

# Reaching scale in small markets: regulatory harmonisation in the Caribbean

International Conference on Inclusive Insurance

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# Presentation of the proposed broad legislative framework for Insurance and Pensions within the ECCU

PRESENTATION

INTERNATIONAL CONFERENCE ON INCLUSIVE INSURANCE 2022

25<sup>TH</sup> OCTOBER, 2022

# Background and Context

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

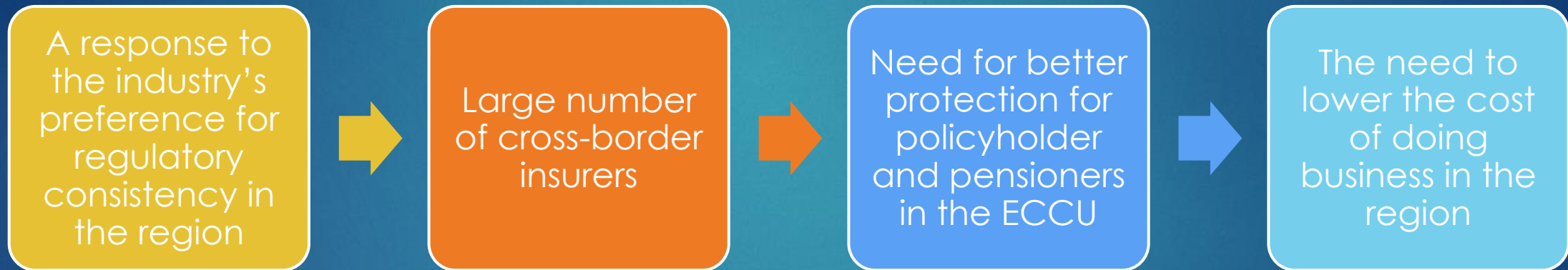
The **Eastern Caribbean Currency Union (ECCU)** is a development of the Organization Eastern Caribbean States. The ECCU is composed of eight countries :

- ▶ 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



- ▶ 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

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- ▶ 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

(cont'd)

- ▶ 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





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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

Creation of  
CICA

CICA  
Becomes **CIMA**

Launch of CIMA

A new member-  
State joins CIMA

**1962**

- 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

**1992**

- **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

**1994**

- 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

**2022**

- First non french-speaking country to join CIMA : **Guinée-Bissau** becomes officially the 14th member-State of CIMA

# PARTIE 1 – GENERAL PRESENTATION OF CIMA

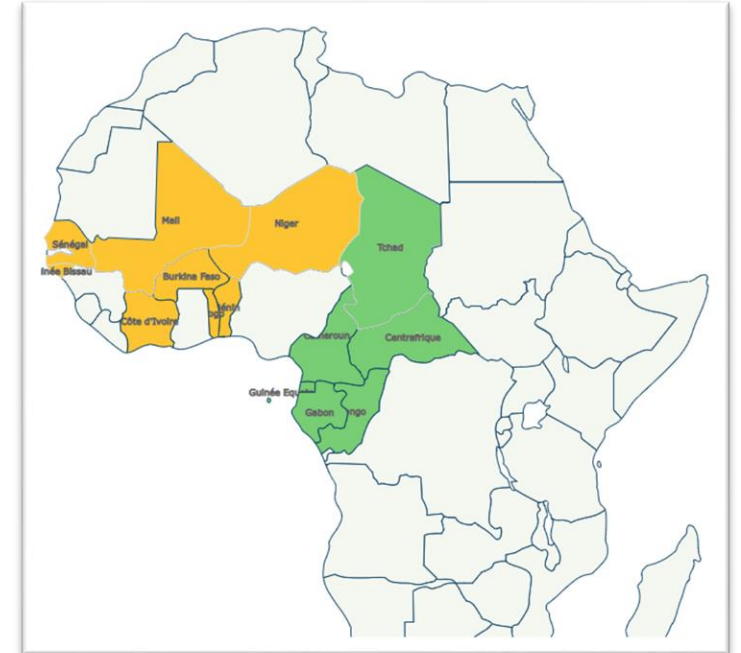
## 1.2. CIMA 's missions

### 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  $\frac{3}{4}$
- ⇒ 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



Total portfolio in CIMA market (life and general)



Premium collected in CIMA market (life and general)



Investments in CIMA market (life and general)