

JANUARY 2010 - The Dawn of a New Decade

INSIDE THIS ISSUE

2009 ECCU Economic Review

On January 28, the ECCB Governor, Sir K. Dwight Venner engaged the ECCU public in an interactive discussion on the regional economy in 2009 and prospects for 2010. He noted that in spite of an approximate 7.4% contraction in economic activity in 2009 and the projection of a 2.4% contraction for 2010, the region and people must take charge of the situation and turn things around rather than allowing the projection to become a self-fulfilling prophecy.



The
choice
to
succeed
is in
our
hands.

Closing statement by Governor
Venner, 2009 ECCU Economic
Review Presentation and
Interactive Discussion.

Investing in Real Estate

In Antigua and Barbuda, the graduation ceremony for the 6th cohort, ECCB Savings and Investments Course held on 21 January included a real estate seminar with four insightful presentations.



Best Practices for Joint Investment in Real Estate

Vere Hill is an experienced banker of 13 years, and President of the Antigua and Barbuda Bankers Association.

Construction Contracting

Nick Hadeed is a civil engineer and contractor with over 25 years in the industry.

Real Estate Investing in Antigua and Barbuda

Nathaniel Paddy James, Esq.OM is a Real Estate Agent and Commissioner, Auctioneer and Notary Public.

Insurance and Building

Gregory Manners is the Operations and Compliance Manager for Caribbean Alliance Insurance.

Extract—Interactive Discussion with Governor Venner

Governor: We (OECS Authority, Monetary Council, ECCB) have been meeting constantly... - videoconference, face to face. I think there is a deep understanding of how to work together and that is the way to go. I don't think that we would have been able to handle this crisis were it not for that collective activity. Technical work is important but you need to have political and social consensus to move along.

In terms of social consensus, one suspects that our people realise that we must have an understanding of the social context in which these things are to happen. A social environment which is one of alienation and increasing crime and situations of that sort is not conducive to development and therefore we have to take steps to move in the right direction. Now, what steps we take is a moot question. Government intervention in some of these areas is sometimes not appropriate but government together with the right actors in the social sphere can do a lot to engender social consensus. Social consensus comes about because there is transparency, accountability, levels of equality and meritocracy.

In terms of the administrative arrangements, we are over-stretched. In each country we have large public services, but essentially you find that the work is thrown on the shoulders of very few people. We need to change that profile in the public service.

We have very good and technically skilled people but they are overloaded at this point in time and **we need to articulate a public service with greater technical capacity to deal with what are going to be increasingly difficult and complex situations.** It is something we have to pay urgent attention to.

Q: Considering the large debt portfolio carried in particular by local hotels, what prescription would you offer to help the local hotels in a period when they are being strangled by high debt... bearing in mind the new development in cruise tourism, in particular the mega ships, that offer serious competition?

Governor: I think the tourism industry in the OECS has to look at the situation in a collective way. A significant part of the discussions that are being held among the tourism ministers...is how to encourage multi-destination tourism so that you can broaden the market and bring to the support of the sector, particularly the local segment, the kind of financial packages which are appropriate and less costly compared with what now obtains.

What we are trying to do at the ECCB along with other partners, including the World Bank and the International Finance Cooperation (IFC), is to see if we can establish an institution called the Eastern Caribbean Enterprise Fund (ECEF) which can provide a better form of

financing. We have to engage with the IFC because their mandate is to provide that kind of financing and for these kinds of institutions. But in order to progress, the institutions, of course, have to increase their efficiency and effectiveness and their market; and that can only be done in my view across a broader background of the entire OECS. In terms of multi-destination tourism we have to work together to attract more visitors in a very structured way with very pointed kinds of advertisements and different kinds of packages.

The mega ships are a threat. But if you are in the business you have to find a way to succeed if you want to stay in the business and therefore you have to find all of the cooperating factors. The finance vehicles that would provide the kinds of finance that are appropriate; the institution, the hotel itself, has to be efficient and effective. In addition, the industry has to come under an OECS umbrella where people participate and share services at lower unit costs but provide a much better product; not one particular country product but country sharing products. These things don't happen spontaneously, there has to be a very structured approach. This is an industry, in which, truth be told, we have a comparative advantage but we do not have a competitive advantage and that's what we have to look at.

Extract–Interactive Discussion with Governor Venner

Q: Governor, this leads us into another issue. That is the issue of air transportation. Because if we are to have the multi-destination approach and it is going to cost double the amount to move from Saint Lucia to Dominica as it would cost to move from Atlanta to Saint Lucia, then that won't make sense.

Governor:...I think the discussion has to start with a clean piece of paper acknowledging that 'there needs to be an effective and efficient air transportation policy', because we can't swim between islands. The decision makers must sit down and work out a constructive air transportation policy that works for us.

Q: The private sector has been identified by many countries as the engine of growth. What are some of the benefits that can be derived from the amalgamation of the indigenous banks across the region?

Governor:....One obvious benefit to start with is the fact that in terms of the capital that small banks have, it is not possible for them to take on a wide range of projects. Let's take Montserrat for example..., the market is very small and consequently the risks are very high...But if there is a regional network with the capital of a larger regional bank behind it then the possibilities for taking more risks against a bigger capital base would be that much greater. One of the obvious answers to that

is the amalgamation of banks. The problem of a very small bank in a very small place is that the risks are very high...and so one has to be a little more cautious than in places where the market is wider.

Q: While we wait for the foreign investments, local business men must continue the business of business. One of the key elements in moving forward as a union is the harmonisation of those laws which impact businesses across border. How much closer are we to realising this goal as compared to a year ago?

Governor: I think we are much closer because we are much more conscious of what the impediments are. We actually have them listed.

Our legal department identified very clearly all the legal and administrative impediments and we have written to the governments about them..Before, we were talking not in a vacuum, but without a legislative or legal umbrella. I think what the OECS Economic Union Treaty provides are the specifics to deal with this and also the institutional arrangements and discussion points that we did not have before to treat with this.

Q: Is there a time frame put on this?

Governor: The Treaty has to be ratified by June. But that does not mean that we wait until the Treaty

has been ratified. We have working groups which have been set up. There is one on Justice, Law and Order...under which those legislative impediments will be addressed. There is also one on Economic Coordination...

We have established the OECS Distribution and Transportation Company (ODTC) and we are using that as a sort of pilot to see what are the impediments to doing business across countries. It is an actual institution and so this is not theory; and therefore as we progress we will see what the impediments are and petition the governments to remove those impediments. Having an actual company to do that will help the progress. But you are right. There are a thicket of impediments that have to be removed. I think the commitment to do this was evidenced by both the signing of the OECS Economic Union Treaty and the ECCU Eight Point Growth and Stabilisation Programme. We hope to translate that into action. ●

For a text or video copy of the 2009 ECCU Economic Review, visit us online at www.eccb-centralbank.org

We also invite you to complete our online survey questionnaire.

CONGRATULATIONS

33 More Graduates in Antigua and Barbuda 1705 ECCU Alumni and Counting The ECCB Savings and Investments Course



Best Practices for a Joint Investment in Real Estate

Avoiding The Pitfalls

Vere Hill, President, Antigua and Barbuda Bankers Association

I consider it a great honour to be asked to address the graduands of the Cohort Six, ECCB Savings and Investment Course...



The area of focus I have chosen is the issue of collective investment which may take the form of an investment club or some other entity such as a corporation. The reason I have focused on this is because **united we can do so much more than if we invested alone.** By pooling our resources, we materially increase our ability to take advantage of better investment opportunities.

The reality is that if we intend to make a significant mark on the economic landscape of Antigua and Barbuda, we will have to come together. If not, we can easily find ourselves feeding from the bottom of the proverbial trough when we could be feeding from the top. By feeding from the top I mean engaging in businesses which are highly profitable with good prospect for growth.

And I know the first thing you will ask is what should we invest in? What would make money in the heart of a global economic recession? I suppose you will also ask why should we invest when there are so many examples of businesses failing and faltering. Well the answer is simple. In Management Literature, we often refer to two reasons why businesses fail:

1. Undercapitalisation
2. Poor Management

In this address, I hope to advise you on how to avoid these pitfalls.

Moreover, the typical investor, on his own, may not have the necessary funds to capitalise most large-scale business corporations, and possess the necessary skill- set to manage the business whereas a joint investment venture might be able to provide such funds and expertise.

Since we have at this forum a contractor, a realtor and an insurer, how about examining an investment in an apartment complex? What would be best practices for a joint investment in an apartment complex? Clearly, there are many issues to consider:

- How would we go about it? Do you find like-minded people or do you just find people with money?
- What are the typical pitfalls? Do your

projections and estimates include property maintenance and property taxes, how do you bill for utilities and how do you account for rent deposits? What about the cost of running the generator?

- Should we incorporate or should we consider some other form of business organisation such as a partnership? This brings into play the question of personal liability.
- How do we go about setting up a Board of Directors? Should shareholders automatically be Directors?
- How do we go about choosing Board members? Do you need a variety of skills on the Board.
- How do we deal with different contributions from different investors? Is cash the only form of equity contribution?
- How do we establish appropriate governance guidelines? Do we really care how the business is run or do we only care about our dividend cheque? Can the manager live rent-free in one of the apartments?
- How do we ensure and maintain accountability? Do we need to bother with meetings? Or as long as nobody calls you for money, is everything ok?

“The reality is that if we intend to make a significant mark on the economic landscape ..., we will have to come together. If not, we can easily find ourselves feeding from the bottom of the proverbial trough when we could be feeding from the top.”

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Best Practices for a Joint Investment in Real Estate Cont'd

These are all very important issues that would require much more time than is currently available to me. Therefore, I will focus on three main issues:

1. Determining the economic feasibility of the investment
2. Preparing a business plan
3. Acquiring a loan

Determining the Economic Feasibility of the Investment

I have a plaque in my office with an inscription in the immortal words of Warren Buffet- Who might be considered the greatest investor of all time. It says:

To invest over a lifetime does not require a stratospheric IQ, any unusual business insight, or inside information. What is needed is a sound intellectual framework for decision making and the ability to keep emotions from eroding that framework.

No one should ever commit huge investment funds without first ensuring that the investment is economically feasible, that is, making sure that the investment will yield an acceptable rate of return. A feasibility study is a technical undertaking and requires a relative high level of competence on the part of the researcher. It is often a wise idea to

engage the services of a competent consultant to carry out the feasibility study. Once the study confirms that the investment is profitable and outlines the conditions under which returns are acceptable, investors can then proceed to the next stage, which is the development of a business plan.

Preparing a Business Plan

Like the feasibility study, a business plan requires expertise. Unless the investors themselves possess such expertise, they should definitely consider engaging the services of a consultant who is experienced in the preparation of business plans. The business plan is a document that details the operational and financial objectives of a business. It contains the detailed plans and budgets showing how the objectives are to be realized. Because the business plan contains detailed financial projections and forecasts about business performance, it is an incredibly useful tool for the management of the business. The business plan is sometimes referred to as the road map for the business.

Acquiring a Loan

It is likely that the pooling of our financial resources will still not provide sufficient funds for the investment required for the apartment complex. A bank loan may be necessary. Contrary to some opinions, banks are willing to grant loans provided that they are reasonably sure that the borrower will be able to repay the loan and the associated

costs as scheduled. Let me issue a caveat here. Don't attempt to hide vital information from the bank when trying to secure a loan. **Treat the bank as a partner that is working with you to accomplish your business goals.** Since a business plan contains information on all the important aspects of the business, and how objectives will be accomplished, banks now require business (commercial) borrowers to submit a business plan with their loan applications. The bank studies the business plan to ensure that the stated objectives are realistic and to determine whether the human and other resources are adequate. Loan officers are also careful to ensure that sufficient collateral is available to secure the loan. Once the loan is obtained, the investors can proceed with the establishment and operation of the business according to the business plan.

Summary

Let me summarise the major points covered.

- Before investing in any venture, be it an apartment complex or other project, prepare an economic feasibility study. This will prevent investors from wasting time and money on futile investment projects.
- Always prepare a business plan as a road map to take you from where you are to where you want to be. Remember to make your plan as realistic as possible.

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Best Practices for a Joint Investment in Real Estate Cont'd

- Don't attempt to hide vital information from the bank when trying to secure a loan. The bank wants to partner with you in the success of the business.

Conclusion

Let me conclude by taking this opportunity to congratulate you on this achievement and to wish you success

in all your endeavours whether joint or solo for 2010 and beyond. ●

Construction Contracting

Nick Hadeed, civil engineer and contractor



I thank you for this opportunity to address you this evening on the subject of construction.

Since construction is such a very broad subject, in the time allowed we can only deal with a few issues. I am going to narrow my address to a few topics pertinent to construction contracting, that you may encounter if you build or develop property in future.

As many of you may know construction is a very high risk business. In terms of risk exposure it is second only to agriculture. And the construction process is fraught with many difficulties both for contractor and owner.

There is one problem however that is the source of most frustration in construction. **That problem is an inadequate bid.**

An inadequate bid is the beginning of what can be a long process of confrontation, frustration, anger, litigation, and many sleepless nights for both contractor and Owner. So I want to spend a little time talking about contracting and bidding issues.

I will talk specifically about the following:

- **types of contracts,**
- **choosing a contractor,**
- **what affects the contract price,**
- **evaluating bids , and**
- **changes and contingencies.**

But before I begin, I want you to be aware of one fact: In Antigua there are no registered contractors; anyone can be a contractor. Because of this fact owners have to be extremely careful in their choice of contractors.

First: Types of Contracts:

A. General Contractor (Fixed Price Contract)

- Most Common.
- Gives fixed cost.
- Owner knows from start if he can afford the

project.

- Down side: adversarial relationship between contractor and owner. *Each has different interest.*

B. Construction Management Contract:

- Agent acts for owner to manage the work for a fee, then subcontracts work.
- Possibly more expensive because of increased overhead costs.
- But someone knowledgeable is working for owner.
- Fastest overall project time when total project time (Design and Build) is considered.

C. Unit Cost Contract:

- Ideal when total quantity is not certain or can vary.
- To avoid loss a contractor will mark up high if there is lots of risk. It reduces risk to contractor.
- Unit Cost Contract is fair to both parties.
- Downside: Owner does not know final price.

D. Cost Plus Fee Contract.

- Owner never knows final cost,
- But he gets to see all the

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Contracting Construction *Cont'd*

actual costs.

- This way he knows his money is going on his project.
- Less confrontational and fair to both parties.
- Fee can be capped to prevent run away fees.

Second: Choosing a Contractor - General Contract:

- Always, if you can afford it, use an architect. Contractors depend upon architects for work.
- First choose your contractor wisely. Let history and references override lowest price. Get recommendations from previous clients. Don't just look at the buildings, find out the relationship between contractor and client.
- Recognise that a contractor will not give you all three: the lowest price, best quality, and shortest time. These are conflicting objectives. Know what is most important to you.

Third & Fourth: Evaluating a Bid: What Affects The Price?

- Main point: **We must compare apples to apples.**
- The lowest price is not necessarily the best price.
- If a bid is 20 % less than others, question it.

- Do more analysis of bids. Make sure everyone has everything in.
- Get the architect or engineer involved. This is the best route.

What affects price:

- Price varies if scope of work varies, (quantum of work)
- Price varies if specification changes, (quality of materials). The same would happen if you change specifications. A toilet can cost from \$400.00 to \$ 4,000.00.
- Price varies if conditions are made difficult. (The conditions you insist upon in the contract will affect your price). Example overtime work, noise restrictions etc.
- The same house in a different location can have a different price.

Fifth: Changes and Contingencies:

- **Make as many changes on paper during design stage not during construction. That line on a paper you can erase in the design stage can be a \$10,000 wall if it has to be removed on the ground.**
- Price will increase if a change increases the scope of work, if specification increase or conditions change.
- Contingencies: Always plan for contingencies even if you have a fixed price. On well detailed plans allow 10%.
- Contingencies are a subject of how detailed and developed are your

drawings. The less detailed the plans the greater the contingency amount should be.

- Note for the same house if a contractor has only five drawings his price may be lower than if he has 25 drawings. But the price will be more accurate with more details.
- During construction some things will change. Plan for it. Allow contingency moneys be set aside. Don't blame your contractor if you change things.

Sixth: How Do You Pay The Contractor?

- There must be a payment schedule as part of the agreement.
- A milestone payment schedule pays when milestones are reached.
- 10% retention payable at practical completion. Reduce to 5% at final completion.
- What is practical completion??? When you can occupy the property for its intended use. Not 100% completed.

Seventh: Understanding The Variables: Quality/ Cost / Time:

There is an inherent conflict between these three items. If you want to drive down cost, quality often suffers. If you want to crash a schedule (reduce time) often costs increase. ●

THE Real Estate Market In Antigua and Barbuda

Nathaniel Paddy James ESQ.DM: Real Estate and Commission Agent



I have been asked to speak on the Real Estate Market in Antigua and Barbuda and opportunity for persons to purchase property in the market place.

First of all, what is real property? The legal definition for real property is "Land and anything enforced thereon". For instance a house placed on a piece of land, which is removable, is not real property and therefore not part of the land on which it is placed. The house therefore is considered to be a Chattel.

The proprietor or proprietors of land or real property in Antigua and Barbuda are required to register that land or real property under the Registered Land Act, Cap. 374 of the Revised Edition 1992 of the Laws of Antigua and Barbuda (As Amended). There are three ways in which Land and or real property can be register by Law. (1) As single proprietor (2) As proprietors in common (3) As joint proprietors.

I wish to speak briefly about the two last areas of registration,

which are important for persons who hold or wish to hold real estate or real property jointly.

It is absolutely important for persons wishing to register land jointly to take instruction from a solicitor, a notary public or other classes of persons with knowledge of land law. Proprietors in Common hold the shares in land separately while joint proprietors hold the land without any division of shares.

A husband and wife who hold land as proprietors in common hold the shares in the land separately and so if either of them dies the share of the deceased goes to his or her estate if there is no will which says otherwise, however in case of joint proprietorship the surviving partner becomes the sole proprietor of the land or property.

In addition to these matters it is necessary to understand that there are other legal circumstances, which may not be recorded on the register pertaining to the land. For instance a husband and a wife may have interest in a property but only the husband's name is recorded as proprietor on the register pertaining to the land. The Laws of Antigua and Barbuda provide that a wife can keep her interest in property separate from that of her husband.

It means therefore that if a wife can show that she has an equitable interest in the property in which her

husband is registered as sole proprietor the Law of Equity will apply and the Court of Equity will order that her interest be realised in any sale in respect of the property. These are matters that can hold up the completion of a sale or put it in doubt.

PROSPECTING AND SALE APPROACH

The Real Estate Market in Antigua and Barbuda is unlike that of the United States or other developed countries. This is because there is no real zoning laws, which are enforceable in the country. I am of the view that in order for the country to enforce any proper zoning laws we would have to improve the infrastructure in existing developments and ensure proper and sustainable infrastructure in future developments

For instance if one goes to Florida State and looks at a new development one sees readily that before you can build anything in a development you must put in proper road, drains and utility services such as: electricity, water and telephone. The houses built in the development are consistent with a master plan of the area and any change to the building as it fits into that plan must get the approval of the State Authorities.

In Antigua and Barbuda this is not so. As a result there is no building standard and as such persons are

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The Real Estate Market In Antigua and Barbuda *Cont'd*

allowed to build anything he or she wishes to build which in some cases devalues the property of persons who attempt to develop in a more orderly fashion.

REAL ESTATE MARKET

The real estate market in Antigua and Barbuda unfortunately is not standardised. This is so for the most part because it is highly unregulated and as such it encourages a number of persons without knowledge of the subject to setup shop as Real Estate Agents with a view to making quick money.

A real estate agent acts for a vendor or proprietor of land. The vendor or proprietor is vicarious while the Real Estate Agent is fiduciary. What this means? It means that the vendor is duty bound to accept the liability of its servant in respect of any lawful instruction he gives. The Real Estate Agent has a fiduciary duty to act in the best interest of his Principal (the Vendor).

It means therefore that anyone who engages a Real Estate Agent to act on his behalf puts himself or herself at risk if that Real Estate Agent takes a deposit from a member of the public or for that matter the entire consideration in a sale without making good those monies to his

Master or Principal. The Master or Principal could be called upon to complete the sale or face litigation for specific performance.

A number of circumstances exist in Antigua and Barbuda where persons make deposits to so called Real Estate Agents without obtaining from those Agents a copy of an agreement of sale. No Court takes judicial notice of the sale of land without written or codified agreement of sale.

If one wishes to purchase a parcel of land from a Real Estate Agent he or she should consult a lawyer or notary public who under normal circumstances would do the necessary search at the Land Registry to ascertain at least the following information on the register pertaining to the Land if indeed the land is registered: (1) The name of the registered proprietor or proprietors. (2) If any charge or other encumbrances subsist. (3) If a caution or other caveat subsist. (4) If there is any Order of the High Court of justice, which affects the sale of the land. (5) Overriding interest.

Anyone who wishes to invest in real estate should seriously investigate the real estate economics of the area before venturing into purchase. This position is good for first time purchaser or even a Banking or Financial Institution who is called upon from time to time to lend monies to purchase land to be covered by a Legal Charge (Mortgage).

If one goes to the bank to secure a loan to build a property anywhere in Antigua and Barbuda the unit price for building a basic concrete or wood structure is basically the same. Interestingly enough the required equity input by the borrower is consistently the same for every location in Antigua and Barbuda apart from the question of transportation. So if you borrow to build in Crosbies the requirement is the same as borrowing to build at Grays Farm.

The difference in the two scenarios is that the investment at Crosbies is more secured than that at Grays Farm since the propensity of turnover on real estate investment in Crosbies is higher than that at Grays Farm even though the capital investment in the two areas may be the same.



I will end by saying that investing in real estate is not like buying a loaf of bread at Brownies' Bakery. One should thoroughly investigate the potential for growth in the investment area with a view to knowing what are the possibilities for a sustainable and meaningful return on investment before investing.

Insurance and Building

Gregory Manners, Operations and Compliance Manager, Caribbean Alliance Insurance



In our region, the predominant method of property ownership – private or commercial is to BUILD, and it is likely to remain so although this balance is shifting and whilst some do build from own resources, the majority do borrow to finance their projects.

Insurance underpins almost all transactions involved in owning a property – be it you intend to BUILD your own or to PURCHASE.

There are five traditional forms of insurance necessary from the inception to the ongoing ownership of your property.

Other presenters I am sure will cover the fifth area but suffice it to say that a LIFE insurance policy will be required by the lender to protect the investment/loan. It will protect you as the owner but it will have to be assigned to the lender as the beneficiary in the event of your demise.

The focus of this brief presentation will be on the other four types of insurance and the role they play in the build option, specifically.

Contractors All Risks Insurance (CAR)

CAR is a type of insurance specially designed for builders in carrying out their job. It protects the structure that is being built from the ground up *i.e.* the Sum Insured is stated as the final contracted price but this is not actually at risk until the property is ready to be handed over to you, the owner.

As the owner you should always ensure that there is such a policy in place – normally stipulated in the contract between you & the Lender and the Contractor. Primarily the lender's responsibility, but you should check to make sure, and verify who is paying for it – normally you via a contractual clause or a stipulated amount in the loan.

The cover is All Risks - such as the major risk hazards of fire, theft, hurricane, flood - although there are some standard policy exclusions such as war or nuclear related causes.

To put it simply, the main reason for buying CAR is that damage to the contract works (your property) can mean having to do the work twice for only one payment - e.g.

- the extension catches fire or the roof blows off half way through the job or you may have excavated and just started to lay the foundations and after

heavy rains you may need to re-excavate.

Public Liability Insurance

As we are all aware a building site is a hazardous environment. Whilst those persons actually working on the site 'inherently accept those risks', members of the public who may visit or be in close proximity to the site can also be harmed e.g. in painting the property, paint is blown onto otherwise properly parked vehicles which need to be re-sprayed – this is a cost covered by this type of insurance.

This is a class of insurance which should always be in force not only during the construction phase but also once the property is occupied. The cover is basically the same although it may sometimes be referred to as Property Owners Liability Insurance. This should be in place once you own the property – irrespective of whether you occupy it yourself, rent or lease it out.

The extent of the hazard will be less if it is to be occupied as a house as the nature of the use of the property affects the severity of the risk and the associated insurance costs.

Employers Liability

This is technically not the owner's responsibility but the prudent owner looking to protect his or her interests and investment should do background checks on the

Insurance and Building *Cont'd*

contractor to establish if the contractor does have this type of insurance in force not only for his direct employees but also for his sub-contractors. This will ensure that in the event of an unforeseen accident, the owner knows that the claim or law suit should be directed to the Contractor who has the appropriate insurance cover in place.

Property Insurance – The Finished Property

This is the type of insurance with which we are all most familiar – called either a Home or Fire or Material Damage Insurance.

The variations are largely cosmetic or marketing packages as at the core the PERILS are basically the same – Fire and Specified Catastrophic and Non-catastrophic hazards.

This type of insurance is solely the responsibility of the OWNER of the property although the Lender will insist on having his interest noted in the insurance policy so that in the event of a loss the lender is able to benefit from the claim payment.

Premiums which I guess is the main focus for all of us reflect broadly four factors –

- i. The actual hazards to which the risk is exposed –the volcanic eruption risk is greater in Montserrat than it

is in Antigua. The water inundation risk is greater for a beach front property than a property on the hillside 4 miles inland – lets say in Freemansville.

- ii. The value and occupation of the property –the fire risk probability is greater for a restaurant than a private home.
- iii. The costs of purchasing reinsurance protection paid by the local Insurer.
- iv. The operating costs and profit margin for the local insurer.

There are many dos and don'ts in insurance as in any other walk of life but the two most common mistakes that I would always encourage any one looking to prudently protect their Savings and Investment in a property to avoid are:

- **Do not be a weather man or a geologist and say it won't happen.** Unless you have the value of your property in liquid assets at your ready disposal – We are in a hurricane and earthquake zone.
- **Do not underinsure** - It is a false saving e.g. if the value of the property is 200,000 but you insure for 100,000 as that is the amount you borrowed, in the event of a total loss by fire the insurer will only pay you 50,000; **in other words you saved premium but paid the penalty when there has been a loss.**

I was amongst the first batch of students, who attended the ECCB savings and investments course. It was indeed the best organised course I've attended in Antigua and Barbuda so far. Those classes for the few weeks were the most enjoyable, it never even occurred to me to miss even one session. To the Eastern Caribbean Central Bank, Mr Lockhart and other organisers, keep up the good works" -- *Grace Percival.*



Since doing this course my life has improved tremendously, and it opened my appetite to continue to pursue my studies in accounting and other financial areas. Being invited to the graduation last Thursday was really something for me, to realise that the program has grown from strength to strength. "Kudos" to the persons that made it all possible. The persons who took the time to organize this course to educate "the man in the streets" about the do's and don'ts, when it comes to saving and investing their monies. I personally want to say "Well done", your work hasn't been in vain cause since completing that course, I have applied a lot of the advice, tips and principles into my choices and decisions." -- *Sherima Allen, Accountant.*

"The classes were fun as they were educational, each instructor had their way of bringing across the topics, sometimes we would run into overtime but nobody minded as we were all so absorbed and involved in what was being imparted.I am so much wiser and full of tips on how to approach the bank and how to negotiate to get the best possible deal. I have been recommending this course to my friends, colleagues and family as it is a real eye opener. Thank you to the organizers and Mr. Lockhart for what you have started because this course is open to any and everybody. It has changed the thought process and attitude of so many when it comes to investing, saving and generally just managing one's finances." ---

Tabitha Ephraim