



CENTRAL BANK OF TRINIDAD & TOBAGO

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CIRCULAR LETTER TO:

All General Insurance Companies (with copy to CEOs);
The Appointed Actuary
FCR Working Group; ATTIC Secretariat and ICATT

REF: CB-OIFI-1981/2012

Financial Condition Report for General Insurers

We refer to the Circular Letter from the Central Bank of Trinidad and Tobago (Central Bank) dated August 22, 2012 entitled 'Financial Condition Report Regulations for Life and General Insurance Companies'. The procedure to be followed to develop the Financial Condition Report is as follows:

1. From the balance sheet and income statement produced at the end of the immediately preceding financial year end, calculate the regulatory capital requirement ratio in accordance with the 'Draft Insurance (Capital Adequacy) Regulations', the 'Guidance Document for Capital Adequacy for Insurers' and the relevant Capital Adequacy Returns.

The end of the immediately preceding financial year will be December 31, 2011 for most companies.

2. From the business plan, incorporate new business and renewal projections for the calendar years 2012 and 2013.

This assumes that the financial year end in each year is December 31. Adjustments will be necessary where the financial year end is different from December 31, but two full years of new business and renewal projections must be included.

3. Produce a balance sheet, income statement and regulatory capital requirement ratio indicating the financial position of the general insurance company as at each of the next two financial year ends.

This is the base scenario.

Where the financial year end is December 31, the financial position of the general insurance company is developed for each of the two calendar year ends in 2012 and 2013. Adjustments will be necessary where the financial year end is different from December 31.

4. Test scenarios a, c and e from Schedule 2 of the 'Draft Financial Condition Report Regulations for General Insurers'.

These scenarios are tested by changing the assumptions in the base scenario relevant to the circumstances of each specified scenario and carrying out step 3 above.

5. Produce a Financial Condition Report in accordance with the Regulations.

All documents referred to in this letter can be obtained from either:

<http://www.central-bank.org.tt/content/statutory-valuation-working-committee> or

<http://www.central-bank.org.tt/content/financial-condition-report-working-committees>.

As stated in the letter dated August 22, 2012, the Central Bank strongly encourages your participation in this exercise as it provides an excellent opportunity for you to assess, to some extent, the financial condition of your company and your ability to develop the data for the Financial Condition Report. Projections for two years only provide very limited information and we suggest that you consider adding a third year to the projections so that trends become more apparent. In the event that you believe that you will be unable to meet the submission date of December 31, 2012, we welcome your submission at a later date, but we would appreciate a letter from you giving us a date when we can expect to receive it.

Yours sincerely



Anthony Roberts

Chief Actuary

Financial Institutions Supervision Department