

CENTRAL BANK OF TRINIDAD & TOBAGO

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September 04, 2012

CIRCULAR LETTER TO:

All Life Insurance Companies (with copy to CEOs);

The Appointed Actuary

FCR Working Group; ATTIC Secretariat and ICATT

REF:OIFI:1980/2012

Financial Condition Report for Life 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. The Appointed Actuary performs an actuarial valuation of the liabilities of the life insurance company as at the end of the immediately preceding financial year end in accordance with the 'Draft Insurance (Caribbean Policy Premium Method) Regulations', using the latest version of the 'Inspector's Directions', the 'Report of the Actuary – Appendix A' and the 'Guidance Document for the CPPM'.

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

2. Produce a balance sheet and income statement as at the same date.
3. Calculate the regulatory capital requirement ratio as at the same date in accordance with the 'Draft Insurance (Capital Adequacy) Regulations', the 'Guidance Document for Capital Adequacy for Insurers' and the relevant Capital Adequacy Returns.

In any event, on the expectation that the Insurance Bill and associated Regulations will be enacted before the end of 2012, this ratio must be submitted to the Central Bank within three months from the commencement of the Regulations.

4. From the business plan, incorporate new business projections for the calendar years 2012 to 2015 inclusive.

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 four full years of new business projections must be included.

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

This is the base scenario.

Where the financial year end is December 31, the financial position of the life insurance company is developed for each of the four calendar year ends from 2012 to 2015 inclusive. Adjustments will be necessary where the financial year end is different from December 31.

In calculating the actuarial valuation of the liabilities in accordance with 'The Insurance (Caribbean Policy Premium Method) Regulations', we suggest that you use the same assumptions for the calculations of the actuarial liabilities at all financial year ends that were derived in performing the work in 1 above.

6. Test scenarios b, c and g from Schedule 2 of the 'Draft Financial Condition Report Regulations for Life 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 5. above. With respect to scenario b which tests a reduction in the new money interest rate in the calculation of the actuarial valuation of the liabilities by 1% a year for three years, similar decreases may be applied to the inflation rates to maintain the relationship between inflation rates and interest rates.

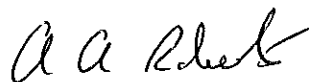
7. Produce a Financial Condition Report in accordance with the Regulations.

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. 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