



CENTRAL BANK OF TRINIDAD & TOBAGO

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CIRCULAR LETTER TO ALL GENERAL INSURANCE COMPANIES

REF: CB: IOFI-1812/2011

Dear Sir/Madam

Request for Information under Sections 51(1) of the Insurance Act Chapter 84: 01 (Act) on Adequate Reserving required by Section 172 of the Act

The Central Bank of Trinidad and Tobago (Central Bank) wishes to remind all general insurance companies that pursuant to Section 172 of the Insurance Act:

- “(1) Every company shall, in addition to the reserves required to be included pursuant to section 168, provide reserves for meeting outstanding claims.*
- (2) Every company shall furnish to the Central Bank details of the methods used in calculating the reserves to be provided under subsection (1).*
- (3) The Central Bank may disallow any method used in calculating the reserves referred to in subsection (2) where it is satisfied that the method does not result in the provision of adequate reserves.”*

In assessing whether its claims reserves are adequate, companies must be guided by International Financial Reporting Standard (IFRS) 4.39 (c) (iii) which states, in part, that an insurer shall disclose:-

“Actual claims compared with previous estimates (i.e. claims development). The disclosure about claims development shall go back to the period when the earliest material claim arose for which there is still uncertainty about the amount and timing of the claims payments, but need not go back more than ten years....”

In accordance with Section 51(1) of the Insurance Act, the Inspector requires that all general insurance companies provide completed and accurate Form B4 Schedules. This has become necessary since it is important for the Central Bank to ascertain the ability of each general insurance company to meet its obligations for all issued policies and to determine whether there is adequate reserving as required by Section 172.

The Central Bank has developed a template for the Form B4 Schedules which the companies should use to provide the required data.

Each general insurer is required to provide Form B4 Schedules for the financial year end 2010 by August 31, 2011, unless previously submitted under the parallel run submissions. The Form B4 Schedules should be submitted for at least the last three financial periods of the insurer and they should be prepared according to the instructions issued by the Central Bank for the second parallel run, which may be found by using the following link <http://www.central-bank.org.tt/content/statutory-valuation-working-committee>.

The Central Bank appreciates the co-operation of those general insurers which voluntarily completed the Form B4 Schedules as part of the parallel runs. The Bank now requires all insurers to complete these forms in order to achieve consistency in the assessment and for establishing appropriate benchmarks.

We anticipate your usual co-operation in completing the B4 Schedules.

Yours sincerely



Carl Hiralal
Inspector of Financial Institutions