest expenses-to-gross income	48.3	49.7	58.1	63.3	63.8
Spread between average lending and deposit rates	7.9	8.3	10.1	9.1	8.2
Banking sector liquidity					
Liquid assets-to-total assets	17.0	22.1	25.0	24.3	26.8
Liquid assets-to-total short-term liabilities	22.6	30.0	32.5	31.9	35.6
Customer deposits-to-total (non-interbank) loans	118.0	124.7	165.2	163.0	167.5
Foreign currency liabilities-to-total liabilities	33.8	32.7	33.1	27.5	28.5

Source: Central Bank of Trinidad and Tobago.
*Note: These ratios are not the typically used measures of financial soundness, but they are included here for comparison purposes.
[p] Provisional.
[r] Revised.

Table 3.2
Commercial Banks: Summary Performance Indicators
2007- Sep 2011
/Per cent/

	2007	2008	2009	2010	Sep-11[p]
Profitability					
Return on Assets	3.4	3.5	2.7	2.3	2.3
Return on Equity	27.3	25.9	20.2	17.2	16.8
Net Interest Margin/Total Assets	4.3	4.4	4.2	3.8	3.7
Efficiency					
Total Operating Expenses/Total Operating Income	64.7	63.9	61.5	63.2	59.7
Asset Quality					
Nonperforming Loans/Gross Loans	0.7	1.0	5.0[r]	6.8[r]	7.5
Nonperforming Loans net of Provisions/Capital	-0.3	1.1	9.2[r]	15.5[r]	18.2
Nonperforming Loans by Type					
Overdraft	0.1	0.2	0.2	0.1	0.3
Demand	0.2	0.4	2.7	2.9	3.5
Installment	0.2	0.2	0.9	1.2	0.5
Real Estate Mortgages	0.1	0.1	0.2	0.2	0.5
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	69.7
Fee Income	11.3	11.5	11.7	13.3	13.7
Foreign Exchange Profit/Loss	6.3	7.4	6.8	7.8	7.3
Other Income	7.3	5.0	6.2	6.0	9.2

Source: Central Bank of Trinidad and Tobago.
[p] Provisional.
[r] Revised.

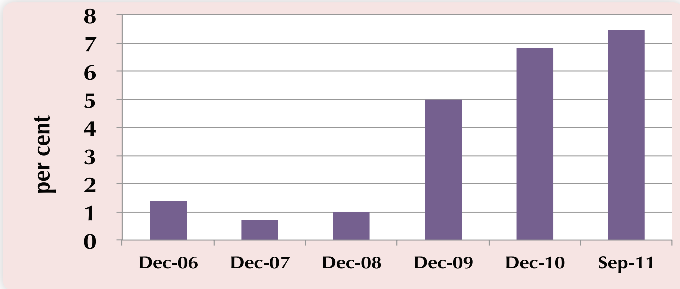
Liquidity

Faced with sluggish credit growth, low interest rates and limited investment opportunities, commercial banks placed significant excess reserves balances at the Central Bank **(Chart 3.1)** and also made short-term placements with foreign correspondent banks. Commercial banks' excess reserves rose to a daily average of $4.6 billion in September 2011, up from $1.6 billion in June 2011. At end-September 2011, the ratio of liquid assets to total assets stood at 26.8 per cent, 4.5 percentage points higher than in September 2010. With this sizeable build up in liquid balances, commercial banks had abundant liquidity to meet their short-term obligations **(See Banking Sector Liquidity ratios in Table 3.1)**.

Chart 3.1
Commercial Banks: Excess Reserves at the Central Bank
/TT$ Millions/

Source: Central Bank of Trinidad and Tobago.

Chart 3.2
Commercial Banks: Non-performing Loans to Total Loans
/Per cent/



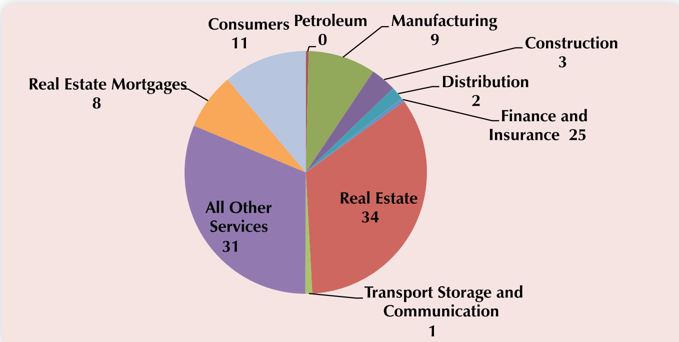
Source: Central Bank of Trinidad and Tobago.

Credit Quality[5]

The weaker economic climate has led to a deterioration in asset quality. As at September 2011, the ratio of commercial banks' non-performing loans to gross loans stood at 7.5 per cent[6] compared with 6.8 per cent at the end of 2010 and 0.7 per cent at the end of 2007, prior to the global financial crisis **(Charts 3.2 and 3.3)**. A significant share of the non-performing loans was associated with credit extended for the construction of luxury apartment buildings. Excluding these projects, the ratio of non-performing loans was much lower at 4 per cent in September 2011.

For the banking system as a whole, the ratio of specific provisions to gross lending dropped to 1.8 per cent in September 2011 from 2.1 per cent in 2010. This decline reflected the outcome of careful management of identifiable problem loans via write-offs, recoveries and restructuring. In the more uncertain economic environment banks also made allowances for any further deterioration in asset quality by raising their general provisioning. The ratio of general provisions to gross lending rose to 0.5 per cent in September 2011 up slightly from 2010. However, the reduction in specific provisioning outweighed the increase in general provisioning and as a result total provisions to impaired assets declined to 30.8 per cent in September 2011 from 35.6 per cent in 2010.

Chart 3.3
Commercial Banks: Non-performing Loans by Sector – June 2011*
/Per cent/



Source: Central Bank of Trinidad and Tobago.
*A sectoral breakdown is only available up to June 2011.

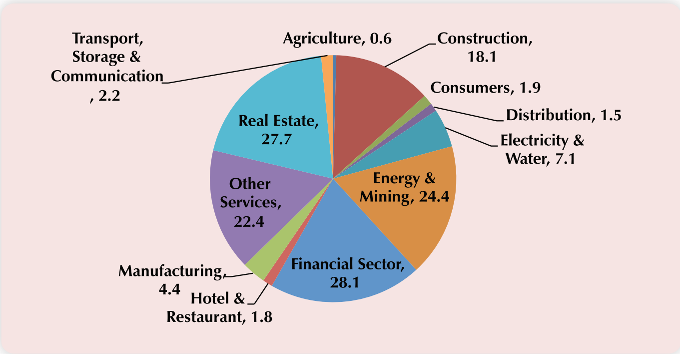
Large Exposures

As at September 2011, in the commercial banking system the large exposures (where the value of credits to a borrowing entity exceeded 10 per cent of a bank's capital) were mainly in the Finance, Real Estate, Energy/Mining and Construction sectors **(Chart 3.4)**. While there are indications that the banking system is taking steps to substantially reduce its exposure to the Finance and Real Estate Sector, high exposure of a few banks to certain sectors continues to represent a potential vulnerability.

[5] See Box 2 for a more detailed discussion of credit quality and provisioning.
[6] In August 2011, the ratio stood at 7.6 per cent, the first time the ratio had exceeded 7 per cent in over 13 years.

Chart 3.4
Large Exposures by Sector as a per cent of Capital - September 2011

/Per cent/



Source: Central Bank of Trinidad and Tobago.

Foreign Country Exposure

Commercial banks' exposure to foreign markets, which is largely made up of loans, equity and corporate and government securities, rose in the first nine months of 2011 after having declined in 2010. Banks have become less exposed to CARICOM economies and have been increasing their holdings of US government securities, mainly treasury bills. Total foreign currency exposure as a percentage of gross assets rose to 6.7 per cent as at September 2011 from 5.5 per cent at the end of December 2010. It is worth noting that exposure to CARICOM as a percentage of gross assets fell from 3.7 to 3.3 per cent over this period. Meanwhile, exposure to the US rose to 2.4 per cent from 1 per cent over the same period. Local banks however, have had little exposure to investment in the Euro zone area **(Table 3.3)**.

Table 3.3
Commercial Banks: Foreign Country Exposure
/TT$ Millions/

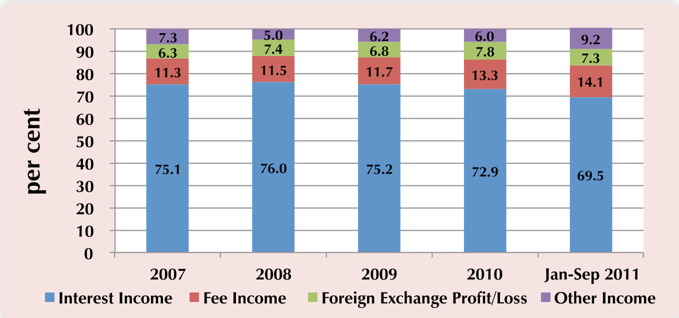
	2007	2008	2009	2010	Sep-11[P]
Total Foreign Country Exposure	**6,259.1**	**5,959.6**	**7,158.1**	**5,764.3**	**7,338.2**
of which:					
USA	554.8	631.3	2,136.6	1,050.3	2,592.9
Loans	*27.9*	*44.3*	*38.0*	*31.9*	*40.3*
Investments	*527.0*	*587.0*	*2,098.6*	*1,018.4*	*2,552.6*
Equity	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
CARICOM	3,696.7	4,131.1	4,191.6	3,902.8	3,646.9
Loans	*1,396.5*	*1,754.5*	*1,743.4*	*1,308.0*	*1,324.0*
Investments	*1,078.9*	*1,043.1*	*1,105.0*	*1,224.7*	*961.8*
Equity	*1,221.3*	*1,333.5*	*1,343.2*	*1,370.2*	*1,361.1*
Non-CARICOM CARIBBEAN	1,076.0	921.0	638.6	495.6	790.0
Loans	*996.9*	*884.3*	*637.7*	*334.3*	*632.0*
Investments	*0.0*	*35.8*	*0.0*	*160.4*	*157.1*
Equity	*79.1*	*0.9*	*0.9*	*0.9*	*0.9*
EMERGING MARKETS	312.0	263.2	145.6	128.0	105.3
Loans	*220.1*	*213.4*	*145.6*	*122.5*	*105.3*
Investments	*91.9*	*49.8*	*0.0*	*5.5*	*0.0*
Equity	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
OTHER	619.6	13.0	45.7	187.6	203.1
Memo Item:			***Per cent***		
Total Foreign Country Exposure as a per cent of Gross Assets	**8.2**	**6.7**	**6.8**	**5.5**	**6.7**
of which:					
USA	0.7	0.7	2.0	1.0	2.4
CARICOM	4.9	4.7	4.0	3.7	3.3
Non-CARICOM CARIBBEAN	1.4	1.0	0.6	0.5	0.7
EMERGING MARKETS	0.4	0.3	0.1	0.1	0.1
OTHER	0.8	0.0	0.0	0.2	0.2

Source: Central Bank of Trinidad and Tobago.
[P] Provisional.

Earnings and Profitability

In 2011, commercial bank earnings were impacted by sluggish credit demand and the low interest rate environment. Interest income declined by 9 per cent during the first three quarters of 2011 relative to the corresponding year-earlier period. As a result, the ratio of total interest income to operating income fell to 69.5 per cent from 72.9 per cent **(Chart 3.5)**. In an attempt to maintain their profit margins, banks took steps to reduce their operating expenses. In this regard, interest expenses fell by 28.9 per cent in the first three quarters in 2011 compared with the corresponding period in 2010.

Chart 3.5
Commercial Banks: Components of Operating Income
/Per cent/



Source: Central Bank of Trinidad and Tobago.

These efforts, however, were not sufficient to completely offset the decline in interest income, resulting in a 1.9 per cent decline in banks' net interest margin. The corresponding net interest margin ratio also fell slightly to 3.7 per cent in September 2011 from 3.8 per cent in September 2010 **(Table 3.4)**. The return on equity ratio slipped to 16.8 per cent in September 2011, slightly down from 17.2 per cent in 2010, while return on assets held at 2.3 per cent in September 2010 **(Chart 3.6)**. The banks' ability to maintain profit levels was helped by the receipt of dividend income, which grew by 79.1 per cent in the period January to September 2011 compared with the corresponding period a year earlier. While profitability ratios were lower than in previous years they nevertheless remained quite strong by regional and international standards **(Table 3.5)**.

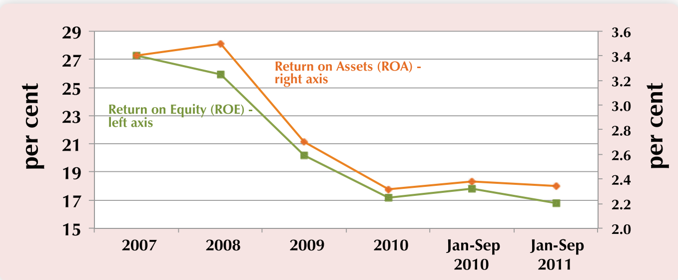
Table 3.4
Commercial Banks: Interest Rate Spread and Interest Margin Ratios
/Per cent/

	2007	2008	2009	2010	Sep-10	Sep-11^{p}
Weighted Average Loan Rate (end-of-period)	10.7	11.5	11.5	9.9	10.3	8.9
Weighted Average Deposit Rate (end-of-period)	1.8	3.1	1.4	0.9	1.0	0.7
Interest Rate Spread (end-of-period)	8.9	8.3	10.1	9.1	9.3	8.2
Net Interest Margin/ Operating Income	44.4	46.1	50.1	54.5	54.3	54.9
Net Interest Margin/ Average Total Assets	0.0	0.0	0.0	0.0	0.0	0.0

Source: Central Bank of Trinidad and Tobago.
^{p} Provisional.

Chart 3.6
Commercial Banks: Return on Assets and Return on Equity

/Per cent/



Source: Central Bank of Trinidad and Tobago.

Capital Adequacy

Commercial banks held levels of capital that were well in excess of the statutory minimum requirements (8 per cent). As at September 2011, the ratio of regulatory capital to risk weighted assets rose to 25.8 per cent, compared with 23.3 per cent for September 2010. This ratio is among the highest in the Latin American and Caribbean regions **(Table 3.5)**. Commercial banks have been growing their tier 1 capital levels, primarily through retention of profits[7]. Overall, commercial banks in Trinidad and Tobago continue to maintain high levels of core capital and are not heavily reliant on subordinate or secondary capital to fund growth. Consequently, banks are in a position to fund expansion through internal financing rather than sourcing funding externally.

[7]Tier 1 capital increased by 19.8 per cent between September 2010 and September 2011.

Table 3.5
Comparative Bank Soundness Indicators, 2007- Jun 2011

/Per cent/

	2007	2008	2009	2010	Jun-11
(i) Regulatory Capital to Risk Weighted Assets					
Brazil	18.7	18.3	18.8	17.6	18.2*
Chile	12.2	12.5	14.3	14.1	13.8*
Colombia	13.6	15.4	17.2	17.3	17.4
Mexico	15.9	15.3	16.5	16.9	16.5
Bahamas	24.9	23.5	26.1	26.0	n.a.
Barbados	16.4	16.1	17.5	17.1	17.3
Guyana	15.0	14.9	18.3	18.9	20.0
Jamaica	14.5	13.9	18.3	17.2	16.3
Trinidad and Tobago	19.0	18.8	20.5	24.2	25.0
(ii) Non-Performing loans to Total Loans					
Brazil	3.0	3.1	4.2	3.1	3.2*
Chile	0.8	1.0	2.9	2.7	2.5
Colombia	3.3	3.9	4.0	2.9	2.8
Mexico	1.3	3.0	2.8	2.0	2.3
Bahamas	4.3	6.1	9.4	10.4	n.a.
Barbados	2.9	3.4	7.2	10.3	10.3
Guyana	10.6	5.3	8.3	6.5	5.1
Jamaica	2.0	2.6	4.2	5.4	7.9
Trinidad and Tobago	1.1	1.0	5.0	5.2	6.5
(iii) Return on Assets					
Brazil	2.9	1.3	1.9	3.2	3.3*
Chile	1.1	1.2	1.5	1.7	1.9
Colombia	2.4	3.6	3.5	3.9	2.7
Mexico	2.7	1.4	1.5	1.8	1.6
Barbados	1.7	1.4	1.6	1.3	1.1
Guyana	0.5	0.5	0.7	0.6	0.5
Jamaica	3.5	4.1	3.4	2.8	0.5
Trinidad and Tobago	3.4	3.5	2.7	2.3	2.4
(iv) Return on Equity					
Brazil	28.9	14.5	20.4	29.3	29.6*
Chile	16.2	18.5	21.4	20.7	24.6
Colombia	19.5	28.1	26.2	27.2	18.7
Mexico	19.9	14.8	15.2	16.8	16.0
Barbados	18.8	16.1	16.2	11.7	19.3^{p}
Guyana	6.8	6.3	6.7	6.1	5.1
Trinidad and Tobago	27.7	25.9	20.2	17.2	17.3

Source: International Monetary Fund and the Central Banks of Barbados, Guyana and Jamaica.
* As at Mar-11.
n.a. - Not Available.

Box 1
Examining the Observed Decline in Credit Quality

Fuelled by high demand for credit in a buoyant domestic economy, the loan portfolios of the commercial banks grew substantially between 2000 and 2007. In particular, the banks granted credit for government construction projects, luxury real estate development, tourism and hospitality expansion and commercial purposes.

The credit crisis which began in international markets in 2008 triggered a downturn in key sectors in the local and regional economies, including from a sharp decline in tourism. The pace of construction activity decelerated significantly in part due to a slowdown in the execution of the public sector investments while the demand for luxury real estate units also waned. As a result, by late 2008, local banks which held significant credit exposure to affected sectors started to report increases in their portfolio of non-performing loans.

The deterioration of the credit quality persisted into the latter half of 2011 with the ratio of non-performing loans to gross loans estimated at 7.5 per cent in September 2011, up from 1.0 per cent at December 2008. The decline in credit quality was concentrated in the corporate loan portfolio, specifically in the real estate development and hotel and tourism sectors.

Starting in 2009, commercial banks began to make more aggressive provisions for loan losses. As of December 2009, the ratio of specific provision to non-performing loans (NPLs) was 48.1 per cent and the ratio of total (general and specific) provisions to NPLs was 55.1 per cent. Full provisions were made for the unsecured portion of all large non-performing facilities and in cases where the value of the collateral security was subject to volatility, the value was deeply discounted and provisions were made for the balance.

In 2010, it was observed that despite a further weakening in credit quality, the ratio of provisions to NPLs had slipped. Specifically, the ratio of specific and total provisions to NPL had declined to 30.0 per cent and 35.6 per cent respectively. An evaluation of the composition of loan portfolios revealed two important factors explaining the drop in the provisions/NPL ratio. First, over the course of 2010 banks had written off several large non performing loans which had attracted substantial provisions. Second, some of the new loans that had become non- performing were backed by very large collateral, reducing the extent of provisioning necessary to cover them.

These factors also help to explain the further decline in the provisions/NPL ratios to 24.4 per cent (specific provisions) and 30.8 per cent (total provisions) by September 2011 in the face of a rise in the incidence of NPLs to 7.5 per cent. In 2011 moreover, two extremely large facilities, carrying a full sovereign guarantee and totaling $582 million or 16.2 per cent of total non-performing loans became classified as non-performing. In these cases, while the loans were added to the NPL category, provisions did not increase (due to the guarantee).

Overall, the status of the banks' loan portfolio is a major indicator of potential financial system vulnerability. Consequently, the observed increase in non-performing loans warrants continued careful monitoring to ensure that the actions taken to manage this risk remain effective.

B. Non-Bank Financial Institutions[8]

In the latter part of 2010 and continuing into 2011, non-banks took steps to strengthen their asset quality, and in that regard implemented measures to reduce their exposure to weak and non performing assets. Loan write-offs, together with more stringent recovery methods and stronger loan monitoring, saw the ratio of non-performing loans to gross loans improve to 4.1 per cent in September 2011 from 11.7 per cent in September 2010 **(Table 3.6)**. This large drop in the ratio was largely due to the sale of a large non-performing real estate loan by one non-bank institution, which occurred in October 2010. With a healthier loan portfolio backed by higher value collateral security, specific provisions declined to 29.6 per cent of impaired assets in September 2011, down from 48.2 per cent in September 2010.

Table 3.6
Non-Bank Financial Institutions:
Summary Performance Indicators, 2007-September 2011

/Per cent/

	2007	2008	2009	2010	Sep-10	Sep-11[P]
Profitability						
Return on Assets	4.5	3.3	2.1	2.4	1.4	8.4
Return on Equity	17.1	13.5	8.0	7.8	4.5	22.1
Net Interest Margin: Total Assets	1.3	1.4	2.9	2.8	2.6	4.9
Efficiency						
Total Operating Expenses: Total Operating Income	57.6	71.2	73.2	53.9	53.3	39.0
Asset Quality						
Nonperforming Loans: Gross Loans	1.3	2.1	1.6	2.8	11.7	4.1
Nonperforming Loans Net of Provisions: Capital	-0.4	1.7	1.3	2.0	8.2	2.7

Source: Central Bank of Trinidad and Tobago.
[P] Provisional.

In the nine months to September 2011, non-banks saw an upturn in their profitability levels. Bolstered by increases in fee income and substantial reduction in bad debt charges and interest expenses, the sector achieved a 396.7 per cent increase in profits before tax for January-September 2011 relative to the first nine months in 2010. Over this period, fee income grew by 16.8 per cent largely due to an upsurge in capital market activity during the earlier part of 2011. Further, the aggressive cost reduction and enhanced risk

[8]This report on the Non-Bank Financial Institutions excludes CLICO Investment Bank.

management strategies pursued by the non-banks resulted in a fall in interest expenses and provisioning by 30.2 per cent and 95.2 per cent respectively. The higher profit levels saw sharp increases in non-banks' profitability ratios. The return on equity ratio jumped to 22.1 per cent by September 2011 from 4.5 per cent in 2010, while the return on assets rose to 8.4 per cent from 1.4 per cent over the same period.

The non-banking sector remained well capitalized, with a capital adequacy ratio of 38.2 per cent as at the end of September 2011, well above the statutory limit of 8 per cent. Tier 1 capital represented roughly 91.8 per cent of total qualifying capital in September 2011, and as such provided some level of financial stability to the sector.

CHAPTER 4

THE INSURANCE SECTOR AND FINANCIAL STABILITY

CHAPTER 4

THE INSURANCE SECTOR AND FINANCIAL STABILITY[9]

As noted in Chapter 2, the sluggish economic activity in 2011 impacted the growth of new and renewal business for the insurance sector, while the low interest rate environment affected companies' asset performance. Overall, despite substantially slower growth in premium income over the course of the year, the insurance sector as a whole remained relatively stable, although several non-life companies, particularly dealing with motor insurance, continue to face issues of inadequate claims provisioning.

A. Life Insurance

Statutory Fund

The Insurance Act Chap 84:01, requires that insurance companies maintain assets in their statutory fund to cover liabilities for policies whose owners are residents of Trinidad and Tobago. Quarterly reporting by insurance companies has allowed the Central Bank to conduct continuous monitoring of the statutory fund balances. As at September 2011, the surplus in the statutory fund amounted to $523.1 million **(Table 4.1)**, a decrease of 35.9 per cent from the previous year. A few companies collectively added $216 million to their statutory fund assets in early November 2011 to more closely match their liabilities reported as at the end of September 2011. Under the current legislation, companies have a grace period to meet their statutory fund requirements. The revised surplus balance as at the end of November 2011 was $739 million, which represents a decrease of 9.4 per cent from the previous year.

Table 4.1
Life Insurance Companies: Trends in the Statutory Fund
/TT $Million/

	Sep-10	Dec-10	Mar-11	Jun-11	Sep-11
Long Term (excluding Clico and BA)					
Statutory Fund Assets	11,756.7	12,232.0	12,407.8	12,426.6	12,361.5
Statutory Fund Requirement	10,940.7	11,518.0	11,810.9	11,620.5	11,838.4
Surplus (Deficit)	816.0	714.0	592.9	806.1	523.1

Source: Central Bank of Trinidad and Tobago.

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

Financial Soundness Indicators

Following the recommendations of the Financial Sector Assessment Programs (FSAP) of 2006 and 2010, the Central Bank has been actively working on the development of a number of financial soundness indicators for the insurance industry in keeping with international best practice. The list of suggested indicators for the life insurance sector includes capital adequacy, asset quality, earnings, profitability and liquidity.

The financial soundness indicators for the life industry are detailed in Table 4.2.

Table 4.2
Life Insurance: Financial Soundness Indicators
/Per cent/

	Sep-07	Sep-08	Sep-09	Sep-10	Sep-11
Capital Adequacy					
Capital to total assets	25.5	25.8	26.2	25.7	21.9
Capital / technical reserves	36.2	36.5	38.1	36.6	30.2
Asset Quality					
(Real estate +unquoted equities + debtors) / total assets	16.0	16.8	17.0	14.8	14.3
Earnings and Profitability					
Expense ratio = expense (incl commissions) /net premium	34.3	40.4	45.4	37.4	37.6
Investment yield = Investment income to investment assets	6.6	6.4	6.6	6.0	5.7
Return on Equity (ROE) = Pre-tax profits to shareholders funds	16.4	13.5	9.3	8.1	11.5
Liquidity					
Liquid assets to current liabilities	33.0	42.2	37.1	29.4	32.0

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 improving. Holdings in real estate and unquoted equities have not grown in proportion to total assets reducing potential risk to the sector, when compared to 2010. Asset quality has also improved as companies reduced their exposures (accounts receivables) to related parties in response to regulatory recommendations.

Liquidity

The liquidity ratio (liquid assets to short-term liabilities) rose marginally to 32 per cent in September 2011 from 29.4 per cent in 2010 as companies held more short-term assets (fixed deposits) in their portfolios. It should be noted, however, that with a large portion of the Government securities concentrated in short to intermediate range tenors, reinvestment risk present a significant challenge to life insurance companies. It would be helpful to the industry in general, if longer term government securities (20 years or longer) could be made available to the industry on a more frequent basis.

Capital Adequacy

It should be noted that the capital used in the calculation of 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) remained fairly stable between 2007 and 2010. However, in 2011 both indicators of capital declined due to a strengthening of policyholder reserves. Nonetheless, the ratio of capital to technical reserves measured 30.2 per cent at September 2011, well above the international benchmark which is usually in the 7 per cent to 10 per cent range.

Earnings and Profitability

For the past few years, operating expenses have been increasing at a slower rate than net premiums, resulting in a gradual decline in the expense ratio. As at September 2011, this ratio fell to 37.6 per cent from around 45.4 per cent in 2009. The return on investment in the sector has fallen slightly to 5.7 per cent as at September 2011 from 6.6 per cent in September 2009 mainly because re-investment opportunities were constrained by low interest rates and the limited issuance of new government and corporate bonds. The return on equity ratio rose to 11.5 per cent in 2011 from 8.1 per cent in 2010 as pre-tax profit increased, while equity capital fell.

B. Non-life Insurance

The non-life segment grew marginally in 2011, with the increase in property business just offsetting the decline in premiums received from the motor segment. Gross premiums rose by 1.7 per cent (year-on-year) in September 2011.

The motor insurance industry continues to be challenged by inadequate claims reserving. Over the past year, the Central Bank took regulatory action by issuing compliance directions to several companies to increase the level of their claims reserves where these were found to be inadequate. The companies found to be more severely under-reserved were those writing largely third-party business.

As discussed in Chapter 2, in the non-life sector, the majority of companies cede insurance business with large international reinsurers. In 2011, in a bid to reduce their direct risk exposure, property insurers increased the amount of reinsurance with international companies, resulting in a decline in the retention ratio (the share of property premiums not ceded to reinsurers) from 27.0 per cent in 2010 to 22.0 per cent in 2011. Furthermore, insurers are looking more carefully into the effects of possible natural disasters in the region by increasing the purchase of reinsurance cover for these risks. Meanwhile, the retention ratio for motor vehicle insurance, characterized by small but frequent claims, remained virtually unchanged at around 90.0 per cent over the past five years.

Financial Soundness Indicators

Similar to the life insurance sector, financial soundness indicators have been developed for the non-life insurance sector **(Table 4.3)**. These indicators comprise largely asset quality, reinsurance, actuarial issues, earnings, profitability and liquidity.

Table 4.3
Non-Life Insurance: Financial Soundness Indicators
/Per cent/

	Sep-07	Sep-08	Sep-09	Sep-10	Sep-11
Asset Quality					
(Real estate +unquoted equities + debtors) / total assets	18.9	15.5	18.2	16.6	16.2
Debtors / (gross premiums + reinsurance recoveries)	15.9	13.0	11.4	10.7	11.9
Reinsurance and Actuarial Issues					
Risk Retention Ratio = Net premiums written/ total gross premiums	58.2	58.3	55.7	56.0	53.2
Net technical reserves/average of net claims paid in the last three years	121.8	112.8	117.6	139.2	150.4
Earnings and Profitability					
Expense ratio = expense (incl commissions) /net premium	41.9	41.8	47.8	49.5	50.6
Loss ratio = net claims/net premium	43.2	44.3	44.8	43.1	43.1
Investment income/net premium	12.3	9.7	10.1	9.6	9.9
Return on Equity (ROE) = Pre-tax profits to shareholders funds	12.4	13.7	13.6	18.7	12.7
Return on assets (ROA)	6.5	7.2	5.5	7.5	4.7
Liquidity					
Liquid assets to current liabilities	50.8	55.6	58.6	57.5	46.4

Source: Central Bank of Trinidad and Tobago.

Asset Quality

Asset quality in relation to receivables (amounts due from agents, brokers and reinsurers) deteriorated over the year due to an increase in outstanding amounts owed. This implies that the sector needs to monitor its credit control mechanisms more closely.

Actuarial Issues

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 150.4 per cent in 2011 from 139.2 per cent in 2010. The increase in the net technical reserves ratio is a direct result of increased regulatory action by the Central Bank to strengthen the claims reserves for motor vehicle business.

Earnings and Profitability

In 2011, there was a decrease in net premiums as reinsurance ceded increased by a higher rate than gross premiums. This resulted in a decrease in the retention rates in the sector. In particular, companies are mitigating the risks associated with property business by increasing their reinsurance coverage, consequently realizing lower profit levels.

The ratio of investment income to net premiums also declined over the period. Investment income decreased in 2011 due to the low interest rate climate. As a result, the return on equity and return on assets ratios both displayed decreasing trends.

It should be noted that the combined ratio (loss ratio plus expense ratio) for the non-life insurance sector stood at 93.7 per cent as at September 2011, slightly up from 92.6 per cent in the previous year. In 2007, the ratio stood at 85.1 per cent which indicates that there has been a continuous increase over the years in expenses and claims as a proportion of net premiums. It is reasonable to assume that both the loss and expense ratios should be higher given the under-reserving of claims and the reduction in growth of premiums for the motor vehicle industry. The Bank has initiated closer monitoring of adequacy of claims reserves, in particular, for insurers that write predominantly third party business.

Liquidity

For the non-life sector, the liquidity ratio (measured by liquid assets to current liabilities) declined to 46.4 per cent in 2011 from 57.5 per cent in 2010. The decrease in the liquidity ratio was mainly attributable to the reduction in fixed deposit holdings.

CHAPTER 5

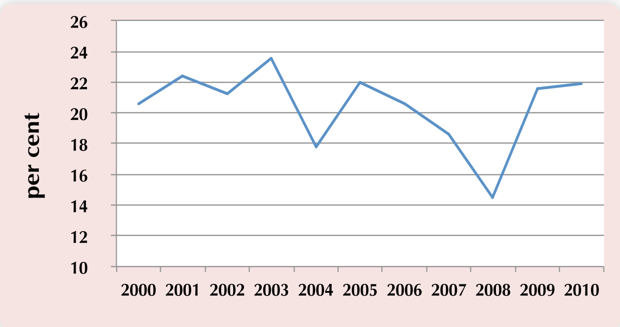
THE PRIVATE PENSION FUND INDUSTRY

CHAPTER 5

THE PRIVATE PENSION FUND INDUSTRY

The private pension fund industry in Trinidad and Tobago is largely comprised of occupational plans administered by insurance companies and annuity-type products that are sold by insurance companies, banks and trust companies. Pension plan assets accounted for approximately 22 per cent of GDP in 2010 and make up a significant proportion of investments in the local stock market **(Chart 5.1)**.

Chart 5.1
Private Pension Plans' Assets to Gross Domestic Product
/Per cent/



Source: Central Bank of Trinidad and Tobago.

Occupational pension plans are governed by the Insurance Act Chapter 84:01 and have been regulated by the Central Bank which formally assumed responsibility for the supervision and regulation of this segment of the industry in 2004. Occupational pension plans hold a wide range of assets including government and corporate bonds, local equity and fixed deposits. As at December 2011, there were 194 active registered plans and 74 plans in the process of being wound up.

It is worth noting that three corporate trustees administer assets that represent around 90 per cent of the total assets owned by pension funds. Information submitted by these trustees was utilized to gauge how the pension industry has been impacted by the current economic environment.

As is the case with banks and other financial institutions, pension plans were impacted in 2011 by the economy, record low interest rates and limited public sector borrowing. As a result, many pension plans have been forced to hold large amounts of cash in their portfolios. At the end of June 2011, pension plans held over $4.8 billion – approximately 15.9 per cent of total funds under management - in cash and near cash instruments.

Despite the challenging economic environment, pension assets rose to $30.1 billion in June 2011 – a year-on-year increase of 9.4 per cent. For the quarter ended June 30, 2011, assets grew by $0.71 billion from $29.4 billion. This slightly improved position resulted mainly from investments in the equity market and, to a lesser extent in bonds.

Pension Investments

Equities

Over the first half of 2011, private pension plans benefited from higher returns in both the local and foreign stock markets. In the twelve months to June 2011, funds invested in local and foreign equities grew by 18 per cent and 19.7 per cent, respectively. During this period, local equity prices (represented by the All Trinidad & Tobago Index) were up by a robust 17.4 per cent while foreign stock prices (represented by the S&P 500 index) rose by 5 per cent. While the amendment to the Central Bank Act in 2006 allows plans to hold up to 50 per cent of their assets in equities (or more if their asset to funding ratio is over 150 per cent), corporate trustees were reluctant to increase their equity holdings in 2011, despite the upturn in the domestic stock market. One possible explanation for this reluctance was the relatively conservative investment strategy that the industry pursued in light of the increased volatility in global financial markets and the heightened uncertainty given weaker growth prospects. As at June 30, 2011, local and foreign equity holdings comprised 26.8 per cent and 10.7 per cent, respectively of private pension fund investments **(Table 5.1)**.

Table 5.1
Pension Fund Investments

	Funds invested TT$ Millions		Funds as a Per cent of Total Assets		Year-on-Year Per cent Change
	Jun-10	Jun-11	Jun-10	Jun-11	Jun-11
T&T Government Securities	8,857.0	9,010.4	32.1	29.9	1.7
Corporate Securities	3,427.8	3,667.2	12.4	12.2	7.0
Mortgages	190.6	176.4	0.7	0.6	-7.4
T&T Equities	6,839.3	8,069.0	24.8	26.8	18.0
Fixed Deposits	3,896.7	4,155.8	14.1	13.8	6.6
Other T&T Assets	1,063.4	1,171.7	3.9	3.9	10.2
Foreign Government Securities	471.0	487.0	1.7	1.6	3.4
Other Foreign Securities	116.2	178.4	0.4	0.6	53.5
Foreign Equity	2,692.6	3,223.2	9.8	10.7	19.7
Total Assets	**27,554.6**	**30,139.0**	**100.0**	**100.0**	**9.4**

Source: Central Bank of Trinidad and Tobago.

Bonds

The limited availability of long-term fixed income instruments as well as falling interest rates also restrained the performance of the fixed income component of pension fund investments. Bonds provide plans with the opportunity to invest funds for the long-term while receiving a steady flow of semi-annual interest income[10]. This income is either reinvested or used to pay pensions and other benefits. Government bonds, which are considered to be virtually risk free, are especially attractive to pension plans. Funds invested in corporate bonds grew at a faster year-on-year rate (7 per cent) compared with funds invested in government bonds, which rose by only 1.7 per cent in the twelve months to June 2011 **(Table 5.1)**. With the limited issuance of local government securities, pension plans face the challenge of finding new local bond issues to replace bonds that mature in their portfolios.

Risks

The pension sector has remained stable in the face of economic slowdown. During the period 2008 to 2011, no plans were closed or ceased operations. However, six new plans were registered and an additional eleven plans are in the process of being approved by the Board of

[10]The exception to this would be zero coupon bonds which are purchased at a discount and pay out the principal invested an all accrued interest at maturity in a lump sum.

Inland Revenue and registered with the Central Bank before commencing operations. Given the large amounts of cash on hand and limited investment opportunities, available plans are likely to earn less income in 2011 than they did in 2009 and 2010.

Moreover, if the economic slowdown persists for any prolonged period of time, pension plans are likely to continue to experience lower income returns and contribution inflows. As a result, companies that hold defined-benefit plans may face increased costs.

Governance

The Central Bank has strived since 2005 to improve corporate governance standards for private occupational pension plans. As a consequence, a number of guidelines have been issued to regulated financial institutions, including pension plans, key among them being the following:

- The Fit and Proper Guideline which requires inter alia that trustees and management committees of pension plans to be fit and proper (May 2005).
- The Prudent Person Approach to Investment and Lending Guideline provides trustees of pension plans with a framework for the prudent management and control of investment risk (May 2005).
- Introduction of a semi-annual reporting regime for all pension plans to facilitate disclosure to the Bank of the assets and liabilities of private pension plans (June 2008).

The Bank is also proposing to develop new legislation for occupational pension plans and has consulted with the industry in the development of Policy Proposals for the Establishment of an Occupational Pension Plans Bill, a second draft of which was issued for comment in October 2011. The main objectives of the policy proposals are (i) to protect members and beneficiaries from undue loss; and (ii) promote good governance and proper administration of private pension plans. Therefore, some of the main policy proposals seek to further enhance governance and disclosure by:-

- Delineating roles and responsibilities for trustees, management committees and pension plan sponsors;
- Strengthening communication between plan sponsors, trustees and members thus ensuring that members are well informed of their benefits and are provided with relevant information in a timely manner;
- Requiring actuaries and auditors to report irregular transactions and conditions to the Central Bank and plan sponsor, trustee, or management committee as applicable; and
- Introducing knowledge requirements for individual trustees and management committee members.

The Central Bank also proposes to make the semi-annual reporting by pension plans implemented in June 2008 a requirement under the new Occupational Pension Plans bill. This would allow the Central Bank to more stringently monitor plan performance and intervene as necessary where legislated investment limits are not being adhered to, or contribution rates recommended in actuarial valuation reports are not being paid.

Appendices

Appendix I
DEVELOPMENTS IN REGULATION AND SUPERVISION

Over the past year, the Central Bank continued its programme of legislative reform and enhancement to the regulatory and supervisory framework and was able to achieve major milestones for all sectors under its regulatory ambit. Some key initiatives were aimed at advancing draft legislation for insurance companies and intermediaries, credit unions and private pension plans. Other important developments included the enactment of laws intended to (i) support the Government's bailout and restructuring efforts in respect of two insurance companies[11] and (ii) allow for a stay of proceedings against a troubled financial institution where the Central Bank has exercised its emergency powers.

Further, the Central Bank has now completed arrangements to recover supervisory fees and charges from its regulated financial institutions and pension plans. In addition, the Bank can now levy administrative fines for breaches of the Financial Institutions Act 2008.

Details of these significant developments **by sector** are as follows:-

1. INSURANCE

a) Insurance Bill and Draft Regulations
The Policy Proposal Document for the reform of the Insurance Act was approved by Cabinet. The Central Bank and the Chief Parliamentary Council (CPC) met during September and October 2011 to review the draft Insurance Bill. The Bill has been laid in Parliament and debate is expected early in the New Year.

b) Purchase of Certain Rights and Validation Act No. 17 of 2011
On September 20, 2011, the President assented to an Act to provide for the purchase by the Government of Trinidad and Tobago of certain rights belonging to holders of Short-Term Investment Products (STIPs) with Colonial Life Insurance Company (Trinidad) Limited (CLICO) and British American Insurance Company (Trinidad) Limited (BA). The Act empowers the Minister of Finance to make payments and issue bonds for the purchase of those rights; to validate funding provided by the Government to CLICO and BA; and for related matters.

c) Financial Condition Reports (FCR)
The implementation of FCRs introduces an important stress testing discipline for insurers. The Central Bank continues to work on the draft regulations in respect of financial condition reports for long term insurance and general insurance companies.

d) Risk based capital framework and actuarial valuation methodology
The Central Bank proposes to implement a new risk-based capital regime and a standardized actuarial valuation methodology for the insurance sector and over the past two years have successfully tested the capacity and ability of the industry to comply with these two new prudential requirements.

[11]The Colonial Life Insurance Company (Trinidad) Limited and the British American Insurance Company (Trinidad) Limited.

2. Banking

a) Financial Institutions Order, 2011

The Financial Institutions Order, 2011 was made by the Minister of Finance on August 12, 2011. This Order allows the Central Bank to levy administrative fines to financial institutions licensed under the Financial Institutions Act 2008 (the Act) for breaches of certain provisions of the Act. The Order made pursuant to section 122(7) of the Act prescribes the form of the Notice to be used by the Central Bank when levying a fine and allows for the payment of the fine to be made to the Comptroller of Accounts.

b) Residential Real Estate Mortgage Market Guideline

In an effort to improve the disclosure and transparency in the local residential mortgage market, the Central Bank introduced a "Residential Real Estate Mortgage Market Guideline" with effect from September 14, 2011. All new and existing residential real estate mortgages granted by financial institutions licensed under the Financial Institutions Act 2008 (licensees) fall under the scope of the Guideline. The Guideline contains two important features: 1) the requirement for licensees to provide a "Disclosures Statement" to customers; and 2) the introduction of a "Mortgage Market Reference Rate (MMRR)".

The Disclosure Statement is designed to summarize the pertinent facts of the mortgage contract and provide important information such as:

- The type of mortgage (i.e. whether fixed, variable or adjustable)
- The applicable interest rate
- The MMRR
- The margin applied by the bank to your mortgage.

The MMRR is an interest rate benchmark against which mortgages are to be priced and re-priced and it will be announced by the Central Bank on a quarterly basis. The MMRR is computed by the Central Bank based on information on commercial banks' funding costs and yields on applicable treasury bonds. The applicable mortgage rate should then be based on the MMRR plus the margin charged by the licensee.

c) Implementation of new supervisory standards

The Central Bank has developed a Framework to facilitate the conduct of consolidated supervision of financial groups and financial holding companies. The first examination, consistent with the Framework will be conducted during the fiscal year October 2011-September 2012.

3. Insurance and Banking

Draft Guidelines for the Approval or Notification of New or Amended Insurance and Banking Products

In September 2010 the Central Bank circulated a Draft Guideline for the Approval of New/Amended Insurance Products, for comment. In March 2011, a revised draft Guideline covering regulatory requirements for the approval of new, and in the case of banks, material changes to existing products was reissued for comment. This Guideline was developed to provide clarity on Sections 24 and 119 of the Insurance Act, Chapter 84:01 and Section 51 of the Financial Institutions Act 2008 and to ensure is transparency and efficiency in the approval process for insurance and banking products.

The comments received on the draft Guideline were considered and the Central Bank has determined that it is appropriate to issue two separate Guidelines, one that treats with banking products and another with insurance products. The two Guidelines will be finalized for issue by year's end.

4. Credit Unions

A draft Bill for new credit union legislation has been reviewed by legal officers in the Central Bank and Chief Parliamentary Council's Office. The draft Bill has now been issued to the credit union sector for review.

An important aim of the new legislation is to ensure that, in terms of their safety and soundness, credit unions in Trinidad and Tobago are, where applicable, on equal footing with not only other domestic financial institutions but also with their counterparts in the region and internationally.

5. Pension Plans

In December 2009, the Central Bank issued is first Policy Proposal Document (PPD) for the Establishment of an Occupational Pension Plans Bill to stakeholders in the pension plans industry for comment. Numerous comments were received from the industry and on October 13, 2011, the Central Bank issued a revised PPD for further comment. The revised PPD contains notable changes in several key areas including rights of pension plan members and beneficiaries; governance; administrative fines; winding up; and transitional arrangements.

In keeping with Central Bank's mandate to consult with the industry on matters that would impact them, the Central Bank held two face to face consultations on the revised PPD on December 6, 2011 and the closing period for written comments on the policy proposals is December 30, 2011.

6. All Sectors

a) Anti-Money Laundering(AML) and the Combating of Terrorist Financing (CTF)

- <u>Combating of Terrorist Financing</u>

  The Anti-Terrorism (Amendment) Act No. 16. of 2011 was assented to by the President on June 24, 2011. This Act amended section 22 of the Anti-Terrorism Act, Chap 12:07 by inserting responsibilities for the Financial Intelligence Unit of Trinidad and Tobago (the FIU) in respect of its maintaining lists of terrorists and terrorists groups and circulating such lists to financial institutions and listed businesses.

  In addition, the Act outlines the procedures to be applied by the financial institutions and listed businesses where they have received funds from persons appearing on such lists. The Act also provides for the freezing of the funds of a known terrorist or terrorist group by a financial institution or listed business upon the provision of a Court Order by the FIU.

- <u>Guideline for Anti Money Laundering (AML) and the Combating of Terrorist Financing (CTF)</u>

  The Central Bank issued a revised AML/ CTF Guideline to its regulated sectors on October 31, 2011. The Guideline provides guidance to its regulated institutions on the implementation of requirements in certain AML/ CTF legislation, such as the Financial Obligations Regulations 2010.

b) Cost Recovery Regulations

The Central Bank (Payment of Supervisory Fees and Charges) Regulations, 2011 were made by the Minister of Finance on August 12, 2011 pursuant to Section 60(6) of the Central Bank Act.

These Regulations allow the Central Bank to recover fees and charges pertaining to its regulation and supervision of licensed and registered financial institutions.

Regulation 8 outlines the methodology for the calculation of the supervisory fee payable by a bank, licensed nonbank, insurance company or financial holding company; Schedule II shows the supervisory fee applicable for a registered pension plan; and Schedule 1 primarily details application fees for intermediaries as well as approvals of certain services by the Central Bank.

c) The Central Bank (Amendment) Act No. 18 of 2011

The Central Bank (Amendment) Act No. 18 of 2011 was assented to by the President on September 20, 2011. The Act amends the emergency powers of the Central Bank under section 44 of the Central Bank Act by allowing for a stay of proceedings against an insolvent or otherwise troubled financial institution where the Central Bank has taken emergency action. The Act provides for inter alia, that no creditor, shareholder, depositor, policyholder or any other person shall have any remedy against the institution in respect of any claim.

Appendix II
INSTITUTIONS LICENSED UNDER THE FIA, 2008
As at December, 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
- RBC Royal Bank (Trinidad and Tobago) Limited
- Bank of Baroda (Trinidad and Tobago) Limited
- AIC Finance Limited
- ANSA Merchant Bank Limited
- Caribbean Finance Company Limited
- Citicorp Merchant Bank Limited
- CLICO Investment Bank Limited (In Liquidation as of Order dated October 17, 2011)
- Development Finance Limited
- Fidelity Finance & Leasing Co. Limited
- First Citizens Asset Management Limited
- First Citizens Trustee Services Limited
- General Finance Corporation Limited
- Guardian Asset Management Limited
- Intercommercial Trust and Merchant Bank Limited
- Island Finance Trinidad & Tobago Limited
- Republic Finance & Merchant Bank Limited
- RBC Investment Management (Caribbean) Limited
- RBC Merchant Bank (Caribbean) Limited
- RBC Trust (Trinidad and Tobago) Limited
- Scotiatrust and Merchant Bank Trinidad and Tobago Limited

Appendix III
INSURANCE COMPANIES REGISTERED UNDER THE INSURANCE ACT, 1980
As at December, 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 [12]
- Motor One Insurance Company Limited
- Sagicor General Insurance Inc.
- The Great Northern Insurance Company Limited
- The New India Assurance Company (Trinidad and Tobago) Limited
- The Presidential Insurance Company Limited
- Trinidad and Tobago Insurance Limited
- United Insurance Company Limited

Active Composite (Life & General) Insurance Companies

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

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

Appendix III
INSURANCE COMPANIES REGISTERED UNDER THE INSURANCE ACT, 1980
As at December, 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)
- N.E.M (West Indies Insurance) Limited
- Mountain General Insurance Company Limited

Inactive Composite (Life & General) Insurance Companies

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

Active Association of Underwriters

- Lloyd's Underwriters

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

ACTIVE PENSION PLANS

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

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

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

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

- Janouras Customs Design Limited Pension Plan
- Johnson & Johnson (Trinidad) Ltd. Staff Pension Fund Plan
- Joseph Charles Bottling Works and Investments Limited Pension Fund Plan
- Junior Schools Limited Staff Pension Plan
- L.J. Williams Pension Fund Plan
- Lake Asphalt of Trinidad and Tobago (1978) Limited (Monthly) Pension Fund Plan - Staff
- Lake Asphalt of Trinidad and Tobago (1978) Limited (Weekly) Pension Fund Plan - Employees
- Lange Trinidad Limited Pension Fund Plan
- Laughlin and DeGannes and Associate Companies Pension Fund Plan
- Lazzari and Sampson Limited Pension Fund Plan
- Lever Brothers (West Indies) Ltd. Pension Fund Plan
- Life of Barbados Pension Fund Plan
- Lonsdale/Saatchi and Saatchi Advertising Limited Staff Pension Fund Plan
- Mainstream Foods Limited Pension Fund Plan
- Mandev-Qualassure Pension Fund Plan
- Maritime Life (Trinidad) Limited Pension Fund Plan
- Master Mix of Trinidad and Tobago Limited Pension Fund Plan
- Mc Cann Erickson (Trinidad) Limited Pension Fund Plan
- Medianet Limited Monthly Paid Staff Pension Fund Plan
- Mega Insurance Company Limited Pension Fund Plan
- Mittal Steel Point Lisas Ltd. Pension Fund Plan
- 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 Limited Pension Fund Plan
- National Insurance Board Pension Fund Plan
- National Insurance Property Development Company Limited Pension Fund Plan
- National Library and Information System Authority (NALIS) Pension Fund Plan
- National Maintenance Training and Security Co. Ltd. Pension Fund Plan
- National Union of Government and Federated Workers- Elected Officers Pension Fund Plan
- National Union of Government and Federated Workers- Staff Pension Fund Plan
- Navarro's Shipping Limited Pension Fund Plan
- Neal and Massy Group Pension Fund Plan
- Neal and Massy Wood Group Pension Plan
- Nestle Trinidad Limited Pension Fund Plan
- Nestle Unionized Employees Pension Fund Plan
- Niherst Pension Fund Plan

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

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

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

- The Incorporated Trustees of the Anglican Church in the Dioceses of Trinidad and Tobago Pension Fund Plan
- The Institute of Marine Affairs Pension Fund Plan
- The 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 Limited Pension Fund Plan
- Toyota Trinidad and Tobago Staff Pension Fund Plan
- Trinidad and Tobago Pilots Association Pension Plan
- Trinidad and Tobago Chamber of Commerce Pension Fund Plan
- Trinidad and Tobago Civil Aviation Authority Pension Fund Plan
- Trinidad and Tobago Electricity Commission Pension Fund Plan
- Trinidad and Tobago Electricity Commission Provident Fund
- Trinidad and Tobago External Telecommunications Company Limited Pension Fund Plan
- Trinidad and Tobago Methanol Company Limited Pension Fund Plan
- Trinidad and Tobago Mortgage Finance Company Limited Pension Fund Plan
- Trinidad and Tobago National Petroleum Marketing Company Limited Pension Fund Plan 1
- Trinidad and Tobago National Petroleum Marketing Company Limited Pension Fund Plan 2
- Trinidad and Tobago Oil Company Limited Contributory Pension Fund Plan A
- Trinidad and Tobago Oil Company Limited Contributory Pension Fund Plan B
- Trinidad and Tobago Oil Company Limited Employees Benefit Plan
- Trinidad and Tobago Petroleum Company Limited Employees Pension Fund Plan
- Trinidad and Tobago Petroleum Company Limited Staff Pension Fund Plan
- Trinidad and Tobago Port Contractors Daily & Weekly Paid Pension Fund Plan
- Trinidad and Tobago Solid Waste Management Company Limited Pension Fund Plan
- Trinidad and Tobago Telephone Co. Ltd. Staff Pension Fund Plan
- Trinidad and Tobago Unit Trust Corporation Pension Fund Plan
- Trinidad Building and Loan Association Pension Fund Plan
- Trinidad Cement Limited Employees Pension Fund Plan
- Trinidad Concrete Products Limited Pension Fund Plan
- Trinidad Contractors Limited Pension Plan
- Trinidad Express Newspapers Limited Pension Fund Plan
- Trinidad Hilton (International) Limited Pension Fund Plan
- Trinidad Nitrogen Company Limited Staff Pension Fund Plan

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

- Trinidad Ropeworks Limited Retirement Plan for Employees
- Trinidad Systems Pension Plan
- Trintoplan Consultants Limited Staff Pension Fund Plan
- Unilever Caribbean Limited Hourly Rated Employees Pension Plan
- United States of America Embassy in Trinidad and Tobago Pension Fund Plan
- Waste Disposal Limited Pension Fund Plan
- Water and Sewerage Authority Pension Fund Plan
- West Indian Tobacco Company Limited Staff Pension Fund Plan
- Western Scientific Company Limited Pension Fund Plan
- William H Scott Limited Pension Fund Plan
- Y. De Lima and Company Limited Pension Fund Plan
- YARA Trinidad Limited Pension Fund Plan
- Youth Training and Employment Partnership Programme Limited Pension Fund Plan

PENSION PLANS IN THE PROCESS OF BEING WOUND UP – As at December 2011

- All Trinidad Sugar and General Workers Trade Union Pension Fund Plan
- Associated Battery and Metal Industries Trinidad Ltd. Pension Fund Plan
- Aviation Services Trinidad and Tobago Ltd. Pension Fund Plan
- Bel Air International Airport Hotel Limited Pension Fund Plan
- B.H. Rose Limited Pension Fund Plan
- Bottlers Ltd. Pension Fund Plan
- British Airways Pension Fund Plan
- BWIA (Ltd) Pilots Provident Fund
- 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

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PENSION PLANS REGISTERED UNDER THE INSURANCE ACT, 1980
As at December, 2011

- 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
- Inglefield Ogilvy & Mather Caribbean Pension Fund Plan
- Insurance Consultants Ltd. Pension Fund Plan
- International Loss Adjusters Ltd. Pension Fund Plan
- Label House Ltd. Staff Pension Fund Plan
- Metal Industries Company Pension Fund Plan
- National Agro Chemicals Pension Fund Plan
- National Broadcasting Services of Trinidad and Tobago Pension Fund Plan
- Nationwide Staff "A" Pension Fund Plan
- Nationwide Staff "B" Pension Fund Plan
- Nationwide Staff "C" Pension Fund Plan
- Orange Grove National Company Ltd. Pension Fund Plan
- PCS Nitrogen Pension Fund Plan 2
- Perreira & Company Limited Staff Pension Plan
- Premier Consolidated Oilfields Ltd. Pension Fund Plan
- PriceWaterhouse Coopers Ltd. Pension Fund Plan
- Rediffusion (Trinidad) Ltd. Pension Fund Plan
- Reinsurance Company of Trinidad and Tobago Ltd. Pension Fund Plan
- 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
- Trinmar Employees Benefit Pension Plan
- The National Commercial Bank of Trinidad and Tobago Pension Fund Plan
- Royal Caribbean Insurance Limited Staff 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
- Textel Pension Plan
- Trinidad and Tobago Oil Company - Local Fund

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

- Trinidad and Tobago Oil Company Limited Non Contributory Pension Fund Plan
- Trinidad and Tobago Oil Company Staff Retirement Plan
- Trinidad and Tobago Oil Company Ltd. Provident Fund
- Trinidad and Tobago Printing and Packaging Company Pension Fund Plan
- Trinidad and Tobago Television Company Ltd. Pension Fund Plan
- Trinidad Broadcasting Company Ltd. Pension Fund Plan
- Trinidad Shipping Company Ltd. Retirement Pension Fund Plan
- Trinidad Textile Manufacturing Company Ltd. Pension Fund Plan
- Van Leer Containers Trinidad Ltd. Pension Fund Plan
- West Indian National Insurance Company Pension Fund Plan
- Workers Bank (1989) Ltd. Pension Fund Plan
- Yorke Structures Ltd. Pension Fund Plan

Central Bank of
Trinidad & Tobago

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