



CENTRAL BANK OF TRINIDAD & TOBAGO

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August 23, 2011

**CIRCULAR LETTER TO:
ALL INSURANCE COMPANIES,
MEMBERS OF THE STATUTORY
VALUATION WORKING GROUP,
ATTIC SECRETARIAT AND ICATT .**

REF:CB-IOFI-2042/2011

Parallel Run 2 – Capital Adequacy Framework for Insurers

This is to advise that since our last circulation of the draft Insurance (Capital Adequacy) Regulations by letter dated May 20th 2011, additional amendments were agreed to by both the Central Bank of Trinidad and Tobago and ATTIC as follows:

- 1. Bonds issued by Corporations and other Non-Regulated Financial Institutions**
 - a. Bonds Issued by Unrated Corporations and fully collateralised – 15% risk factor
 - b. Unsecured Bonds Issued by Unrated Corporations – 20% risk factor

This means that the grandfathering provision in the Regulations has effect only with respect to any unsecured unrated bonds acquired prior to the date of enactment that have not been subsequently disposed of nor rated, which will be treated in the same way as bonds issued by unrated companies and fully collateralised.

- 2. Mortgages**
 - a. First mortgage on residential units that are **less than 90 days** overdue – 2% risk factor
 - b. Commercial mortgages that are **less than 90 days** overdue – 4% risk factor
 - c. Residential Mortgages that are overdue **between 90 and 180 days** – 10% risk factor
 - d. Commercial Mortgages that are overdue **between 90 and 180 days** – 20% risk factor
 - e. Commercial Mortgages that are overdue more than **180 days** – Deduct from capital.

The revised draft Regulations and accompanying forms to be submitted are located on the Central Bank's website at <http://www.central-bank.org.tt/content/statutory-valuation-working-committee>.

For those companies that have already submitted their Capital Adequacy forms, you are not required to re-submit based on the above amendments. You are however advised to re-visit your submissions in preparation for our individual company meeting in which we will discuss your Parallel Run 2 results. We will contact you in due course to schedule these meetings.

Soft copies of your submissions and/or queries you may have at this time can be emailed to insurance_reports@central-bank.org.tt. Companies are encouraged to use PGP (Pretty Good Privacy) encryption software or any other compatible software for electronic submission. Hard Copies of the required information must also be submitted to my Office.

We look forward to receiving your submissions by August 31, 2011.

Yours sincerely



Anthony Roberts
Chief Actuary

FINANCIAL INSTITUTIONS SUPERVISION DEPARTMENT