Reaching scale in small markets: regulatory harmonisation in the Caribbean

International Conference on Inclusive Insurance

25 October 2022
Presentation of the proposed broad legislative framework for Insurance and Pensions within the ECCU

PRESENTATION
INTERNATIONAL CONFERENCE ON INCLUSIVE INSURANCE 2022
25TH OCTOBER, 2022
Background and Context

The proposed (Insurance and Pensions) bill is intended for the ECCU region.

The **Eastern Caribbean Currency Union (ECCU)** is a development of the Organization Eastern Caribbean States. The ECCU is composed of eight countries:

- Anguilla
- Antigua and Barbuda
- Dominica
- Grenada
- Montserrat
- Saint Kitts and Nevis
- Saint Lucia
- Saint Vincent and the Grenadines

The organization is under the supervision of the Eastern Caribbean Central Bank (ECCB) and the member states use a common currency, the Eastern Caribbean Dollar.
Reasons for Reform

A response to the industry’s preference for regulatory consistency in the region

Large number of cross-border insurers

Need for better protection for policyholder and pensioners in the ECCU

The need to lower the cost of doing business in the region
Pension regulation at varying stages of development in ECCU and accomplished through limited provisions in the Insurance Acts.

Increase in multi-jurisdictional pension plans.

Insurance laws and prudential requirements in need of review to meet international standards, e.g., capital and solvency.

The economic realities of the region
- Characterized as small vulnerable economies prone to natural disasters
- Limited resources
- Similar financial systems and fundamentals

Failure of the CL Financial Group
- The economic cost of these failures
- Highlighted market and regulatory deficiencies
Main Goal of the Framework

- One insurance and pension market across the eight ECCU member territories
- A single, more robust and well-resourced insurance/pension regulator
- Uniform legislation, benchmarked against international standards, passed in each territory
  - Insurance benchmark: IAIS Insurance Core Principles
  - Pension benchmark: OECD/IOPS Core Principles of Private Pension Regulation
Main provisions of the ECCU Insurance and Pensions Bill (summarized)

- Licensing (with one common Regulator)
- Licensees
- ECCU Passport Right
- Capital and Solvency Requirements
- Statutory Funds
- Conduct and Operation
- Pensions
- Annual Levies/Administrative Penalties/Fees
- Consumer Protection
- Appeals
- Transition Matters
Summary of the features of the Proposed Framework – Single Market

- Participation in the single ECCU insurance and pension market requires incorporation within the region.
- Approved licencees will be able to operate from their home territory within the ECCU through the exercise of a passport right and ECCU licence.
- One licensing process with standard licensing requirements.
One uniform ECCU Insurance Bill will apply, specifying prudential and market conduct requirements for insurers, intermediaries, and pension plans.

The Commission] has full powers of a supervisory and regulatory body.

Board comprises industry experts and policymakers.

Board selected by Monetary Council on nomination by jurisdictions and industries.

High level of autonomy.
Highlights of the Commission’s Powers

- Commission will have full regulatory and supervisory powers, including:
  - Licences – conditions and cancellations
  - Setting binding Rules and standards
  - Examinations and Investigations
  - Power to require production of books and records
  - Intervention and binding directions
  - Banning powers
Commission to issue Industry codes of conduct for Insurers and Intermediaries within 2 years of Act

- Agreed standards for conduct by participants

- Specifically-agreed processes and protocols that the industry and the regulator agree meet the requirements of the law – providing additional detail that will facilitate implementation of the law
Note: the Bill has been under review and some provisions may have changed over time.

To date the legislative framework has not been adopted by the ECCU.
Thank You!
Questions and Comments

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CHALLENGES OF REGULATION HARMONIZATION AT A REGIONAL SCALE

Case brief of CIMA in 14 subsaharian countries
PART 1

General presentation of CIMA
PART 1 – GENERAL PRESENTATION OF CIMA

1.1. CIMA history

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
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<tr>
<td>1962</td>
<td>Creation of the Conférence Internationale des Contrôles d’Assurances (CICA) comprising 13 member states: Bénin, Burkina Faso, Cameroun, Centrafrique, Congo, Côte d’Ivoire, Gabon, Mali, Niger, Sénégal, Tchad, Togo, Madagascar and France</td>
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<td>1992</td>
<td>Signing of the Treaty creating the Conférence Interafricaine des Marchés d’Assurances (CIMA), by the governments of the following 14 member-States: Bénin, Burkina, Cameroun, Centrafrique, Comores, Côte d’Ivoire, Gabon, Guinée Equatoriale, Mali, Niger, Sénégal, Tchad and Togo. But Comores did not ratify the Treaty</td>
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<td>1994</td>
<td>Entry into force of the CIMA Treaty kick-off of the activities. CIMA Treaty opens the door to any other African countries that wants to join</td>
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<tr>
<td>2022</td>
<td>First non french-speaking country to join CIMA : Guinée-Bissau becomes officially the 14th member-State of CIMA</td>
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PARTIE 1 – GENERAL PRESENTATION OF CIMA

1.2. CIMA ’s missions

1. STRENGTHEN AND CONSOLIDATE COOPERATION IN THE FIELD OF INSURANCE
   - Cover risks from various sectors such as agriculture or trade with best-fit solutions to the African context.
   - Foster local investment of insurers provisions
   - Mutualize/rationalize human resources management

2. HARMONIZED AND UNIFIED LAWS AND REGULATIONS LINKED TO INSURANCE SECTOR
   - « Single policy » : single set of laws and regulations to be enforced in the 14 member-States
   - « Single supervision » : same kind of controls applicable to insurance companies in the 14 member-States
PART 1 – GENERAL PRESENTATION OF CIMA

1.3. CIMA’s Governance

1. COUNCIL OF MINISTRIES OF INSURANCE (CMA)

CMA is the leading body of CIMA, in which each Member-State is equally represented with one ministry. It gathers twice a year to decide on the following:

- Single policy adoption,
- Monitoring of the single policy application by member-States
- Single appeal body against sanctions of the CRCA
- Budget decisions

⇒ Most of the decisions are taken at a qualified majority of ¾
⇒ CMA is strongly supported by an « Expert Committee » which submit technical assessments and recommendations

2. REGIONAL COMMISSION OF INSURANCE SUPERVISION (CRCA)

- Supervisory body in charge of the control of insurance and re-insurance companies
- Sanction power (licence suspension or withdrawal, fines, compulsory transfer of portfolio, top-management suspension…)

3. SECRÉTARIAT GÉNÉRAL DE LA CONFÉRENCE

- Preparation and execution of the CMA and CRCA decisions
- Preparation and execution of the reglementary norms to apply the CMA policy
- Under control of CRCA, desk-review and in-situ control of the (re)insurance companies, with 14 commissioners (one in each member-State)
PART 1 – GENERAL PRESENTATION OF CIMA
1.4. A few figures about CIMA (2020)

Companies being supervised by CIMA
- 185 insurance companies
- 19 re-insurance companies

- **5.2 bn EUR**
  Total portfolio in CIMA market (life and general)

- **1.8 bn EUR**
  Premium collected in CIMA market (life and general)

- **3.4 bn EUR**
  Investments in CIMA market (life and general)