



**A summarized overview of the insurance sector of
THE NETHERLANDS ANTILLES
(Dutch West Indies)**



Historical Background:

Once the centre of the Caribbean slave trade, the island of Curaçao (the largest island of the Netherlands Antilles) was hard hit by the abolition of slavery in 1863. Its prosperity (and that of neighbouring Aruba) was restored in the early 20th century with the construction of oil refineries to service the newly discovered Venezuelan oil fields. The island of Saint Martin is shared with France; its southern portion is named Sint Maarten and is part of the Netherlands Antilles; its northern portion is called Saint-Martin and is part of Guadeloupe (France).

Location:

Caribbean, two island groups in the Caribbean Sea - composed of five islands, Curacao and Bonaire located off the coast of Venezuela, and St. Maarten, Saba, and St. Eustatius lie east of the U.S. Virgin Islands

Natural hazards:

Curaçao and Bonaire are south of Caribbean hurricane belt and are rarely threatened; Sint Maarten, Saba, and Sint Eustatius are subject to hurricanes from July to November.

Population: As of 2008

| Netherlands Antilles | Bonaire | Curaçao | Saba | St. Eustatius | St. Maarten |
|----------------------|---------|---------|-------|---------------|-------------|
| 197,184 | 12,103 | 140,796 | 1,524 | 2,754 | 40,007 |

Life expectancy at birth: **male: 74.33 years; female: 79.09 years (2009 est.)**

Dependency status:

An autonomous country within the Kingdom of the Netherlands; full autonomy in internal affairs granted in 1954; Dutch Government responsible for defence and foreign affairs. Currently, the Netherlands Antilles is going through a constitutional restructuring process, whereby it is the intention that Curaçao and St. Martin become independent countries within the Dutch Kingdom and the smaller islands of Bonaire, St. Eustatius and Saba will become 'special' municipalities of The Netherlands. This process is scheduled for completion by 2010 and subsequent implementation of all the changes in the period thereafter.

Government type: parliamentary

Legal system: based on Dutch civil law system with some English common law influence

The development of the Antillean insurance sector

Being situated at the historical and traditional crossroads of important shipping lanes connecting Europe with South America and the Far East, the Netherlands Antilles, and notably Curaçao, have always been very active in commercial trade of all kinds. It is therefore quite logical that cargo and other types of insurance have been part of the economic activities since the late eighteen hundreds, when in 1889 predecessors of what is now the RSA group began with insurance activities through a local representative.

The second oldest insurance representation in the Netherlands Antilles dates from 1904 when one of the predecessors of the current ING group also established an agency on Curaçao, followed by the Ennia group of companies in 1948 and in later years by other representations or agencies (branches) of various insurance companies of different nationalities.

Where, in the early years, the insurance sector was largely governed by the Antillean Commercial and Civil Codes, in 1990 the National Ordinance governing the Supervision of the Insurance Industry was enacted, whereby the "Bank van de Nederlandse Antillen" (the Antillean Central Bank) was empowered with the actual regulatory tasks. This legislation was developed along the lines of the similar Dutch insurance legislation, albeit with certain adaptations specific to the Antillean circumstances.

As a result of said legislation several of the then still branches of foreign insurance companies were converted into local legal corporations / subsidiaries. In the same period the then largest Dutch parent companies of the local subsidiaries of ING (i.e. Fatum) and Delta Lloyd (i.e. Ennia) reoriented their long term strategies with respect to the small Antillean market to Europe and other countries with more voluminous markets. Consequently several of these, as well as other local companies now have other principal shareholders.

In 2003, the National Ordinance for the Supervision of Insurance Brokers & Intermediaries was introduced or a similar regulation of the broker aspect of the local insurance industry. In this case, also, the Bank van de Nederlandse Antillen was charged with the regulatory tasks.

Consequently, where the insurance industry used to be a completely open 'field' before, since the enactment of the corresponding laws, only registered and licensed insurance companies and intermediaries are allowed to do business actively in the Netherlands Antilles. Nevertheless, for practical and specialty purposes, the Regulator allows non-registered companies to do incidental business, based on the volume and specialty nature of the risks involved. If it becomes apparent though, that such activities tend to become structural and common, the Regulator will intervene.

In line with the tradition of a liberalised economy, direct government involvement in the insurance industry has always been limited to the social security types of insurance such as workmen's compensation, general old age pension, civil servants pension fund, health insurance for certain economically weak groups and the like.

The Insurance Market

The Antillean insurance market, where European companies for a long time were a dominant factor, has developed along the same lines as those in Europe, i.e. for the largest part a 'broker' oriented market, where the intermediary played a very important role in his capacity as representative of the insured. This is especially the case with non-life (i.e. property) insurance, while in the case of life insurance, the concept of so-called exclusive "agents" prevailed.

Over the years, and following the global trends, our insurance market has become one in which multiple distribution channels are used, varying from the earlier mentioned independent brokers or exclusive agents, to direct marketing and sales by the various companies. Banc-assurance and sales through comprehensive employee benefit packages are also rapidly gaining ground.

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Nonetheless, the current policy 'density' (i.e. the average number of policies per insured) or the average premium per insured is still not at the level of more sophisticated markets. On the one hand this is due to the level of disposable income of the average customer, and on the other hand due to the fact that the concept of insurance is still seen as only necessary in those cases where the provider of financing requires this (loans, mortgages etc.) or because of the obligatory nature of the coverage in question (third party liability insurance for motor-vehicles and health insurance requirements for those earning above a certain level of income).

A smaller and much less known section is that of the offshore Captive Insurance business, specialising as insurance carriers for the operating companies of the business groups to which they belong. This is notably the case for large multinational groups for which such arrangements are more advantageous, both economically as fiscally. As these captives can only do business outside the Netherlands Antilles, they will not be taken into consideration for the purpose of this summary.

Price has always been the most important differentiator in the general insurance mass market, but the phenomenal success of web aggregators has enabled consumers to compare prices easily. As a result, product and service differentiation are two other ways for insurers to protect their margins and differentiate themselves from their competitors. At the same time, with margins under severe pressure, pricing more precisely for risk represents the principal strategy for insurance companies to protect their market share without eroding their profitability to an unacceptably low level. This trend is also visible in the Netherlands Antilles insurance market.

Through the Insurance Association of the Netherlands Antilles – being the official representation of the insurance industry – the sector holds periodic meetings with the corresponding authorities and Regulator about various important topics of mutual interest. One of these is the recommendation of the Association to increase the level of deductibility of insurance premiums from personal income tax, notably in the case of life insurance and pension premiums for an individual, in order to stimulate the willingness of the individual to provide for his or her own future financial stability.

The size of the Antillean insurance sector

Currently the insurance industry of the Netherlands Antilles consists of the following number of registered and licensed companies:

Life Insurance companies

A total of eleven registered and licensed companies, five of which are branch offices of foreign companies and six are locally established companies, either independent or subsidiaries of regional companies.

General Insurance companies

There are a total of 21 general insurance companies, varying between branch offices, agencies and full service corporations. Of these five are subsidiaries of international, regional groups and eight are independent companies.

Funeral Service Insurance companies

A total of two full fledged companies which actively sell policies and nine cooperatives which are limited to insuring their members for funeral expenses.

Pension Funds

A total of 19 active pension funds, of which the civil servants' pension fund is by far the largest, while a number are basically smaller, private funds, rather than funds which actively seek new participants.

Insurance brokers

There are currently 67 registered independent insurance brokers (Intermediaries). An additional number of applications for a licence are being processed. Separately, notably the American or Canadian oriented life insurance companies, have so-called 'exclusive agents' which offer only their principal's products.

Some Key figures

The following key figures are the most recently available consolidated (by the Regulator) figures of the Antillean Domestic Insurance sector:

(in millions ANG) (ANG 1 = US\$ 0.55)

Life Insurance Sector 2006 2005

Total Operational Income 307.0 291.8

Total Operational Expenditures 297.6 282.7

Non-Life Insurance Sector

Total Operational Income 240.6 220.0

Total Operational Expenditures 232.7 201.2

Antillean GDP 6,140.6 5,842.6

Sources of information:

- CIA World Fact book – www.cia.gov
- General Curaçao web portal - www.curaçao.com
- Antillean Central Bureau of Statistics - www.cbs.an
- Bank van de Nederlandse Antillen - www.centralbank.an
- Curaçao Chamber of Commerce - www.curaçao-chamber.an
- Ennia Caribe insurances - www.ennia.com