

October 4, 2024

Circular Letter to:

Insurance Companies Registered Under the Insurance Act, 2018
Association of Trinidad and Tobago Insurance Companies (ATTIC)
Caribbean Actuarial Association

REF: CB-OIFI-2970/2024

INDUSTRY CONSULTATION
OWN RISK AND SOLVENCY ASSESSMENT (ORSA) GUIDELINE FOR INSURERS

In accordance with section 82 of the Insurance Act 2018 (IA 2018/Act) and the Insurance (Capital Adequacy) Regulations, 2020, insurers and financial holding companies (FHCs) are required to hold adequate capital to support its risk profile and business plan. Capital adequacy and solvency are critical for insurers/FHCs, as they reflect the institutions' financial robustness and ability to meet obligations to policyholders even in adverse situations, and are fundamental in promoting trust and confidence, which are essential to the industry's reputation locally and internationally.

Insurers/FHCs must conduct their Own Risk and Solvency Assessment (ORSA), which is an internal forward-looking dynamic assessment of all material risks associated with an institution's business plan, strategic plan, and the sufficiency of capital to support those risks. The ORSA should be appropriate to the nature, scale and complexity of an institution's business activities, and the ORSA process must be integrated into the insurer/FHC's decision making framework, as well as its strategic and business planning. The ORSA should serve as a management tool to enhance the insurer/FHC's understanding of the interrelationships between its risk profile and capital needs.

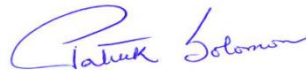
The Central Bank of Trinidad and Tobago (Central Bank/Bank) has developed a draft ORSA Guideline for Insurers (Guideline) to provide guidance on the ORSA process. The ORSA Guideline should be read in conjunction with the Central Bank's Corporate Governance Guideline. In accordance with the Corporate Governance Guideline, insurers/FHCs are required to establish a sound risk governance framework, which includes an Enterprise Risk Management (ERM) framework to effectively identify, measure, monitor, manage and report risks, as well as a Capital Management Policy to ensure that adequate and appropriate capital are maintained at all times. Therefore, insurers/FHCs will be required to implement the ORSA as a component of its ERM framework.

As part of the consultation process, the Central Bank invites stakeholders to review and provide feedback on the draft ORSA Guideline, and the Key Metrics Report (KMR) which provides an overview of the results of the ORSA process. The Guideline and KMR are appended, and can also be accessed on the Bank's website at <https://www.central-bank.org.tt/core-functions/supervision/insurance-sector/draft-and-consultation-papers>.

The Central Bank anticipates your usual cooperation and looks forward to your feedback to ensure that there is a seamless implementation of the ORSA by all insurers/FHCs.

Kindly utilize the attached Feedback Form and submit your feedback via electronic mail to orsa@central-bank.org.tt **within two (2) months from the date of this letter.**

Yours sincerely



Patrick Solomon
INSPECTOR OF FINANCIAL INSTITUTIONS

