



PARLIAMENT
REPUBLIC OF TRINIDAD AND TOBAGO
(TENTH PARLIAMENT- 2013/2014 SESSION)

INTERIM REPORT
OF THE
JOINT SELECT COMMITTEE
ON
THE INSURANCE (No. 2) BILL, 2013

Ordered to be printed

TOGETHER WITH THE MINUTES OF PROCEEDINGS

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THE COMMITTEE

APPOINTMENT

1.1 Pursuant to resolutions of the Senate on Tuesday November 19, 2013 and of the House of Representatives on Friday November 22, 2013, a Joint Select Committee was established:

“to consider and report on a Bill entitled, ‘An Act to repeal and replace the Insurance Act, Chap. 84:01; to reform the law relating to insurance companies; to regulate insurance businesses and privately administered pension fund plans and for other related purposes”

MEMBERSHIP

1.2 The following persons were appointed to serve on the Committee:

- Mr. Larry Howai
- Dr. Bhoendradatt Tewarie
- Mr. Vasant Bharath
- Mr. Subhas Ramkhelawan
- Mrs. Helen Drayton
- Mr. Faris Al-Rawi
- Mr. Stephen Cadiz, MP
- Mr. Jairam Seemungal, MP
- Mrs. Carolyn Seepersad Bachan, MP
- Dr. Delmon Baker, MP
- Mr. Colm Imbert, MP
- Ms. Marlene McDonald, MP

TERMS OF REFERENCE

1.3 The Committee was mandated to discuss the general merits of the Bill along with its details, as well as to adopt as part of its work, the work of the Committee previously appointed in the 3rd Session.

1.4 The Committee was also mandated to report by January 31st, 2014.

SECRETARIAT

1.5 Secretariat support to your Committee was provided by:

- Mrs. Nataki Atiba-Dilchan - Secretary

o Mr. Indar Sieunarine - Assistant Secretary

MEETINGS

1.6 The Committee held three (3) meetings on the following dates:

- Wednesday December 03, 2013
- Wednesday January 08, 2014
- Wednesday January 28, 2014

1.7 The Minutes of the meetings of December 03, 2013 and January 08, 2014 are attached at

Appendix 1.

CHAIRMANSHIP

1.8 At its first meeting on Wednesday December 03, 2013, the Committee elected Mr. Larry Howai as Chairman.

REPORT

3.1 The Committee wishes to report that substantial progress has been made with regard to the fulfillment of mandate, but it will be unable to complete its work by the deadline of January 31, 2014.

RECOMMENDATIONS

4.1 The Committee therefore requests a further period of two (2) months to complete its work and to submit a final report to the Parliament by March 31, 2014.

Respectfully submitted,

Mr. Larry Howai
Chairman

January 29, 2014

**MINUTES
OF
PROCEEDINGS**

**MINUTES OF THE 1ST MEETING OF THE
JOINT SELECT COMMITTEE ON THE INSURANCE (No.2) BILL, 2013
HELD IN THE ARNOLD THOMASOS ROOM (WEST), LEVEL 6, OFFICE OF THE PARLIAMENT
TOWER D, THE PORT OF SPAIN INTERNATIONAL WATERFRONT CENTRE,
1A WRIGHTSON ROAD, PORT OF SPAIN ON
TUESDAY DECEMBER 03, 2013**

PRESENT

Sen. the Hon. Timothy Hamel Smith	-	President of the Senate
Mr. Larry Howai	-	Chairman
Mr. Stephen Cadiz, MP	-	Member
Mr. Jairam Seemungal, MP	-	Member
Dr. Bhoendradatt Tewarie	-	Member
Mr. Faris Al-Rawi	-	Member
Mr. Colm Imbert, MP	-	Member
Mr. Subhas Ramkhelawan	-	Member
Mrs. Helen Drayton	-	Member
Mrs. Nataki Atiba-Dilchan	-	Secretary
Mr. Indar Sieunarine	-	Assistant Secretary

ABSENT/EXCUSED

Mrs. Carolyn Seepersad Bachan, MP	-	Member
Mr. Vasant Bharath	-	Member
Dr. Delmon Baker, MP	-	Member
Ms. Marlene McDonald, MP	-	Member

COMMENCEMENT

1.1 The meeting was called to order by the President of the Senate at 11:50 am.

ELECTION OF CHAIRMAN

2.1 The President of the Senate advised that his role was to facilitate the election of a Chair and he invited nominations.

2.2 Mr. Colm Imbert nominated Mr. Larry Howai for the chairmanship and this was seconded by Mrs. Helen Drayton.

2.3 There being no further nominations, Mr. Howai was declared Chairman.

2.4 The President of the Senate indicated that Mrs. Nataki Atiba- Dilchan and Mr. Indar Sieunarine would serve the Committee as Secretary and Assistant Secretary respectively.

2.5 Mr. Howai was invited to take the Chair.

2.6 The Chairman took the Chair and began by thanking Members for their unanimous support for his nomination. He expressed the hope that the same spirit of cooperation would be reflected in the future deliberations of the Committee.

Excuses for Absence

2.7 The Chairman indicated that the following persons would be excused from the day's meeting:

- Mr. Vasant Bharath
- Mrs. Carolyn Seepersad-Bachan
- Ms. Marlene McDonald
- Dr. Delmon Baker

QUORUM

3.1 The Chairman proposed a quorum of 5 persons, inclusive of the Chair, provided that at least one Member from each House was present. The Committee agreed to this proposal.

TERMS OF REFERENCE

4.1 The Chairman reminded Members of the Terms of Reference of the Committee as follows:

- (i) to consider an Act “*to repeal and replace the Insurance Act, Chap. 84:01; to reform the law relating to insurance companies; to regulate insurance businesses and privately administered pension fund plans and for other related purposes*”
- (ii) to discuss the general merits of the Bill along with its details
- (iii) to adopt as part of its work, the work of the Committee previously appointed in the 3rd Session; and
- (iv) to report by January 31st, 2014.

DISCUSSIONS ON THE WAY FORWARD

5.1 The Chairman invited discussion on the approach to be taken by the Committee in achieving its mandate.

Written Submissions to the Committee

5.2 The Chairman drew Members attention to the package of written submissions received.

5.3 Submissions were received from the following:

- (i) The Maritime Financial Group
- (ii) Mr. Carrington Chin
- (iii) ScotiaBank
- (iv) Lloyds
- (v) Mr. Rishi Nirvan Balroop
- (vi) Ms. Desiree S. Augustin
- (vii) Institute of Chartered Accountants of Trinidad and Tobago(ICATT)
- (viii) Association of Trinidad and Tobago Insurance Companies(ATTIC)
- (ix) Insurance Brokers Association of Trinidad and Tobago

5.4 After some discussion the Committee agreed to the following in relation to comments on the Bill:

- a) As the architects of the legislation, the Central Bank would be invited to meet with the Committee on January 08, 2014 to explain the rationale behind the content of the Bill. A written overview of the Bill would be sought from the Inspector of Financial Institutions in advance of the meeting;
- b) The Invitation for Public Comment on the Bill would be re-issued with a deadline of January 15, 2014;
- c) Persons/Organizations which had already made written submissions would be invited to make further comments, if they so wished;
- d) The other organizations to be targeted and invited to make written comments on the Bill would be (i) the Law Association of Trinidad and Tobago (ii) the Hugh Wooding Law School (iii) the UWI Masters Program (iv) the Bank and General Workers Union (vi) the Board of Inland Revenue and (vii) the Financial Intelligence Unit;

- e) The decision on which persons/organizations would be invited to make presentations to the Committee would be decided at a future date, based on the written submissions.

Short-Term Consultant

- 5.5 Applications were received from the following persons:

Sharon Michelle Narine
Tenille Candes Ramlal
Melissa Goorahu
Petal Young
Bhano Surujbally
Asia colley
Rayanna Baboolal
Ann-Marie Joseph
Richard Walsh
Priya Pooran
Nirena Nobbee

- 5.6 The Committee agreed that none of the applications received in response to the advertisement for a consultant appeared satisfactory.

- 5.7 The recommendation of Mr. Claude Denbow as a possible consultant to the Committee was made by Mr. Al-Rawi.

- 5.8 After further discussion on the issue of retaining an expert, it was agreed that Committee members would reflect on who else could be considered as a consultant. Suggestions may be provided through the Secretariat or via round robin discussion. As well, the Chairman would liaise with the Worldbank, IFC or other such institution for possible candidates.

Standing Technical Support

- 5.9 The Chairman suggested that for future meetings standing technical support could be provided by the Office of the Chief Parliamentary Counsel, the Ministry of Finance and the Central Bank. Members were in agreement with this. It was also agreed that these institutions would be asked to nominate persons to attend meetings of the Committee.

ADJOURNMENT

- 6.1 There being no other business, the Chairman thanked Members and adjourned the meeting to Wednesday January 08, 2014.

6.2 The adjournment was taken at 12:19 pm.

I certify that these Minutes are true and correct.

Chairman

Secretary

Wednesday December 05, 2013

**MINUTES OF THE 2nd MEETING OF THE
JOINT SELECT COMMITTEE ON THE INSURANCE (No.2) BILL, 2013
HELD IN THE ARNOLD THOMASOS ROOM (EAST), LEVEL 6, OFFICE OF THE PARLIAMENT
TOWER D, THE PORT OF SPAIN INTERNATIONAL WATERFRONT CENTRE,
1A WRIGHTSON ROAD, PORT OF SPAIN ON
WEDNESDAY JANUARY 08, 2014**

PRESENT

Mr. Larry Howai	-	Chairman
Mr. Stephen Cadiz, MP	-	Member
Mr. Jairam Seemungal, MP	-	Member
Mr. Vasant Bharath	-	Member
Mr. Faris Al-Rawi	-	Member
Mr. Colm Imbert, MP	-	Member
Mr. Subhas Ramkhelawan	-	Member
Mrs. Carolyn Seepersad Bachan, MP	-	Member
Mrs. Nataki Atiba-Dilchan	-	Secretary
Mr. Indar Sieunarine	-	Assistant Secretary

ABSENT/EXCUSED

Dr. Bhoendradatt Tewarie	-	Member
Dr. Delmon Baker, MP	-	Member
Ms. Marlene McDonald, MP	-	Member
Mrs. Helen Drayton	-	Member

COMMENCEMENT

1.2 The meeting was called to order by the Chairman at 10:38 am.

CONFIRMATION OF MINUTES (First Meeting- December 03, 2013)

2.1 There being no amendments, the motion for the confirmation of the Minutes was moved by Mr. Jairam Seemungal and seconded by Mr. Stephen Cadiz.

MATTERS ARISING FROM THE MINUTES

3.1 The Chairman brought the following matters to the attention of Members:

- **Page 3 Paragraph 5.4 (a):** the Central Bank overview was received and circulated to Members on the 27th December, 2013. Mr. Carl Hiralal and a team from the Central Bank would be present at the meeting.
- **Page 3 Paragraph 5.4 (b):** Advertisements (20cm x 4 columns) re: the Invitation for Written Submissions were booked in the Guardian, the Newsday and the Trinidad Express for Sunday December 15, 2013, Sunday December 29, 2013 and Sunday January 12, 2014 and two (2) weekdays each during the same period.
- **Page 3 Paragraph 5.4 (c):** Persons who had previously provided written submissions were asked if they wished to make further submissions. Mr. Rishi Balroop, Scotiabank, ATTIC, Maritime, ICATT and Lloyds indicated that they did not have any additional information to submit. Mr. Carrington Chin indicated that he should make further comment by January 13, 2014.
- **Page 3 Paragraph 5.4 (d):** All the institutions were written and given a deadline for submission of January 15, 2014. No responses as yet were received.
- **Page 4 Paragraph 5.8:** Recommendations of Professor Persaud and Dr. Denbow for the short term consultancy were received and circulated.

3.2 In relation to the hiring of a consultant, Mr. Ramkhelwan expressed the view that it may not be necessary to have a full time advisor but perhaps the Committee could seek advice in specific areas as needed.

3.3 The Chairman suggested that the matter be fully discussed at the next meeting since Dr. Tewarie and Mrs. Drayton also had further input to make. Members agreed to this suggestion.

3.4 The Committee agreed at this point to invite the representatives of the Central Bank to join the meeting.

DISCUSSIONS WITH REPRESENTATIVES OF THE CENTRAL BANK OF TRINIDAD AND TOBAGO

4.1 The Chairman welcomed the officials of the Central Bank. He indicated that the Bank was invited to make a presentation so that the Committee could grasp the rationale behind the recommended changes in the legislation. He also advised that the Committee had allocated one hour for the Central Bank's Presentation.

4.2 The Inspector of Financial Institutions was then asked to introduce his team and to make his presentation.

4.3 Representing the Central Bank were:

Mr. Carl Hiralal	- Inspector of Financial Institutions
Mrs. Sherry-Ann Bachew-Rudd	- Manager Policy and Market Conduct
Mr. Rene Singh	- Legal Counsel II
Ms. Deborah Boynes	- Senior Legal Counsel
Mrs. Michelle Chong-Tai Bell	- Chief Actuary
Ms. Joanne Hamid	- Senior Examiner, Policy and Market Conduct

4.4 The Inspector then proceeded to present the proposed changes to the legislation and the rationale for same, using a PowerPoint Presentation. The question and concerns raised by the Committee are captured at Appendix 1 to these minutes.

4.5 At the completion of the hour allotted for the discussions with the Central Bank, the Chairman suggested, and it was agreed, that the presentation would be continued from Slide 20 at a subsequent meeting.

4.6 The Chairman thanked the representatives of the Central Bank for their attendance and excused them from the meeting.

OTHER BUSINESS

Additional Consultant for Committee

5.1 On the suggestion of Mr. Imbert that the Committee should acquire the services of both an insurance expert and legal expert, it was agreed that the Attorney General would be written to provide the names of possible candidates to provide legal advice.

Remuneration of Members

5.2 Mr. Imbert raised the matter of the lack of proper remuneration for Members given the time spent in service on committees.

5.3 Members agreed that this was a matter that needed to be addressed.

Next meeting

5.4 After some discussion it was agreed that the next meeting would be set for Wednesday January 22, 2014 at 10am. At that meeting the representatives from the Central Bank would be invited to continue their presentation and members will also discuss the issue of the consultants.

ADJOURNMENT

- 6.1 There being no other business, the Chairman thanked Members and adjourned the meeting to Wednesday January 22, 2014.
- 6.2 The adjournment was taken at 12: 21 pm.

I certify that these Minutes are true and correct.

Chairman

Secretary

Friday January 10, 2014

Appendix 1

Members raised the following concerns during the PowerPoint Presentation entitled “Draft Insurance Bill and Regulations”:

Issue	Response
Does the Bill address issues of consumer protection?	<ul style="list-style-type: none">• The overall object of the Bill is to ensure companies meet obligations and establish the right amount of reserves to meet claims.• The Bill addresses how and when to pay claims.• The Bill includes enhanced disclosure requirements.
Based on stress testing and other testing done in relation to the evaluation of liabilities, have any companies undervalued their liabilities?	<ul style="list-style-type: none">• Yes. Two of the twelve life insurance companies do not meet the capital rules.• Six or seven of the nineteen non-life companies have challenges meeting the capital rules but over a five-year transitional period the Central Bank believes these companies will be able to address these challenges.
What happens with companies that could not meet the new capital requirements and will the identities of these companies be made public?	<ul style="list-style-type: none">• The CBTT works with companies to address solvency-related issues.• If sufficient capital cannot be raised, there are options of merging or selling before suspension or wind-up of operations.• Companies identities are not disclosed because this can lead to loss of confidence.
What mechanisms exist in the Bill to ensure that another CLICO situation does not occur?	<ul style="list-style-type: none">• The Bill institutes international benchmarks with regard to the amount of capital held by companies.

	<ul style="list-style-type: none"> • The higher the risk of the products offered the greater the amount of capital necessary to be held. • Reserve requirements have been standardized. • Limitations have been placed on related-party transactions.
Is there a fixed formula to determine if a company should be wound-up?	<ul style="list-style-type: none"> • There is no formula to apply across the board and entails a certain amount of judgment. • The company is given certain deadlines to meet in increasing assets and reserves. If these are not met then steps will be taken to wind-up.
Is it true that the statutory fund covers only certain life and motor vehicle products?	<ul style="list-style-type: none"> • Yes. Health and property etc., are not covered.
What percentage of other policy holder liabilities is not covered by the statutory fund?	<ul style="list-style-type: none"> • Twenty percent of premiums is required to be held.
Can the Act work without regulations?	<ul style="list-style-type: none"> • No. The regulations outline the capital rules and methods to use in determining actual reserves.
What is meant by an Independent Director?	<ul style="list-style-type: none"> • This is someone who is not a member of the management of the company.
Can the Central Bank exercise enforcement powers of Trinidad and Tobago?	<ul style="list-style-type: none"> • Under the Consolidated Supervision rules the CBTT can supervise all companies within a family of companies both inside and outside of Trinidad and Tobago. • The capital rules of Trinidad and Tobago are applied, unless the reserve practice in

	the jurisdictions are higher.
How is the Act applied to instances of “fronting” of policies?	<ul style="list-style-type: none"> • The new rules require the reinsurer to meet requirements of the Central Bank and the reinsurer must be an internationally accepted company.
What percentage holding in a company outside of Trinidad and Tobago forms part of consolidated supervision?	<ul style="list-style-type: none"> • The Regulator has jurisdiction only for insurance companies in the same family. • It cannot regulate a commercial entity and will have to rely on information provided by the insurance company for their decision to invest in that particular company.
How are syndicated fronts regulated?	<ul style="list-style-type: none"> • The average amount of reinsurance in Trinidad and Tobago for non-life companies is around 58% and for life insurance companies the retention limit is closer to 90%. • The Central Bank does not have the ability to go beyond the rating of the international insurer. There are only a few huge reinsurers that take on business from Trinidad companies.
Are there “cease and desist” provisions to deal with fronting?	<ul style="list-style-type: none"> • Yes. They are called compliance directions which can be instituted if there is a risk and these compliance directions are enforceable in court.
How would the Central Bank know if the audit committee of an insurance company is not functioning and what action would they take?	<ul style="list-style-type: none"> • The Central Bank will know if the audit committee is not functioning by reviewing their minutes. • If an audit committee for an insurance company is established but not functioning the Central Bank can take action from curtailing the activities of the company to severely stopping the operations of the company.
How often does the Central bank make on-site visits to insurance companies?	<ul style="list-style-type: none"> • The Central Bank meets with company management on a quarterly basis to review the company’s quarterly results as well as to review changes and address issues based

	<p>on the quarterly results.</p> <ul style="list-style-type: none"> • The Central Bank also conduct on-site examinations based on the risk profile of the company; the higher the risk the more frequent they engage in on-site inspections.
Should the requirement for the Central Bank to regularly review Audit Committee Reports of companies be put in the Bill?	<ul style="list-style-type: none"> • Yes. It may be best to include this provision in the regulations.
Were the regulations drafted and could the Committee be provided with copies?	<ul style="list-style-type: none"> • Yes. The Chairman indicated that he would source copies for the Committee.