



# CENTRAL BANK OF TRINIDAD & TOBAGO

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CIRCULAR LETTER TO ALL INSURANCE COMPANIES

December 20, 2010

**REF: CB-OIFI-2674/2010**

## **Transitioning to the New Requirements of the Insurance Bill Valuation of Long Term Business, Risk-Based Capital Requirements and Non-life Outstanding Claims Reserves**

In June 2010, the Central Bank of Trinidad and Tobago (the Central Bank) conducted a Parallel Run of the captioned frameworks using 2009 financial year-end data. This was performed to facilitate further testing of these frameworks pending the enactment of the new Insurance Bill and Regulations later in 2010. This new legislation is now expected to be passed in 2011.

Given the significant importance of the change, the Central Bank would like to assist companies with managing the transition to the new statutory valuation method, the Caribbean Policy Premium Method (CPPM), risk based capital requirements and non-life outstanding claims reserves. After consultation with representatives from the industry, it has been agreed to conduct a Parallel Run 2 of the captioned frameworks using 2010 financial year-end data, to be submitted by June 30, 2011. Once audited, the results of this exercise are expected to represent the relevant opening balances for the statutory reports that are required following enactment of the Insurance Bill.

The information to be submitted for the Parallel Run 2 will be as follows:

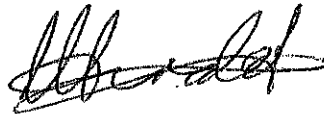
- For life insurance companies, the Appointed Actuary's report as specified in the draft Insurance (Caribbean Policy Premium Method) Regulations;
- For general insurance companies, B4 Schedules – Claims run-off data, for the previous 3 years' financial year-ends;
- For all insurance companies, the Capital Adequacy Forms as determined under the draft Insurance (Capital Adequacy) Regulations; and
- For all insurance companies, revised Forms D1 – Balance Sheet and D3 – Statutory Fund Requirements.

The above documents, including the Inspector's Directions on the Actuarial Standards and the Investment Returns to be applied under the CPPM together with supplementary guidance to support the Regulations, will be posted on the Central Bank's website. In addition, further consideration is being given to the concerns raised regarding various risk factors and grandfathering provisions under the risk based capital framework. You will be informed of both the availability of the Parallel Run 2 documentation and the Central Bank's position on the matters raised, early in 2011.

Specific to life insurance companies, under the provisions of the Insurance Act Chap 84:01 (the Act), the company's Appointed Actuary selects the valuation method. The Central Bank will not object to an immediate transition to the CPPM, if so desired. Nevertheless, it must be borne in mind that under Section 114 (2) of the Act, no liability may be treated as an asset.

Finally, the Central Bank strongly encourages your active participation in this Parallel Run 2, pending the enactment of the new Insurance Bill and Regulations in 2011.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Carl Hiralal', with a stylized flourish at the end.

Carl Hiralal  
Inspector of Financial Institutions Supervision Department