

of shrub/tree species which, in addition to slope stabilization, would also contribute to the provision of fodder and fuelwood for the local populace.

In Section C, Sanderson reports on the results of a project "Reducing Risk in Vulnerable Communities, Lima, Peru Phase One: Caqueta Pilot Project". The main aim of this project was to develop sustainable and realistic risk reduction measures for Caqueta, a low income area of Lima which is vulnerable to landslides, earthquakes and fire. The paper reinforces the participation of local communities and institutions in loss reduction programmes.

Pilgrim has documented the response of a village community to a landslide disaster in the Indian Himalaya. This study demonstrates that existing village institutions and community decision making process need to be reinforced and supported in order for the village communities to cope with natural hazards.

Roger has used a landslide inventory map and debris flow hazard maps to make recommendations for appropriate land-use practices and debris flow hazard loss reduction in the watersheds on the island of St. Lucia. This study identifies the need for digital databases for an effective mitigation of landslide hazards.

Gibbs has documented the damage to buildings and electricity facilities on the island of Antigua in the wake of hurricane Luis, September 4-5, 1995. The causes of failures and successes have been systematically analyzed and it has been shown how the failures could have been avoided or reduced to a manageable level with proactive loss reduction strategies.

In Section D, Suite has critically reviewed the disaster management training in the Caribbean region and identified weaknesses in the disaster plans. This paper recommends a case study approach in the disaster management training programmes.

Morrissey has highlighted the contributions of the Pan-Caribbean Disaster Preparedness and Prevention Project (PCDPPP) and Office of Disaster Preparedness and Emergency Management (ODPEM), Jamaica in facilitating the incorporation of disaster mitigation concepts into the curricula of primary and secondary schools in the Caribbean. This paper proposes a model for infusing disaster mitigation concepts in the school curriculum.

The subject of two papers by Roy Abraham *et al.* is the use of World-Wide Web (WWW) as an education and teaching tool for disaster awareness and for the generation of a database for disaster management in the Caribbean. The authors have created interactive websites to meet these objectives.

A Caribbean database for the earth sciences developed by the Climate Modeling Group, Mona has been described by Chin *et al.* This programme uses the Grid Analysis and Display System (GrADS). The database includes data on precipitation, temperature and sea level pressures from the Caribbean region and may be accessed on two websites.

The last contribution in the volume is a field guide "Hazard and environmental geology of Kingston and St. Andrew, Jamaica" by Ahmad. This field guide introduces some of the natural hazards in the capital city of Jamaica.

Rafi Ahmad  
Kingston

## **2nd CARIBBEAN CONFERENCE ON NATURAL HAZARDS AND DISASTERS, OCTOBER 9, 1996**

**Address by  
HON. MINISTER ROGER CLARKE  
MINISTRY OF LOCAL GOVERNMENT & WORKS  
KINGSTON, JAMAICA**

Madam Chairperson

Let me take this opportunity to offer my own words of welcome to all participants, but moreso to overseas delegates. I am sure that some of you must have visited before, but there is no limit to the warmth and hospitality that abounds in Jamaica. So I implore you to avail yourself and do not be sparing in your indulgences.

I must apologize most sincerely for the absence of the Prime Minister who is unavoidably absent, but expresses a desire that you have a successful conference.

We are meeting at a very opportune time with a still very active hurricane season with us. The people of Montserrat are undergoing a period of great anxiety, and we in Jamaica have, fresh in our minds the recent destruction by fire of one of our historic landmarks – the Carib Theater with its attendant loss of life and injury to some of our firemen.

I am confident that there exists within this room the collective will and expertise to find solutions to the many problems we face in trying to grapple with disasters within our region.

As small island states we are particularly vulnerable to disasters. We are vulnerable to natural hazards such as earthquakes, hurricanes, floods and volcanic eruptions because of our geographic location and we are vulnerable to chemical and technological hazards such as explosions and chemical spills, as we make efforts to progress.

No country of course can be completely safe from the impact of disasters. The impact on nations such as ours however can be particularly devastating since we can be affected over our entire territory and major infrastructure and economic activities can be crippled by a single event.

While industrialized countries suffer greater economic damage in absolute terms, poorer countries are impacted

more severely in relative terms, for instance, gross national product lost due to natural disasters is estimated to be twenty (20) times greater in developing countries than in developed countries.

The IDNDR day theme for 1996 'Cities at Risk' offers us a serious challenge. Now as we approach the 21st century the world is becoming increasingly urbanized. It is expected that a few years into the new century, more than half of the world's population will be residing in cities. Here in Jamaica we have a population of approximately 2.3 million, with a little less than half living in urban settlements.

With such increased urbanization, resources will have to be found to provide adequate amounts of safe water, electricity, construction materials and space. Degradation of the urban environment will become a more and more serious problem as pressures on scarce land and limited water resources rise. Population increases will force settlements, often unplanned, in unsuitable areas such as flood plains and landslide prone hills as land at a reasonable cost, close to employment opportunities, becomes a scarce commodity.

Still, sustainable development is a priority for all nations. We must find ways to provide our population with adequate services such as health care, education and housing, yet if we are not careful, it will become a situation of two steps forward and one step backwards.

If we do not fully acknowledge the impact of natural disasters on development, any progress we make in social development is vulnerable and can easily be eroded by disasters. Development activity is negatively affected by disasters when ongoing programmes have to be interrupted to allow a shift in resources from on-term programmes to that of short-term recovery and emergency response.

The challenge now facing us in disaster management and the Earth Sciences is to focus on loss reduction. We

need to look at ways in which we can mitigate against effects of disasters on our nations and to undertake research and analysis that will inform our development planning.

I am happy to say that while disaster management is a relatively new science here in the Caribbean, we have not been remiss in the development and implementation of programmes to protect our communities against the devastation of disasters.

In Belize there has been river training and coastal hazard mapping programmes. In Haiti and the Dominican Republic they too have been undertaking coastal hazard mapping. In St. Lucia, Dominica, Antigua and Barbuda vulnerability audits of lifeline facilities have been done. Building codes have been developed for the Eastern Caribbean and here in Jamaica we have also had success in river training in St. Catherine and Portland, St. Thomas and St. Mary, in emergency drain cleaning islandwide, in storm surge mapping in Montego Bay, and in Multi-Hazard mapping of landslide susceptibility and earthquake zonation in the Kingston Metropolitan area.

But we can do more, working together as a region, exchanging experience and know-how. There are economies of scale in carrying out activities on a regional basis as we have seen through Caribbean Disaster Emergency Response Agency (CDERA) – developing model programmes such as training for instructors and shelter management courses, in sharing information resources and regional early warning systems.

We must build stronger and better regional networks, reference centers and coalitions that will forge regional solutions to disaster vulnerability.

We must institutionalize this growing culture of disaster management, our NGOS, private firms, and national authorities must continue to work together to ensure that prevention, preparedness and mitigation measures are an accepted part of the development process.

We must also continue to broaden the dialogue between us. Too often, relief practitioners talk mostly to other relief practitioners. Early warning experts talk mostly to early warning experts, disaster management practitioners in health do not talk to disaster management practitioners in agriculture and too often authors of one national emergency preparedness plan forget to talk with their neighbours.

Local authorities must be strengthened to increase their capabilities to deal with disasters at the district and community level.

This conference is an important step in the process. I want to encourage all of us here working in emergency preparedness, disaster relief and long-term development to continue to network with each other and forge creative alliances.

It is in this spirit of acting now to safeguard our future, that on behalf of the honourable P. J. Patterson, Prime Minister of Jamaica, I now declare the second Caribbean Conference on Natural Hazards and Disasters open.

## **2nd CARIBBEAN CONFERENCE ON NATURAL HAZARDS AND DISASTERS, OCTOBER 9, 1996**

### **Speech Presented by DR. RICHARD VAN WEST-CHARLES**

#### **PAHO/WHO REPRESENTATIVE**

Madam Chairperson, Hon. Minister Roger Clarke, Members of the Diplomatic Corps, Distinguished Guests, Colleagues, It is indeed a distinct honour to be considered by the organizing committee to give the address at this the second Caribbean Conference on Natural Hazards and Disasters. Moreso, may I also take this opportunity to express PAHO/WHO appreciation for the collaboration which we have had with various agencies and member states in the area of disaster prevention, preparedness and mitigation.

In addition, I bring you the good wishes of Sir George Alleyne, Director of the Pan American Health Organization, who was present at the last meeting here in Kingston on Natural Disaster Reduction and as expected, will be following the results of this meeting not only due to the organizational mandate but also because of his personal interest.

We meet two years after the world conference on Natural Disaster Reduction which was convened by the United Nations at Yokohama, Japan. That meeting recognized two important issues which should be at the heart of our deliberations

- (i) Rapidly rising worldwide toll on Human and Economic losses due to Natural Disasters.
- (ii) That sustainable economic growth and sustainable development cannot be achieved in many countries without adequate measures to reduce losses and that there are close linkages between disaster losses and environmental degradation as clearly emphasized in Agenda 21.

It is no secret that the Caribbean has had its share of devastation – David, Gilbert, Hugo and Fran and we can go on. The economic loss has been tremendous at the individual; commercial and governmental levels. The emerging series of misfortunes and calamities puzzle our human minds to the point that some have begun to

question whether it's a natural disaster or divine punishment. Some wonder whether it's the end – dooms day. But people have always coexisted with natural hazards. What has changed is that these disasters occurred in areas where there was no population and hence, for the most part did not become disasters since many areas were unpopulated.

Today, the situation has certainly changed with these areas becoming very populated and hence, what we do or what we fail to do is now the key factor. Our performance has not been one which should make us proud. You will note I have not said government's performance. At the Yokohama Conference, the International Community, Scientific community, Business, Industry, NGO, and the media were all present. All expressing their deep concern for the continuing human suffering and disruption of development caused by natural disasters. These representations were all inspired by the need for a safer world. We have for sometime aligned ourselves with the disaster response – many of us as good christians seek refuge or divine hope that God will not cause a repetition of Gilbert, or Hugo – hence complacency becomes the rule. Much of the discussions in relation to the planning is done without the involvement of the wider community i.e people. It is at this level that the change must be achieved.

An examination of some disasters shows a very close relationship between vulnerability to disasters and socio-economic development – for example the rate of urbanization contributes to increased vulnerability and also leads to environmental degradation and to poverty. Evidence from natural disasters in Latin America and the Caribbean has shown that those with little income and a poor quality of housing suffer disproportionately when disaster strikes. The poor with low levels of education

often live in impoverished settlement in highly vulnerable locations. Therefore governments or the private sector as they become involved in the provision of housing for this socio-economic grouping should pay due regard to the question of vulnerability. An UNDR0 study in 1988 estimated that 95% of the deaths caused by disasters occurred among 66% of the population of the world's poorer countries. Thus the impact of disasters on the process of development is monumental especially in countries where resources are scarce.

The scarcity of resources should not and must not be a deterrent to the pursuit of the principles of risk assessment. Thus as countries embark on development, a pre-eminent strategy must be one that takes a generational perspective instead of a process that disregards the need of the wider society and that of future generations. Our world is replete with examples of development approaches that are selfish and shortsighted.

The vulnerability of the Caribbean makes it imperative that our approach should be an inclusive and comprehensive one. It should embrace the principle of equity. Much of our activities have been focussed on our response to disaster. In the 1970's, relief was provided with unbridled generosity but in many instances much was done in an uncoordinated environment, which was technically inappropriate and culturally insensitive.

Earlier I made reference to some who believe that disaster/hazards are punitive educational events which respond to a catalogue of transgressions. But I also indicated that the pre-eminence of the response mode to disasters/hazard has not proved cost effective nor contributory to the process of sustainable development. Hence, there is a need for change in our approach to the way the Caribbean has addressed this issue – since there is a need for a change the Caribbean must be more inward looking than outward looking.

What does it therefore mean to be inward looking?

You will recall that many countries were represented at the conference on Sustainable Development and the Environment held in Rio 1992 and embraced the declaration which seeks to direct all our developmental efforts towards sustainability. Thus sustainable development is the output of comprehensive planning through an inward looking process. This process must incorporate consideration of disaster risk and deals with preparedness and mitigation and not singularly with response.

But if we are to address this issue in the most comprehensive of ways, it demands that there needs to be an environment of inclusion and total understanding

of all the linkages. This requires a societal response where all sectors, all communities, all shades of society must have an appreciation of the relationship of disaster preparedness and mitigation and socio-economic development.

This places a challenge to both the public and private sector to be more analytical in relation to the types of developmental projects either identified or accepted.

In times of scarce resources, there is great temptation either to design or accept income generating projects which seek to promote urban growth with the result of workers seeking housing in Hazard-Prone areas. The Economic Commission for Latin America and the Caribbean points out that disasters have three economic repercussions.

- (i) Direct effects on property;
- (ii) Indirect effects caused by losses in economic production and services; and
- (iii) Secondary effects that are manifested after the disaster has reduced national income; increased inflation, problems of foreign trade, increased public spending, the resulting fiscal deficit and reduced monetary reserves.

Thus, when we are domiciled in an environment in which natural disasters are an annual occurrence, our natural response must be oriented towards prevention and mitigation of same. But this requires the use of technology which is available within this region but which we have not used in the most constructive of ways. We need to question ourselves about this failing and seek to reorganize our efforts in a most constructive and focussed way. The required response must be based on an expanded footing in which there must be an understanding of the implications. There is a need for total involvement of the society and not the singular involvement of the government. But governments must send the clear message of the need for partnership and involvement less their initiatives are misunderstood.

Since changes in government are sometimes as frequent as disasters, we need to ensure that in the name of sustainability, all political forces the entire political fabric are apprised of the importance of disaster prevention and mitigation.

In the health sector, many of the public health workers have evangelized the importance of the preventive as against curative. Mitigation is a preventive action and it clearly works, but it requires policies to be put in place and to be adhered to. Evidence of the benefits of mitigation has been demonstrated as recently as 1995 when French St Maarten fared significantly better than Dutch S. Maarten as a result of the effective implementation and enforcement of a building code.

It is now more than ten years since the Caribbean has sought to address the issue over this period, we have had many hurricanes and other disasters. We have lost lives, we have lost resources and yet, as we meet here today, we have not been able to enforce same. And at the same time, we speak to a vision of sustainable development. One of our prime concerns must therefore be the resolve to make the Caribbean a safer place.

At the political level, there is CARICOM and more recently, the Association of Caribbean States. These two political bases have indeed laid the foundation for the processes of integration to take place. Nature in all her splendour has always challenged man to rise to the highest level for survival. We cannot survive as individual entities – the collective is the answer. Hence, the timing of the conference is to my mind is most opportune to catalyse the level of cooperation so badly needed. We all have varied relevant experiences;

- The French Antilles are among those in the forefront of volcanic hazard studies;
- The Commonwealth Caribbean has acquired knowledge in wind hazards; and
- Latin American countries have a wealth of quality information on seismic hazards.

I must emphasize that the need for the entire society to be involved is paramount. I would like to make special mention of the need for the media to play its development role in communicating to wider

community. To the owners, to the editors to be directly involved in the communication strategy. Every country together with the Caribbean Broadcasting Union must be proactive in this area.

I would therefore humbly suggest that during your deliberations, you consider:

- (i) Developing strategy or mechanisms for efficient information dissemination to avoid any wastage of resources in such areas as vulnerability surveys and retrofitting experiences.
- (ii) Implementing the Caribbean Uniform Building Code as a matter of urgency and ensure that the necessary monitoring systems are in place – together with the legislative framework.
- (iii) Direct involvement of the education sector to address cooperation in formal education at all levels especially regarding the post-graduate training of our engineers.

Within another three years and two months, we shall witness the dawning of a new millennium. We meet today, not for today but for the future. We therefore must share that collective vision of a safer Caribbean. It is up to us to make it a reality. In the words of Forbes Burnham, the late President of the Cooperative Republic of Guyana – "In our hands lies the destiny, let these be safe hands".

May your deliberations be incisive and may they inform the future direction. May God bless you.

## **2nd CARIBBEAN CONFERENCE ON NATURAL HAZARDS AND DISASTERS, OCTOBER 11, 1996**

**Address by  
HONOURABLE DENNIS LALOR, O.J.**

***SUBJECT: NATURAL HAZARDS AND INSURANCE INDUSTRY: REPORT AND  
RECOMMENDATIONS OF THE WORKING GROUP ESTABLISHED BY  
CARICOM HEADS OF GOVERNMENT, JULY 1994***

Following hurricanes Gilbert (September 8-20, 1988), Hugo (September 10-25, 1989) and Andrew (August 16-20, 1992) together with the alarming contraction of the principal reinsurance markets and the withdrawal of several major reinsurer, resulting in declining availability of reinsurance and escalating reinsurance premium cost, CARICOM Heads of Government at their meeting in July 1994 established a Working Group to:

- Assess the current situation in the insurance industry as it relates to catastrophe insurance and reinsurance and develop short and long term recommendations for attenuating the situation.
- Develop proposals for a regional catastrophe fund with recommendations for financing; and
- Assess the implications of treating the Caribbean as a distinct area for insurance purposes.

The Working Party adopted for its exercise, and strongly recommends, a strategy to minimize the overall economic costs and social effects of the natural hazards in the CARICOM countries based on:

- increased emphasis on vulnerability reduction, and
- a strengthened insurance industry - including increased self-insurance.

This proposed strategy recognizes the very strong link between reduced vulnerability, lowered insurance costs, and increased fiscal health of insurance providers. There is thus a mutuality of interest which, once explicitly accepted, should result in broad based support for a policy of mitigating the adverse consequence of natural disasters.

The Working Party believes that the property and casualty (general/non-life) insurance industry is at a

crossroads in its development as a vehicle to support the progress of the region. On the one hand it can continue with the status quo, but on the other it can move forward boldly and radically into the future.

We believe in the potential of the industry as one of the fundamental building blocks of regional economic and physical development, but both governments and the sector will need to devote appropriate effort and resources to ensure that the objectives are attained.

The critical issues facing the industry and thereby retarding its growth and potential role in economic development are the generally low levels of capitalization, the apparent lack of regulatory effectiveness in solvency vigilance due, in the main, to the relatively weak infrastructures and the absence of a defined vision of the sector's capabilities.

By and large, the CARICOM region's insurance industry obtained its own identity some 25 years ago with the passage of Insurance Acts governing the carrying on of insurance business. Prior to that, the business of insurance was transacted mainly under general agency or branch structures of foreign insurers, for the most part United Kingdom based. In the main, companies today are insurance units of trading and financial entities whose profit strategies centre on their agency roles for a wide range of products and financial services.

Our study has revealed that CARICOM property insurers do not appear motivated to expose significant capital to catastrophe hazard insurance risk-taking but rather, so far as that class of business is concerned, see reinsurance commission as their revenue mainstay. As a consequence, over 85% of catastrophe risk exposure property risks are covered by foreign re-insurers; and

with a view to further restricting exposure, the remaining 15% (net retention) is also reinsured externally against catastrophe events. The result of this, in any year free of a serious catastrophe, is a net remittance outflow estimated at perhaps one third of gross property insurance premium income. A year with high catastrophe claims experience can of course, and does, result in a net remittance inflow from reinsurer.

During the deliberations of the Working Party, the matter of deductibles, co-insurance and the average clause featured strongly as key issues with which the industry is grappling. The concerns expressed centered on a need for an insurance company to be perceived as providing the fullest possible coverage to its policyholders and ultimately its claimants. These issues were raised in an attempt to encourage relevant authorities to examine the gap between the coverage required by the insuring public and what is actually provided. The Working Party maintains the view however, that these measures of risk management must continue to be pursued by the insurance industry in an effort to maintain vital reinsurance capacity. Deductibles, co-insurance and rating increases are methods used internationally to achieve continuing solvency and profitability. Most large international reinsurer will continue to insist on these practices for insurers in the Caribbean. As one reinsurer noted, these measures have contributed to opening up avenues of arranging reinsurance availability which in turn has led to some needed softening of the insurance markets in many Caribbean islands. There is, however, an apparent dichotomy between the interests of insurer and insured and hence the need for full awareness efforts so that the consumer can have a reasonable understanding of the availability/pricing realities and is motivated towards 'do it yourself' vulnerability reduction measures. The insurance industry in the region has a responsibility to proactively disseminate the facts to the public and seek their understanding.

Credible current industry statistics, particularly company balance sheet information, were not available and this served to prevent the Working Party making any judgement or projections regarding the fiscal position and profitability of the industry. Apart from the inadequacy of statistics, there is evidently little commonality among statutory reporting systems. Outside of the CARICOM region, insurance is a highly information sensitive industry and software systems abound, including those for regulatory reporting purposes, as opposed to the apparently labour intensive processes undertaken in the region. Deserving of immediate closer focus is timely and accurate reporting, interpretation of key fiscal data from companies as well

as scrutiny of the security offered by reinsurance; only thereby can the true fiscal position be understood.

In assessing the implications of treating the Caribbean as a distinct area for insurance purposes, the Working Party recognized that a major problem facing CARICOM countries is their location in relation to the United States of America. The region is subject to earthquakes, volcanic eruptions and hurricanes, and international reinsurers in evaluating their exposure to hurricanes take into consideration their United States accumulations. In view of the relative sizes of the two markets, and the pay back potentials, available capacity is inevitably allocated to the US market at the expense of the islands.

Accordingly, and having regard to the relative vulnerability of typical structures in CARICOM, the Working Party did not see as being feasible the idea of the region being favourably treated as a distinct market.

In the final analysis, the decisions to be taken centre around the future role which both Governments and insurance industry investors see as being played by the sector; that is to say whether there will be a continuation of the existing "Cinderella" status or transformation to a truly meaningful place in the important matter of regional economic development.

## THE RECOMMENDATIONS

The Working Party's recommendations fall into three groups, fiscal, regulatory and vulnerability reduction.

### Fiscal

As a result of the relatively low levels of capitalization CARICOM insurers to date have had to place great dependency on external reinsurance.

The CARICOM insurance industry and indeed the industry worldwide is changing dramatically as the catastrophe frequency has increased over recent years and loss severity, insured and otherwise, has grown commensurate with capital stock concentrations and the values exposed. Some observers fear that weather patterns and/or earth warming etc. is trending adversely, but this remains a worldwide debate rather than useable forecasted knowledge. The fact remains for CARICOM countries that capital stocks and economic development remain in too large a part severely exposed and unprotected from natural disaster catastrophes.

The worldwide reinsurance markets have been, and are likely to continue to be very volatile; hence the need for strong local market infrastructures and first-class risk discrimination and underwriting so as to enable CARICOM insurance companies to be proactive and

astute in reinsurance purchasing and reinsurance security vigilance.

In light of these developments, the fiscal position of the CARICOM insurance market, so vital to the industry's ability to meet its commitments, must be considered an issue of primary importance and clearly demonstrated to all relevant constituents. The fairly cavalier approach with which the industry now approaches this responsibility has prompted the Working Party to strongly recommend extremely close scrutiny of the fiscal integrity of the industry. The Working Party vigorously urges the industry to recognize that whatever the reinsurance climate, long term interests are best served by strengthening all elements of the industry infrastructure to meet the reasonable expectations of policyholders.

The Working Party's broad recommendations are therefore as follows:

- (a) The relevant authorities should seek to compel CARICOM insurers to ensure that catastrophe e.g. windstorm/earthquake covers, with their enormous loss potential, are handled according to sound underwriting principles and discipline. In particular, the industry is urged to pursue with major risk clients prudent risk management strategies such as deductibles, self insurance and other limitations of liability as well as the exclusion of specific hazards which could serve to attract greater levels of insurance/reinsurance cover and result in cost containment. Additionally, an insurer's aggregated liabilities for natural disasters require demonstrable balancing to valid reinsurance and the insurers's realizable assets.
- (b) Adequate statistics must be viewed as a necessity, particularly in an attempt to accurately judge the reserve adequacy level of the industry and to comply accordingly. Statistics should also be relied on to generate accurate assessments of industry yields, aid in performance evaluation and improvement, facilitate effective and efficient industry regulation, and to properly evaluate the specific windstorm/earthquake risk in the calculation of premiums. CARICOM insurance companies must be made to appreciate the role of statistics in ensuring the fiscal integrity of the industry and their strategic value in facilitating timely, effective management decisions.
- (c) The fiscal authorities must be urged to recognize that insurance offered to the insurance consumer requires adequate reserves for the event of a catastrophe and that these reserves must not be

regarded, and taxed, as profits. The industry needs much larger tax deferred reserves in order to cope with physical catastrophes. In other words, insurers must be enabled by way of suitable fiscal legislation to establish adequate reserves; otherwise they will be inhibited from fulfilling their important social and economic task. One of the goals of any Government's legislative programme in the financial services sector is to promote fiscal responsibility and if a market such as ours cannot create catastrophe reserves, then the most effective means of raising capital has been denied it. The Working Party strongly endorses the essential need to adopt legislation to increase capital requirements to realistic levels.

- (d) Given a thinly capitalized CARICOM insurance industry and a tightening reinsurance market, the concept of a regional reinsurance pool must be further explored. It is recommended that the critical criterion should be the extent to which any pool arrangement is able to generate adequate additional sustainable capacity rather than the reshuffling of existing capacity levels. The Working Party recognizes that harder dimensional information is required to enable an informed opinion on options. The Working party therefore proposes that a separate technical study be commissioned and that the financial and technical support of a multinational institution be sought to support this. The report details a suggested Terms of Reference for the study.

## Regulatory

Governments seek to ensure that insurance companies operating within their national markets are financially sound and transact business in a responsible manner. The CARICOM insurance industry, like other industries worldwide, must be effectively regulated in order to ensure the fiscal ability of insurance companies to meet their commitments. It is imperative that CARICOM governments recognize that the strength, growth and social responsiveness of the industry will be directly commensurate with the strength, growth and social responsiveness of the industry's regulatory function.

The Working Party's recommendation is therefore two fold.

- (a) The Working Party recognizes an overwhelming and urgent need to drastically upgrade the standard of reporting not only in the information provided, but also in its timeliness. In addressing this need, the Working Party recommends a

region-wide approach in order to achieve not only vastly improved standards but also a harmonization in the reporting format throughout the industry.

- (b) The Working Party recommends not only an improvement but also a broadening of the role of the CARICOM insurance regulator. As the region begins to turn its attention to economic mitigation, the focus of the regulator must also begin to take a proactive slant. The regulator must also begin to be concerned with the matter of reinsurance security and the approach the industry must take to this challenge. It is critical that the evolving role of the regulator be carefully charted and given priority primarily in terms of providing the necessary training to hone supervisory skills and thus improve the effectiveness of the authoritative capacity of the role.

The report outlines in detail, proposals for the management criteria, status and practices of the insurance regulatory function currently being pursued by one CARICOM country, Trinidad and Tobago. The Working Party recommends their speedy and enthusiastic examination and adoption by other CARICOM countries as a "best practices" approach.

### **Vulnerability Reduction:**

The CARICOM insurance industry needs to assume a proactive role in limiting the losses that result from natural disasters. Vulnerability reduction measures have broad acceptance as the highest impact mechanisms to reduce catastrophe loss damage and the ensuing reconstruction debt levels. The industry's involvement in these measures to curtail catastrophe loss will undeniably produce excellent cost/benefit yields. The Working Party recommends that efforts be made to have the industry not only appreciate the need for its involvement in this area but also to adopt a comprehensive approach to spreading the use of these measures industry-wide which can only be effective if it is introduced as an aggressive national strategy throughout the region.

The approach which the Working Party recommends that the CARICOM insurance industry take towards vulnerability reduction has two dimensions:

- (a) encouraging the use of certain structural and non-structural measures by all sectors including the insuring public, through such measures as discriminatory pricing and scope of coverage incentives; and

- (b) facilitating the generation and availability of information on hazards, vulnerability and risk. Hazard analysis studies have to be considered the fundamental basis for the underpinning and coordinating catastrophe vulnerability reduction measures by all sectors. Legislation is recommended for the adoption of such a strategy.

The Working Party recommends that consultations between Governments and the industry begin immediately with a view to developing a vision for the future. These consultations would involve, inter-alia, the sector's role, investment policies, taxation, infrastructure development and the regulatory function.

### **Conclusion:**

The Working Party is aware that its recommendations involve a significant change in practice and require real effort by the parties concerned – the governments on behalf of the people and the insurance industry. However, it will be observed from this letter and the more detailed report that many of the recommendation have a significant regional component. These can be summarized as : (1) enacting legislation for the achievement of strong and effective insurance regulation; (2) improving the CARICOM region's risk acceptance capacity; (3) institutional strengthening of disaster mitigation measures.

Additionally, during its deliberations the Working Party became aware of many ongoing initiatives spearheaded by individual CARICOM countries as well as by regional and multilateral assistance agencies.

The Working Party therefore recommends that the CARICOM Secretariat be directed to:

- (i) Systematically identify all relevant ongoing initiatives and report to member countries so that this information can be taken into account in the preparation of action plans at the respective national levels.
- (ii) Immediately explore the obtaining of further assistance from the appropriate agencies in support of a regional programme aimed at implementing the recommendations contained in this report. By way of an example, the Working Party is of the view that within one year, the region could have credible insurance industry statistics, if proper efforts could be directed toward accessing the available funding and employing the results of the study conducted by a respected Canadian public accounting firm on behalf of the Government of Trinidad & Tobago.