



Central Bank of Trinidad and Tobago

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July 22, 2024

Circular Letter to

Insurance Companies Registered under Insurance Act 2018
The Institute of Chartered Accountants of Trinidad and Tobago
Association of Trinidad & Tobago Insurance Companies
Caribbean Actuarial Association

REF: CB-OIFI-2283/2024

REGULATORY RETURNS FOR INSURANCE COMPANIES REGISTERED IN TRINIDAD AND TOBAGO

The Central Bank of Trinidad and Tobago (Central Bank/Bank) refers to the circular letters CB-OIFI-345/2024 dated January 31, 2024, and CB-OIFI-1975/2024 dated June 25, 2024, in respect of IFRS 17 compliant annual returns and instructions for the insurance companies registered in Trinidad and Tobago, and the related matters raised by the industry.

The Bank advises that based on subsequent reviews and consideration of feedback from the industry, further revisions were made to the following:

1. Annual Returns of General Insurers;
2. Annual Returns of Long-Term Insurers; and
3. Instructions to the Annual Returns.

Consequently, the above Returns were updated to Version 3.1 (*attached*) and can be accessed at <https://www.central-bank.org.tt/publications/regulatory-returns/insurance-sector-regulatory-return>. The comments received and the Central Bank's response are provided in the attached Appendix I. The key revisions made to the Returns and instructions to the forms are detailed in the Change Log attached in Appendix II.

In accordance with sections 11(1) and 145 of the Insurance Act, 2018 (IA 2018), **effective August 1, 2024**, insurance companies are required to submit Version 3.1 of the above listed Returns. Those insurance companies that have already submitted the previous Version 3.0 of Returns for the financial year ended December 31, 2023, and for periods after, or intend to submit the Returns on or before July 31, 2024, are not mandated to submit/resubmit the Returns in the latest version.

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Insurance companies are reminded that regulatory reports and Returns must be submitted in both hardcopy and electronic form as follows:


- i. The hardcopies are to be forwarded to:

THE INSPECTOR OF FINANCIAL INSTITUTIONS
FINANCIAL INSTITUTIONS SUPERVISION DEPARTMENT
CENTRAL BANK OF TRINIDAD AND TOBAGO

- ii. The electronic copies should be forwarded by e-mail to:
insurance_reports@central-bank.org.tt

Please be guided accordingly.

Yours sincerely



Patrick Solomon
INSPECTOR OF FINANCIAL INSTITUTIONS

APPENDIX I

RESPONSES TO COMMENTS RECEIVED

FORM REFERENCED	QUERY	CENTRAL BANK RESPONSE
Long Term Forms 45.033, 30.010, 30.012	<p>Treatment of reinsurance:</p> <p>The CSM for reinsurance contracts held is calculated based on reinsurance contract itself, not the underlying direct business that attaches to the reinsurance contract. Therefore, if a reinsurance contract covers both par whole life and non-par whole life, for example, the CSM and CSM amortization for the reinsurance contract would only be reflected in the term non-par LOB (if the reinsurance contract was a non-participating, yearly renewable term contract in this example). This is a change from the IFRS4 presentation where reinsurance effects would be netted against the direct business that is covered by the reinsurance contract.</p> <p>Recommendation: We recommend reflecting the CSM and CSM amortization in the LOB that aligns with the reinsurance contract and not the LOB of the direct business covered by the reinsurance contract.</p>	<p>Paragraphs 60 to 70A of IFRS 17 and related paragraphs in the Appendices when discussing the recognition and measurement of reinsurance contracts held, refer to “underlying insurance contracts”. For example, it provides that the CSM for reinsurance contracts held can be adjusted to mitigate accounting mismatch if the underlying insurance contracts are onerous at initial recognition or when the direct group first becomes onerous (see paragraph 66A and B119C-B119E)¹. This would indicate that insurers would have the capability to allocate the reinsurance contracts held CSM to the business covered by the reinsurance contract.</p> <p>Furthermore, it would be important for insurers to track the profits (after reinsurance) and accumulated surplus of their participating business in order to demonstrate compliance with the statutory limitation on the transfer of profits derived from participating business to shareholders. In the example given, it would be expected that the insurer would apply a systematic and rational method of allocation.</p>
Long Term Form 45.020	<p>Gross written premium is not an IFRS17 concept</p> <p>Recommendation: Adjust to reflect either collected premiums or insurance revenue</p>	<p>Gross written premium is a volume metric and it is entirely valid for an insurer and the regulator to track this amount. This is included for disclosure purposes only.</p>

¹ Also, as stated in the CIA Educational Note on reinsurance, “Further, IFRS 17.B119E allows an entity to include in an onerous group of insurance contracts both onerous insurance contracts covered by reinsurance and onerous contracts not covered by reinsurance. In such cases, the entity would apply a systematic and rational method of allocation to determine the portion of the LC that relates to insurance contracts covered by reinsurance.”.

<https://www.cia-ica.ca/publications/222129e/>

FORM REFERENCED	QUERY	CENTRAL BANK RESPONSE
Long Term Form 45.036	<p>Is the "Face Amount of In Force Insurance" column to be populated with the face amount that is reinsured or with the face amount of the direct policy?</p> <p>Recommendation: Provide guidance on column definition</p>	<p>The face amount of in-force insurance should relate to the underlying insurance contracts reinsured. It is the gross insurance amount or account balance or equivalent of the base policy and any term riders.</p> <p>For individual products, this is:</p> <ul style="list-style-type: none"> • Traditional: Sum insured plus reversionary bonus • Universal life and Unit Linked life: Death benefit • Disability Income Insurance: Insurance payment (i.e. annualised insured benefit) • Medical and Health insurance: Zero • Annuity in payout phase: Payment per annum • Annuity in accumulation phase: Account balance • Other individual: Consistent with above principles <p>For group products, this is worked out by considering what the insured amount is for each member of the group (the 'member's insured amount'). Then aggregate the member's insured amount of all the members of the group.</p> <p>This has been added as instructions in the Manual.</p>
Long Term Form 45.036	<p>Should the columns titled "Premiums" and "Benefits" agree to "Net Expenses from Reinsurance Contracts Held" on the P&L?</p> <p>Recommendation: Provide guidance on column definition</p>	<p>The columns titled "Premiums" and "Benefits" are not expected to agree to "Net Expenses from Reinsurance Contracts Held" on the P&L. The amounts required to be reported are intended to be volume metrics.</p> <p>Instructions have been added to the Manual.</p>
Long Term Forms 20.011 and 40.011	<p>Previously, Policyholders' Equity was divided between Participating and Non-Participating accounts. Now Policyholders' Equity only reflects Participating Accounts. Where should we reflect Non-Participating Policyholders' Equity?</p> <p>Recommendation: We recommend folding Non-Participating Policyholders' Equity into Retained Earnings unless instructed otherwise.</p>	<p>There is no requirement under the Insurance Act, whereby Non-Participating Policyholders' Equity would need to be tracked. The proper accounting treatment would be based on IFRS rules and depend on the nature of the equity and policyholders' rights versus shareholders' rights. Policyholders' rights would be derived from the policy contract and policyholders' reasonable expectations. Depending on those considerations, non-participating policyholders' equity could be required under IFRS rules to be treated as part of the liabilities rather than as part of retained earnings. This determination would need to be made by the insurer.</p>

APPENDIX II

IFRS 17 ANNUAL RETURNS CHANGE LOG

FORM	CHANGE
General and Long Term Forms	Amendment made to instructions on integers. Formulae, where applicable, have been updated accordingly.
Long Term Forms 20.010 and 23.010 General Forms 20.10 and 30.10	The footnote to the Asset for Insurance Acquisition Cash flows changed to "Exclude amounts presented in liabilities/assets for insurance contracts or assets/liabilities for reinsurance contracts held in keeping with IFRS 17.079.".
Long Term Form 30.010	The following has been added as footnotes: 1. Policies valued as investment contracts should not be included 2. Policies meeting the definition of investment linked business, not valued as investment contracts should be included in the applicable Insurance or Annuity category.
Long Term 45.020 and 45.022	Reference to unearned premium removed
Instructions for Long Term Form 45.036	The following has been added to the instructions: 1. Premiums relate to the Annual Premium due on reinsurance contracts held. All reinsurance contracts held should be included. 2. Benefits relate to the amounts reinsured on reinsurance contracts held. All reinsurance contracts held should be included.
Instructions for Long Term Form 45.036	See Appendix I above for instructions added in respect of "Face Amount of In Force Insurance"
Instruction for Long Term Forms 45.037 and 45.038	The following has been added to the instructions: 1. Investment linked business refers to business meeting the definition of Investment Linked in the Insurance (Capital Adequacy) Regulations, 2020. 2. Investment income on assets backing shareholder equity should be shown in the column titled "Other" 3. The Total Column should tie back to the amounts in sheet 20.019
General Forms 20.10, 20.19, 30.10, 30.19, 30.22, 30.31, 35.10, 35.12, 50.15, 50.16, 50.17, 50.18, 50.43, 50.45, 50.47, 50.48, 50.49, 75.10	Formulae changes/enhancements were made to the forms
Long Term Forms 20.010, 20.030, 21.010, 22.010, 22.020, 23.010, 23.011, 23.019, 23.021, 23.022, 23.030, 23.040, 25.010, 25.012, 30.010, 30.012, 45.035, 45.036, 45.037, 45.039, 50.010, 70.070, 75.010	Formulae changes/enhancements made to the forms