

# **UNIFORM INSURANCE BILL DRAFT 2016– IMPLICATIONS FOR ANGUILLA**

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# Current Insurance Landscape

- ❖ Private sector life and health insurance underwritten primarily by USA and European companies.
- ❖ ECCU companies – general insurance carriers such a Caribbean Alliance (Antigua based) and National Caribbean (St. Kitts based), Nagico (St Maarten based). Some health and life coverage provided by the latter two.

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- ❖ **Non-life carriers** include Malliouhana – Anico Insurance (Anguilla based), Sun General and Caribbean Alliance.
- ❖ **Life insurance carriers** – Midland national Insurance Company over (U.S \$30 billion strong) and Occidental Life Insurance, American Bankers Life Assurance Company and Lloyds.
- ❖ **The non-ECCU insurers** have underwritten and carry billions of dollars of life and health insurance.

# Delicensing of Insurance Companies

## Reasons:

- ▶ Capitalization of a subsidiary insurance company to attract a few hundred thousand dollars of business would not make good business sense.
- ▶ Capital of EC\$7,000.000 can be invested otherwise.

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- ▶ Anguilla, being part of the San Juan, U.S.V.I., B.V.I. market will be a financial burden and not business attractive.
- ▶ Too little return for a major capital investment of at least EC\$7,000,000.

# De-Risking and Unloading

- By delicensing the companies will not do further business resulting in mismatch in risk and growth.
- Adverse selection against the insurer: healthy persons will leave and persons with no choice of cover will try to remain insured.
- Insurers will terminate all cover especially health insurance.

# Cancellation of Life Insurance Contracts by Insurers

In conforming with AXA/ECCU regulation, an unlicensed insurer cannot conduct business in ECCU territory, hence insured persons are likely to lose life insurance cover resulting in catastrophic consequences:

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- a. Loss of security for family following untimely death of a loved one.
- b. Loss of funds (life insurance payments) to pay off debt such as mortgage or school loans.
- c. Loss of cash value to aid in children's education.

N.B. Not having funds to settle mortgage is likely to result in the loss of the home to the bank and the family becoming destitute.

# Loss of Health Insurance

- ▶ X insured person will have to seek cover from other insurers and because of health issues and/or age, may not qualify.
- ▶ X insured ill persons will no longer be able to receive needed health care provided for under their “lost” health plan.

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- ▶ Burden of health care transferred directly to loved ones causing financial and economic difficulties and stress.
- ▶ Burden of health care cost transferred to the state/government as formerly insured persons become indigent in need of health care.

# Loss of Jobs

- ▶ The bill will undoubtedly result in loss of jobs as it would cause contraction in various local insurance related businesses which must realign and reposition themselves to survive.

# Exclusionary in Application for Anguillians

Anguilla is a homogeneous society. The bill ignores this reality by restricting families from partaking in shared ownership in insurance companies.

Part V11, heading “Corporate Governance of Insurers” section 144 (pg 83 – 84)  
Restrictions on Acquisition of Shares, restricts to percentage of shares to be owned by way of relationship.

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The act is also very punitive in this regard setting out \$100,000 fines for each person who acquires over 20% of insurance companies by way of blood ties.

# Comments and Conclusion

The CLICO and BAICO failures adversely affected the ECCU economies and financial sectors. To avoid a repeat of this experience or to mitigate against similar consequences to the insured public, the regulators and governments of the ECCU decided to develop a common insurance act ,hence the Uniform Insurance Bill 2016.

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The bill has much to be commended for with respect to certain safeguards in reporting, governance, ethics and industry knowledge requirements.

The drafters goal seemed to be the design of ‘one size to fit all” territories.

Unfortunately, this approach has negative consequences to Anguilla’s citizenry and residents as the bill is likely to cause:

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- The USA and non Caribbean insurers to leave Anguilla resulting in the loss of insurance protection.
- Anguillians to be discriminated against in the involvement and ownership of insurance companies due to the homogeneous nature of this society.

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- Financial and economic difficulties following the loss of critical insurance security.
- Consequences of the act being contrary to the objectives of the bill.

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A bill that results in the loss of financial and risk mitigation security cannot promote “efficiency, fairness, security, safety and stability” in the insurance industry, at least not in Anguilla.

Insurance is about managing risk and risk mitigation. It is about recognizing obvious and potential hazards and taking necessary proactive steps to deal with it through insurance.

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Each geographical jurisdiction has different hazards, different socio-economic and cultural realities which are to be considered and catered for in laws and regulations.

Rather than structurally limiting the number of insurance carriers through legislation and regulations, it is strongly recommended that the approach should be

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to create an insurance model that will cater for marketing to the twelve (12) billion inhabitants of the world.

The OECS/ECCU should be thinking more “GLOCAL” (global in our thinking while maintaining our uniqueness) rather than insular, for the diaspora of the ECCU is everywhere.

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As the Global Village contracts through technological advancement, risk management and risk mitigation mechanisms will become more concentrated in the hands of private companies and persons of high net worth. Self-insurance models already exist making this a reality, especially through the role of Captive Insurance.

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Legislators therefore must be business savvy and adaptable to global realities. Regulatory regimes must be seen as enabling and not disabling.

Anguilla as a jurisdiction should continue to enhance its insurance laws and regulations to international standards and advance the development of Anguilla through this critical insurance industry. A single regulatory regime through or by the ECCU is not in the best interest of Anguilla.



# Thank You



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