CENTRAL BANK OF TRINIDAD & TOBAGO

GUIDELINE FOR APPOINTED ACTUARIES

Requirements for the Valuation of Policy Liabilities and Other Actuarial Liabilities for Long-Term Insurance Business

DRAFT — September 2023

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1. GENERAL REQUIREMENTS

1.1 Regulatory Requirements

The Central Bank of Trinidad and Tobago (“Central Bank”/ “Bank”) is empowered by sections 278 (1) (a) and (b) of the Insurance Act, 2018 (“Act”) to issue guidelines to give effect to the Act and enable the Bank to meet its objectives.

Section 78 of the Act requires an insurer to appoint an actuary. Section 158(1) of the Act requires an insurer carrying on long-term insurance business to cause its Appointed Actuary (“AA”) to value its policy liabilities and other actuarial liabilities, as at the end of each financial year. The valuation must be conducted in accordance with Regulations under the Act and standards of accepted actuarial practice with such changes as may be determined by the Central Bank. Pursuant to sections 145(1)(d) and 158(1)(b) of the Act, the results must be submitted to the Inspector of Financial Institutions (“IOFI”) using the form set out herein.

Section 145(1) of the Act stipulates that insurers shall submit to the IOFI, within sixty business days after the end of the financial year, annual returns which include the insurer’s annual audited financial statements. The company’s independent auditor must certify the annual returns. The annual returns must be based on the audited financial statements of the company. Section 145(2) also requires the AA to provide an opinion, which pursuant to the Regulations is the same as that included in the Appointed Actuary’s Report (“AAR”).

The insurer is responsible for ensuring that the AAR complies with the requirements of the Act, the Central Bank and the IOFI.

1.2 Application and Scope

This Guideline[1] is applicable for AAR’s related to annual reporting periods beginning on or after January 1, 2023. It sets out the Central Bank’s expectations with respect to (a) certain aspects of the actuarial valuation and (b) the form and content of the AAR prepared by an AA and submitted by an insurer carrying on long-term insurance business in accordance with section 158 of the Act. This Guideline also sets out the information to be presented in the AAR, including information on the results of certain supplementary calculations, and covers the nature of the discussions to be included. The AAR is a detailed report that comprehensively documents, among other things, the following:

- The data, methodology, assumptions, outcomes and reconciliations performed as part of the AA’s valuation process; and
- Work done to substantiate the AA’s opinion.

The AAR should form a key part of an insurer’s valuation control process and should, therefore, provide a record of the justifications underlying key decisions made in the process in sufficient detail to enable an informed audience (such as a reviewing actuary) to assess whether the documented process, data,

[1] This Guideline is based on the IFRS 17 Life Memorandum to the Appointed Actuary issued in 2023 by the Office of the Superintendent of Financial Institutions (OSFI) in Canada

assumptions and outcomes are reasonable. It includes, among other things, the opinion of the AA, commentary, exhibits, schedules and calculations that support that opinion.

The Central Bank's review of the AAR of an insurer is a key component of the Bank's assessment of an insurer's financial position, condition and profile.

The AAR is not solely a report from the insurer's AA to the IOFI. It is also intended for the insurer's management team and will be read by employees of the Central Bank who may not be actuaries but who are knowledgeable about insurance.

1.2.1 Reconciliation to Corresponding Annual Return Liabilities

The AA is responsible for valuing the policy liabilities and other actuarial liabilities of the long-term insurance business of the insurer. The policy liabilities and other actuarial liabilities reported in the AAR must reconcile with those of the annual financial statements and the annual returns. Non-consolidated amounts are to be reported, unless otherwise specified by the IOFI. The AA is required to provide reconciliations of the non-consolidated liabilities reported in the AAR to the numbers reported in the annual returns and to the numbers reported in the annual financial statements.

1.3 Effective Date

This Guideline comes into effect on the date of its issuance.

1.4 Definitions

Definitions for the purpose of this Guideline are as follows:

"*annual financial statements*" means audited financial statements (which includes the disclosures/notes) covering a full financial year prepared annually for shareholders or policyholders, a copy of which an insurer must submit to IOFI as part of its annual returns pursuant to section 144 of the Act;

"*annual returns*" means the audited annual statements, a copy of which an insurer must submit to IOFI pursuant to section 145 of the Act;

"*appointed actuary*" or "AA" means an actuary who has been appointed by an insurer pursuant to section 78 of the Act;

"*IFRS*" means the International Financial Reporting Standards developed and maintained by the International Accounting Standards Board (IASB) and adopted by the Institute of Chartered Accountants of Trinidad and Tobago;

"*policy liabilities and other actuarial liabilities*" has the meaning assigned to it in the Insurance (Policy Liabilities) Regulations, 2023 and include:

(a) insurance contract liabilities/assets;

(b) liabilities/assets for policy contracts and other obligations to policyholders other than insurance contracts;

(c) policy liabilities/assets associated with:

(i) reinsurance contracts issued or held;
(ii) investment contracts with discretionary participation features (DPFs);
(iii) contracts with investment/service components;

(iv) investment contracts; and
(v) service contracts.

"*Regulations*" mean the Insurance (Policy Liabilities) Regulations, 2023;

"*standards of accepted actuarial practice*" means the following as specified by the Inspector:

(a) the following standards of the Caribbean Actuarial Association (CAA):

(i) Actuarial Practice Standard 0: General Actuarial Practice (December 2019);
(ii) Actuarial Practice Standard 6: Actuarial Services in Connection with International Financial Reporting Standard 17 (June 2023); and
(iii) any other relevant standards, educational notes, guidance and technical papers issued by the CAA; and

(b) International Actuarial Note 100: Application of IFRS17 Insurance Contracts (August 2021).

1.5 Application of Professional Standards to the Appointed Actuary's Valuation

When performing a valuation of an insurer's policy liabilities and other actuarial liabilities and preparing an AAR for the insurer's submission to the IOFI, the AAs must comply with the following:

1. The requirements of the Act and the Regulations;
2. The requirements set out in this Guideline;
3. The Code/Rules of Professional Conduct of the AA's governing body; and
4. Standards of accepted actuarial practice.

The AA must not deviate from the requirements of the Act or Regulations. Any deviation from generally accepted actuarial practice or any other of the requirements of this Guideline must be disclosed in the AAR and justified.

In complying with standards of accepted actuarial practice, the AA must meet a standard of care with respect to the data used in valuations. Standard of care is to be interpreted with reference to Section 2.5 Data Quality of the CAA APS0: General Actuarial Practice Standard or any other relevant sections of the applicable standards of accepted actuarial practice. This standard of care requires the AA to assess whether there is sufficient and reliable data to perform the actuarial valuation and to take reasonable steps to review the consistency, completeness and accuracy of the data used (e.g. consistency of current valuation data with previous valuation data, with financial statements and records of policy movements). The AA must describe the verification, the assessment and review in the AAR.

Where an AA uses another person's work regarding the accuracy of the data used in the valuation, the AA, in addition to fulfilling the requirements of standards of accepted actuarial practice, shall obtain a signed statement from the other party(ies) in the following format and include the signed statement(s) below in Section 2.4.2.10 of the AAR.

STATEMENT OF ACCURACY OF POLICY RECORDS

I, **Name, Title** of **Company Name, Address of Company** hereby affirm that the listings and summaries of policies and contracts as of **31 December 2023**, prepared for and submitted to **Actuary Name** are to the best of my knowledge and belief substantially accurate and complete.

____

Signature of **Name**

____

Address of Company Name

The words in bold should be adapted to the situation.

1.6 Filing Requirements for the AAR

The filing deadline for the AAR, which includes the Schedules to the AAR for Long-Term Insurance Business ("Schedules to the AAR-LT")[2], is sixty (60) business days after the end of the financial year. For the AAR, the insurer is required to submit:

- One hard copy with a signed opinion;
- One electronic copy, pdf format. A scanned copy of the signed opinion must be included in the electronic submission; and
- One electronic copy of the required Schedules to the AAR-LT in Excel format.

When filing the AAR, the AA must complete and submit the file "Schedules to the AAR-LT". All values must be expressed in Trinidad and Tobago currency rounded to the nearest dollar. The tables must not be modified by adding rows or columns. The AA must ensure that all tables are completed in the specified format. Column headings must not be changed or reordered. If no data is available, cells must be left blank. If changes are required to the workbook, the request should be sent to FISDActuarial@central-bank.org.tt.

1.7 Central Bank's Review Process

Reviews of an insurer's annual returns and an AAR may reveal that an AA's valuation calls for further assessment and questioning. Working papers and documentation required to support the computation of the policy liabilities and other actuarial liabilities reported in the annual returns and AAR must be made available to the IOFI upon request.

Where the IOFI determines that policy liabilities and other actuarial liabilities are inappropriate and the appropriateness of particular assumptions or methods is not sufficiently demonstrated, the IOFI shall require the AA to adopt other acceptable assumptions or methods, and to re-compute the policy liabilities and other actuarial liabilities. In such a situation, the AA must re-submit the AAR by a deadline stipulated by the IOFI. The IOFI may also require the insurer to amend the annual returns in accordance with section 148 of the Act. Alternatively, the IOFI may ask the insurer to reflect the changes in the annual returns for the following year. The IOFI may in the alternative, in accordance with Section 153(1) of the Act, request a report from an independent actuary.

[2] The Schedules are based on the tables supporting the IFRS 17 Life Memorandum to the Appointed Actuary issued in 2023 by OSFI in Canada

2. GENERAL LAYOUT

The format and order of presentation in the AAR specified in this Guideline must be followed. The AAR shall be ordered so that summary total insurer information is presented first, in order to provide the reader with an overview of the insurer's actuarial reserves and other policy liabilities. The data should be ordered to be consistent with, first, the way that the insurer is reported to other third parties and, second, the way that the insurer is managed, analysed and reported internally.

A uniform manner of presentation allows the Central Bank to compare methodologies and assumptions more easily between insurers. Even if a section is not applicable to an insurer, it must still be included in the AAR. The AAR must be presented in a manner generally understandable to both the insurer's management and the regulator.

A table of contents showing where the required information is located including exhibits and appendices, must be included at the beginning of the AAR. To facilitate the review, the AAR must include clearly identified sections and numbered pages. Reference to such pages must be part of the table of contents.

2.1 Overview

2.1.1 Overview of Insurer

The overview section of the AAR must include:

- An executive summary, which shall summarize the key findings of the report and any recommendations;
- A description of the AA's statutory responsibilities and role with the insurer including the AA's role in the preparation of the insurer's annual financial statements and annual returns;
- A brief description of the insurer's structure;
- An overview of the insurer's operations;
- Any changes in structure that impacts the valuation of the policy liabilities;
- Any acquisitions/divestitures;
- Any key material events affecting the actuarial reserves and other policy liabilities;
- Any changes in the philosophy towards the valuation of actuarial reserves and other policy liabilities; and
- Any material new categories of business.

While the above must be disclosed in the overview section of the AAR, insurers must also disclose any extensive product specific details in the appropriate product sub-sections.

2.1.2 Opinion

In forming his/her opinion, the AA shall assess:

- The valuation of policy liabilities and other actuarial liabilities;
- The presentation of these results in the insurer's audited financial statements, including the notes; and the annual returns; and
- Any other matter directed by the IOFI regardless of the International Financial Reporting Standard (IFRS) that applies (typically IFRS 9, IFRS 15 or IFRS 17).

An AA who is in a position to give an unqualified opinion shall use the wording specified in Appendix I. The IOFI will consider any opinion that varies from this wording to be qualified. See also section 2.1.2.1 for further details. The AA may not use the wording specified in Appendix 1 unless he/she takes responsibility for the work and report, including taking responsibility for information prepared by, work done by and methodologies and assumptions set by another person.

In deciding whether to take responsibility for items set by others, the AA must bring to the fore of his/her mind the requirements of Section 1.5 of this Guideline. The following questions[3] could assist the AA during that determination:

- Is the policy or method or assumption that has been set by another party consistent with a reasonable interpretation of the IFRS 17 standard?
- Is the policy or method or assumption that has been set by another party consistent with generally accepted actuarial practice?
- Is the policy or method or assumption similar to what the AA would have chosen or if not similar would the outcome not be materially different?
- Has the AA considered the other person's qualifications, competence, integrity, and objectivity? Has the AA considered discussions and correspondence between the AA and the other party regarding any facts known to the AA that are likely to have a material effect upon the information used? Is the other person aware of how the AA intends to use that person's work? Does the AA need to review the other person's supporting papers?
- Is the AA able to judge the appropriateness of the policy or method or assumption set by another party without performing a substantial amount of additional work beyond the scope of the assignment?

The opinion must contain an original signature of the AA, the AA's name (in block letters), the date and location of signing.

The actuarial opinions presented to the shareholders and policyholders of the insurer should be the same as the opinion filed with the Central Bank. Should this not be the case, the AA must disclose in writing in the AAR submitted to the IOFI any material differences between the opinions, as well as the rationale for such differences.

In accordance with section 158(2) the AAR must include a description of any matters for which the AA was unable to obtain information or for which he was not satisfied with the information provided.

2.1.2.1 Qualified opinion

Any qualification or limitation concerning any aspect of the valuation must be noted in this section of the AAR. Comprehensive explanations must be provided in the relevant sections of the AAR. These sections must be cross-referenced in the opinion. The qualifications or limitations should be similar to the ones included in the annual financial statements presented to the shareholders and policyholders. Appendix II provides two

[3] CIA Education Note, Role of the Appointed Actuary Under IFRS 17

examples of situations where a reservation in reporting is required. The list is not exhaustive, and the examples are meant to be illustrative. The AA is required to amend the opinion to fit the circumstance which gave rise to the qualification.

2.1.1 Materiality Standards

In preparing the insurer's annual returns, the management of the insurer and the external auditor routinely agree on a level of materiality. The AAR must report the materiality standard. In addition, the AA must report on how the materiality standard for the valuation of policy liabilities and other actuarial liabilities was selected.

2.2 Total Insurer Data

2.2.1 Summary Reporting of Data

The AA must complete the following six summary tables of the accompanying Schedules of the AAR-LT:

- **Table 2.1a** - Unconsolidated Liabilities/Assets for (Re-) Insurance Contracts Issued and Reinsurance Contracts Held and Investment Contracts with DPFs by Portfolio and by Groups of Contracts
    - Groups of contracts must be separately shown for the following levels as in paragraph 16 of IFRS 17:
        - Groups of contracts that are onerous at initial recognition,
        - Groups of contracts that at initial recognition had no significant possibility of becoming onerous subsequently, and
        - Groups of remaining contracts

  If a portfolio has multiple groups, then more than one entry in this table must be filled in. For example, if a portfolio has a group of contracts that are onerous and a group of remaining contracts, then two entries would be filled in this table.

  If the insurer is subdivided into more than the above groups, the AA must map them to the groups that are most appropriate.

- **Table 2.1b** – Unconsolidated Liabilities/Assets for (Re-)Insurance Contracts Issued, Reinsurance Contracts Held and Investment Contracts with DPFs by Portfolio and by Product Type
- **Table 2.2a** – Risk Adjustment for Non-Financial Risk by Risk Where Margin Approach is Used – (Re-) Insurance Contracts Issued and Reinsurance Contracts Held only
- **Table 2.2b** – Risk Adjustment for Non-Financial Risk by Risk Where an Approach Other than the Margin Approach is used – (Re-) Insurance Contracts Issued and Reinsurance Contracts Held only
- **Table 2.3a** – Assumption and Methodology Changes Related to Non-Financial Risk – (Re-) Insurance Contracts Issued and Reinsurance Contracts Held only
- **Table 2.3b** – Assumption and Methodology Changes Related to Financial Risk by Quarter – (Re-) Insurance Contracts Issued and Reinsurance Contracts Held only. Examples of assumption and methodology changes include, but not limited to, a change in the interpolation method to grade from the last observable rate to the ultimate rate in the discount curve; a change in the approaches/methods or assumptions used to develop

the discount curves (for example a change in developing the illiquidity premium); a change made to a stochastic modelling used for valuation; other change in methodology (such as arising from an improvement in valuation systems or a refinement of methodology)

- **Table 2.3c** – Changes Related to Market Impacts by Quarter – (Re)Insurance Contracts Issued and Reinsurance Contracts Held Only. The market impacts include, but not limited to, change in risk free rates, credit risk premiums, currency exchange rates, etc.

The following minimum levels of detail must be followed for these tables:

  - **In and out of TT:** If an insurer operates outside of Trinidad and Tobago (TT), then the data must be shown separately for In TT and Out of TT.
  - **Par or Non-Par:** Participating lines of business must be shown separately.
  - **Portfolio:** Data must be presented separately for each portfolio of (re)insurance contracts issued or reinsurance contracts held.
  - **Product Type**: Product type must be reported separately in the AAR consistent with how the products are managed in the portfolio.

The above defines a cascade of levels of reporting that must be presented in the AAR. There is no requirement to do further breakdowns of data exclusively for AAR reporting, except where this is explicitly required in this Guideline.

This reporting structure and format must be followed to allow for easier comparison between insurers. Table modifications are not permitted. If the tables require a value at a more granular level than the insurer's practice (e.g. CSM cannot be provided by product type in Table 2.3a), an allocation approach must be used to provide the detailed reporting levels and a description of the allocation approach used. For tables that request product type information (for example, Table 2.1b), if a portfolio contains more than one product type, then one row per product type must be used in the table.

The dollar amounts shown in Section 2.2 tables must be expressed in Trinidad and Tobago currency rounded to the nearest dollar. If the products were sold in another currency, the AA must state in the comments section of the Instruction tab, the currency exchange rate used to convert the currency to Trinidad and Tobago dollars.

Values reported at the total insurer summary level must reconcile to those reported in the detailed product sections. If a product type is shown separately in Table 2.1b, the same product type must be reported on separately in the detailed product sections.

For each row with reported data, all data points (except the ones that are colour-coded in light yellow) must be filled in for that row. If the value is zero, input "0" and do not leave the cell blank. If, however, a row is unused, all fields in that row must be left blank.

2.2.2 Summary Reporting of Risk Adjustment for Non-Financial Risk

The AA must complete Table(s) 2.2a and/or 2.2b of the Schedules to the AAR-LT for the risk adjustment information.

Table 2.2a must report the risk adjustment by risk for the current year and prior year where the margin approach is used or if an insurer uses the margin approach to replicate the aggregate risk adjustment derived from other approaches (other than the margin approach). The AA must describe how diversification benefits are included in the reported risk adjustment. If diversification benefits by product type cannot be quantified as required in Table 2.2a, insurers may disclose the diversification benefits at a higher level than the product type level. The AA must explain why the diversification benefits cannot be quantified at the product type level specified in the table.

The AA is only required to complete Table 2.2b if the risk adjustment for the current and prior years is determined using an approach other than the margin approach.

2.2.3 Summary Reporting of Changes in Methods and Assumptions

Table 2.3a and 2.3b show the assumption and methodology changes in liabilities/assets for (re-)insurance contracts issued and reinsurance contracts held related to non-financial and financial risks, respectively.

Multiple changes must not be netted in a manner where material changes are offset by one another, and the net impact does not reflect the magnitude of the individual changes. The changes must be described at the level of granularity required in Tables 2.3a, 2.3b, and 2.3c, at a minimum.

The AA must confirm that the total changes at an insurer level are reconciled to the values reported in the annual return.

The description of the changes shown in the tables must be succinct. Detailed descriptions of the changes must be included in the product section of the AAR. Allocations are permitted when the assumption changes are determined at a higher level.

Each of the changes in assumptions or methodology must be disclosed separately. If more than one change is made to any of the product types, the AAR must show separately the effects of each change, i.e. netting must not be used.

Assumption and methodology changes could have an impact on CSM. The AA must report the full assumption and methodology change impact on CSM without reflecting the amount that goes to loss component. For example, if the CSM balance is $50 and an assumption change impact is $60, with $10 going to the loss component, then the AA must report the full $60 impact in Table 2.3a rather than the $50 impact on the CSM.

The AA must disclose the changes in (re-)insurance contract assets/liabilities by portfolio and by quarter due to market impacts such as, but not limited to, change in risk free rates, credit risk premiums, currency exchange rates, etc. in Table 2.3c.

2.2.4 Portfolio Mapping (Unconsolidated)

The AA must complete Table 2.4 of the Schedules to the AAR-LT for information related to each portfolio. For Column (12) to (17), the AA must indicate the years of issued contracts (for example, pre-2017, pre-2018, 2017-2022, 2018-2022 etc.) with respect to the transition methods selected for that group of contracts. The AA must disclose all the transition approaches if there are multiple transition approaches in the portfolio.

2.2.5 Liabilities for Investment and Service Contracts

The AA must complete Table 2.5 of the Schedules to the AAR-LT for the liabilities for investment and service components and the liabilities for distinct investment or service components where the components are separable from the host insurance contracts.

2.3 General Valuation Information

According to paragraph 3 of the IFRS 17 standard, an insurer shall apply IFRS 17 to:

a) insurance contracts, including reinsurance contracts, it issues,
b) reinsurance contracts it holds; and
c) investment contracts with discretionary participation features it issues

Section 2.3 and 2.4 apply to these contracts only.

2.3.1 Level of Aggregation

The AA must disclose the different levels at which (re-)insurance contracts issued and reinsurance contracts held are aggregated.

The AA must provide a high-level description of each of the portfolios in Table 1 under column (04) of the Schedules to the AAR-LT. The AA must explain how a portfolio of (re-)insurance contracts issued, or reinsurance contracts held is classified into groups according to the degree of profitability at initial recognition using the following criteria:

For insurance and reinsurance contracts issued,

1. Groups of contracts that are onerous at initial recognition,
2. Groups of contracts that at initial recognition have no significant possibility of becoming onerous subsequently; and
3. Groups of remaining contracts

For reinsurance contracts held,

1. Groups of reinsurance contracts are in net gain position at initial recognition,
2. Groups of reinsurance contracts that at initial recognition have no significant possibility of becoming in a net gain position subsequently; and
3. Groups of remaining reinsurance contracts

The AA must explain how contracts are grouped by issue date (i.e. cohorts by issue year, quarter, etc.)

The AA must describe any new or changed portfolios established in the past year.

2.3.2 Construction of Discount Rates for Cash Flows that Do Not Vary with Underlying Items

The AAR must disclose the following by currency and provide the rationale and sufficient information to support the inputs, assumptions and methodologies used:

- The approach(es) used to develop the discount rate curves including the treatment of sovereign risk.
- Whether the discount rates derived are expressed as forward or spot rates and the reasons for the choice of presentation.

The AA must report the discount rate curves used to discount cash flows that do not vary based on the returns on the underlying items in Table 3.2a of the accompanying Schedules to the AAR-LT. The AA must disclose the discount curves by country, by currency, by liquidity category and by spot/forward basis. Under special circumstances (such as small, run-off blocks of business) where these blocks are immaterial in size and low risk, the Central Bank will consider different details of reporting where appropriate. Please contact FISDActuarial@central-bank.org.tt for discussion of these specific circumstances.

2.3.2.1 Bottom-Up Approach

If the bottom-up approach is used, provide the following information in detail:

Risk-free rates by currency

- Describe the method(s) used to construct the observable portion of the risk-free curve (use government bonds, etc.). Disclose the sources of information used to construct the risk-free rates and any adjustment(s) made to the data.
- Provide the approach(es) and rationale supporting the setting of the last observable point.
- Provide the risk-free rates by currency and year for the observable and non-observable period in Table 3.2b of the accompanying Schedules to the AAR-LT.
- Describe the interpolation method between the last observable point and the ultimate point, and provide the rationale for the selected method.
- Describe the technique(s) used to develop risk-free rates and rationale of the selection beyond the observable period including (but not limited to):
    i. Timing and level of ultimate rate as well as sources of information used to set the ultimate rate
    ii. Definition of ultimate rate (i.e. spot versus forward rate)
    iii. Extrapolation technique from the ultimate rate

Illiquidity Premium

- List the types of products (Term, Whole Life, etc.) in each liquidity category (i.e. the most liquid, the most illiquid, and other category(ies) in between), and explain how the categorization was determined.
- Describe the considerations used to assess the liquidity characteristics of insurance contracts (e.g. product features, exit value, inherent value, exit cost, etc.) for each liquidity category.
- Describe the technique(s) used to derive the illiquidity premium in the observable period by country and liquidity category.
- Describe the interpolation method to grade from the last observable rate to the ultimate rate and the rationale of the selection.
- Describe the technique(s) used to derive the illiquidity premium in the observable period by country and liquidity category in detail.
- Describe the techniques(s) used to derive the illiquidity premium beyond the observable period by liquidity class including the following, but not limited to:
    a) Timing and level of the ultimate illiquidity premium

b) Interpolation technique between the last point of observable input and the ultimate illiquidity premium, as well as the length of the interpolation period

c) Extrapolation technique of the ultimate illiquidity premium to the last year of future cash flows.

The AA must provide any additional explanations and information pertinent to choices made in implementing the Bottom-Up approach.

2.3.2.2 Top- Down Approach

If the top-down approach is used, the following information should be disclosed in detail:

- For each liquidity category, describe whether the insurer's own asset mix or a hypothetical asset mix is used as a reference portfolio and explain why the selected reference portfolio is appropriate for the liquidity category. Describe the types of assets that are expected to be included for each liquidity category and explain the appropriateness of the choice.
- Describe all adjustments to yield curve(s) to eliminate factors that are not relevant to the insurance contracts (i.e. credit risk, market risk and/or other risk adjustments, etc.). Provide details of what factors are eliminated and the methodologies for determining the adjustments by each asset class (for example - corporate bonds, public equity, non-fixed income assets other than public equity).
- Describe any further adjustments to reflect the differences in liquidity characteristics of insurance contracts and the reference portfolio.
- Describe the technique(s) used to derive the ultimate rate in the unobservable period, including the timing and level of the ultimate rate as well as the sources of information used to set the ultimate rate and the starting point of the ultimate rate.
- Describe the interpolation method between the last observable point and the ultimate point in the unobservable period and provide the rationale for the selection method.

The AA must provide any additional explanation and information pertinent to choices made in implementing the Top-Down approach.

2.3.3 Expenses

The AA must disclose how directly attributable expenses are determined and how total insurer expenses are allocated among acquisition, maintenance and other (if any). The information must be split by In and Out of TT and by portfolio. The AA must detail this information in Table 3.3 of the accompanying Schedules to the AAR-LT, excluding annual expenses in the current year related to IFRS9 investment contracts, IFRS15 service contract, and other IFRS standards (i.e. expenses that are not within the scope of IFRS17). Maintenance expenses include investment expenses[4]. If the actual and/or expected directly attributable expense cannot be determined based on the same calendar year information, then the AA must explain the timing differences between the actual and expected expenses. For example, if the actual reported directly

[4] IFRS17 amendment B65(Ka)

attributable expenses are based on an expenses study that does not align with the AAR calendar year reporting cycle, the AA must explain the timing differences.

The AA must further disclose:

- The method for determining the allocations of fixed and variable overheads (such as the costs of accounting, human resources, information technology and support, building depreciation, rent, and maintenance and utilities) that are considered directly attributable to fulfilling insurance contracts.
- The method for determining the allocations of all directly attributable acquisition costs in a portfolio to groups in that portfolio, and of any acquisition costs directly attributable to any future renewals of contracts (outside the boundary of the new contracts) to future groups using a systematic, consistent and rational basis;
- The treatment of the acquisition costs for contracts with the coverage period that is one year or less.
- The type of investment expenses considered directly attributable.

Insurance acquisition cash flows incurred before the recognition of their related groups of insurance contracts are held as assets. These assets will be referred to as the asset for insurance acquisition cash flows.

The AA must disclose the results of all recoverability tests for assets for insurance acquisition cash flows that are required per IFRS 17 28E and B35D).

2.3.4 Reinsurance Contracts Held

2.3.4.1 Non-Performance Risk

The AA must explain how the allowance for the effect of any risk of non-performance by the issuer of the reinsurance contracts held is measured. The AA should indicate whether the adjustment is applied to the cash flows directly, to the discount rates, or a combination of the two.

The AA must detail all factors considered in the risk of non-performance by issuers of the reinsurance contracts held, including but not limited to, items such as the effect of collateral and losses from disputes.

2.3.4.2 Assumptions Used to Measure the Estimates of the Present Value of Future Cash Flows

The AA must disclose any reinsurance contracts held where the IFRS 17 measurement method or assumptions are different from the measurement of the underlying insurance contracts, and explain the drivers of the different methods or assumptions between the (re-)insurance contracts issued and reinsurance contracts held. The AA must disclose where the contract boundary of the reinsurance contracts held is materially different than the underlying direct contracts and the reasons for such differences.

2.3.5 Comparison with Other Reporting

The AA must compare the expected non-financial assumptions used in the valuation of the (re-)insurance contracts issued and reinsurance contracts held with the comparable expected non-financial assumptions used in other reporting or actuarial analysis. Comparisons include:

- The assumptions underlying the base scenario for the annual financial condition report projections required pursuant to the Insurance (Financial Condition Report) Regulations 2020 and section 159 of the Act;
- The current pricing assumptions compared to the valuation assumptions for the same blocks of new business in the current year; and
- Any comparable assumptions underlying the current business plan for the insurer, if applicable.

It is accepted that there could be valid reasons for any differences in expected non-financial assumptions, but if there are such differences, the AA must comment on the reasons.

2.3.6 Valuation System

The disclosure must include whether the valuation system is an in-house system or a commercially purchased system. Any changes in valuation systems (e.g. moving from an in-house system to a commercially purchased system, new valuation system, changes in providers, etc.) must be disclosed and the effects quantified. As well, the AAR should describe the results of any audit or review related to changes in valuation systems and who performed the audit or review. It must also be noted if changes in valuation systems have not been subject to audits or reviews.

2.4 Details by Portfolios and Product Lines – Policy liabilities and other actuarial liabilities valued using IFRS 17

The section of the AAR must document the portfolios and product type details of the valuation of the (re-)insurance contracts issued reinsurance contracts held, investment contracts with DPFs as per paragraphs 3 and 29 of IFRS 17.

This section of the AAR must follow the same order as is shown in Summary Table 2.1b. Thus, this section must follow the same cascade of in and out of TT/insurer/branch/ /par or non-par/portfolio/ (re-)insurance contracts issued, reinsurance contracts held, investment contracts with DPFs/ product type.

The Central Bank recognizes that not all the elements that are requested to be disclosed are calculated at the same level of detail. For example, the actual to expected experience studies may be carried out at a more summarized product level.

Similarly, some of the descriptions of methodology or some assumptions may be the same for more than one product type (e.g. the same mortality table is used for several product types), portfolio, or group. If this is the case, the information need only be disclosed once in the AAR at the appropriate summary level (i.e. aggregating information across portfolios or product types), but the detailed product sections must make direct reference to it. If reinsurance contracts held have the same assumptions as direct contracts, the AA must provide references to the assumptions of the direct contracts.

Each product section must be self-contained. It must have either the data within the section or an explicit reference to a specific section or page at a different summarized level. The reader of the AAR should not have to search through non-cross-referenced sections of the AAR.

If allocation method(s) is/are used for any items (e.g. CSM by product type), the AA must describe the allocation approach. The allocation approach is expected to be consistent year after year. However, changes (if any) should be specifically disclosed and explanation for the change must be provided.

2.4.1 Portfolio Reporting

The reporting of each portfolio must include the following:

2.4.1.1 Measurement Approach

- The AAR must disclose the measurement approach for each portfolio such as, the general measurement model approach (GMM), variable fee approach (VFA) or premium allocation approach (PAA) approach.
- For contracts measured under the PAA, provide explanation for:
  - How the insurer has satisfied the eligibility requirements of IFRS 17 (when applicable, provide a summary of the calculations or tests that have been performed);
  - The method chosen to recognize insurance acquisition cash flows;
  - The process or procedure used to determine onerous contracts; and
  - Any discount rates applied in valuing the liabilities.
- For contracts measured under the VFA, provide details on how the contracts meet the definition of insurance contracts with direct participation features.

2.4.1.2 Estimates of Future Cash flows

The AA must discuss the determination of the probability weighted cash flow distribution including how this complies with the IFRS 17 Standards. For skewed distributions, the AA must explain what adjustments were made to the distributions to reflect extreme scenarios.

The AA must briefly discuss any unique circumstances in determining the contract boundaries for individual products, such as term conversion.

The AA must discuss how the estimate of future cash flows take into account policyholder behaviour including the expected effect of anti-selection, lapses based on the returns on underlying items, etc.

For participating contracts, the AA must describe the approach(es) used to determine the future policyholder dividend scales assumed in the valuation, including any prospective changes in the assumed dividend scales relative to the current dividend scales.

For products with discretionary cash flows (such as participating, adjustable and universal life products), the AA must describe how the non-guaranteed (other than participating dividend) elements are reflected in the valuation of the (re-) insurance contracts issued and reinsurance contracts held.

For products with the cash flows that vary based on the returns on underlying items, the AA must disclose whether the estimated cash flows are separate from cash flows that do not vary based on the returns on underlying items and the methodology used. For cash flows that are blended, indicate the rationale for commingling.

The AA must discuss how future new business (not yet written) for reinsurance contracts issued and held are reflected in the estimates of cash flows.

For reinsurance contracts issued or held, the AA must describe how future cash flows are estimated reflecting the recapture clauses, including but limited to, recapture fee, restrictions on recaptures and likelihood of recapture.

The AA must discuss the details for the modelling of the cost of guarantees in Section 2.4.2.4.

The AA should provide the annual estimate of future cash flows in Table 4.1.2a, b and c of the accompanying Schedules to the AAR-LT, which vary by measurement approach. The cash flows must be disclosed separately by liquidity category. If a product has both cash flows that do and do not vary with underlying items, there is no requirement to split the cash flows, solely for the Central Bank's purposes. If the bifurcation of the cash flows into vary and do not vary with underlying is not undertaken, then the combined cash flows must be reported in the column "Combined cash flows that do not and vary with the underlying" in the table.

If any portfolio uses a stochastic approach, the AA must provide the estimate of future cash flows at the zero conditional tail expectation "CTE(0)" level. The reporting of such cash flows must be consistent with how they are categorized in the valuation. Cash inflows (e.g. policyholders' premium) must report as is positive cash flows and cash outflows (e.g. claims benefit) must report as is negative cash flows in the tables.

2.4.1.2.1 Other Items to Include in the Estimates of Future Cash Flows

For items that were separately reported as liabilities under IFRS 4 but are now included as part of the estimates of future cash flows, such as policy loans, amounts on deposit, dividends on deposit, prepaid premium accounts, experience rating refunds, claim fluctuation reserves, premium stabilization reserves, market conduct provisions, etc., the AA must describe how these items are included in the estimates of future cash flows (such as methodology, models and assumptions, and if the amounts are treated as time zero cash flows) and provide the rationale to support the selected approach(es) underlying the results in Table 4.1.2.1 of the accompanying Schedules to the AAR-LT.

The liabilities in Table 4.1.2.1 are not required to be reported in detail by product line. However, more details are expected to be provided in the Product Line Reporting (Section 2.4.2) for liabilities that are material. In particular, the AA must describe in detail how the incurred but not reported claims, reported but not admitted claims, experience rating refunds, claims fluctuation reserves, premium stabilization reserves, market conduct provisions are treated in the future cash flows. If the "other" item is significant, the AA must describe the specifics in detail (e.g. how the IBNR provision is determined including the processes, systems, assumptions and methodologies).

2.4.1.3 Risk Adjustment for Non-Financial Risk

The AA must disclose the methodology chosen including the equivalent confidence level of the calculated risk adjustment. The AA must provide rationale to support why the chosen methodology reflects the compensation the insurer requires for uncertainty. The AA must describe how the confidence level is determined for the chosen methodology.

The confidence level of the risk adjustment (either on a gross or net basis) for non-financial risk at the insurer level must be disclosed in Table 2.1a.

The AA must describe the considerations taken in quantifying the amount of non-financial risk transferred to the reinsurer.

If the insurer has chosen different risk adjustment confidence levels by portfolio or other more granular level, the AA must disclose the approach(es) and rationale. If the risk adjustment is determined at a higher level than the group of contracts, the AA must describe the approach to allocate the risk adjustment to the different levels. If the insurer chooses to reflect the benefits of diversification in its risk adjustment, then the AA must disclose the techniques used to determine the diversification benefit, such as a correlation matrix.

The AA must describe how the discount rate curve, if applicable, used to discount the risk adjustment is constructed and if the discount rate curve is different from the one used for the associated future cash flows. The AA must also provide the rationale for the approach chosen.

The AA must disclose the following information for various methodologies used to determine the risk adjustment.

<u>Margin Approach</u>:

The AA must disclose how the margins for each of the non-financial risks are determined and explain the differences between current and prior year.

If crossover points are used to determine the lapse margin, the AA must disclose the steps used to determine the crossover points.

<u>Cost of Capital Approach</u>:

The AA must disclose the projected average capital amounts, cost of capital rate and discount rates used to determine the risk adjustment at the insurer level in Table 4.1.3i of the accompanying Schedules to the AAR-LT. In addition, the AA must disclose:

- The techniques used to determine the average capital amount and any adjustments made in the capital amount for calculating the risk adjustment (for example, removal of the capital component(s) related to risks other than the non-financial risks in scope of the risk adjustment.)
- The approach and considerations in selecting the cost of capital rate.
- How the aggregate risk adjustment be allocated amongst the portfolios/group of contracts.
- The quantile techniques (i.e. VaR or CTE) used to determine the confidence level of the risk adjustment.

<u>Quantile Techniques Approach</u>:

The AA must disclose:

- The approach used (i.e. probability distribution for present value of cash flows, Monte Carlo simulation or other scenario modelling) to generate the risk distribution.

- The quantile techniques (i.e. VaR or CTE) used to determine the confidence level of risk adjustment.
- How the aggregate risk adjustment is allocated amongst the portfolios/group of insurance contract.

Hybrid approach:

In addition to the above information required under the margin approach, the AA must disclose the target range for the confidence level corresponding to the aggregate risk adjustment, or the range for the target cost-of-capital rates in Table 4.1.3i if the cost of capital approach is used to calibrate margins.

2.4.1.4 Contractual Service Margin

The AA must discuss the approach used to determine the discount rate locked-in at initial recognition for the measurement of CSM under the GMM and the approach used to determine the interest to accrete on the CSM.

For insurance contracts with direct participation features, the AA must disclose how financial instruments held to mitigate risk, are considered in the valuation. The AA must disclose whether the insurer chooses the option of not adjusting the CSM for changes in the fair value of underlying items, or the fulfilment cash flows relating to future services. If the insurer chooses the option, the AA must discuss how the conditions set out in paragraph B116 of IFRS 17 are met. If any conditions cease to be met, the AA must also disclose the facts and circumstances.

For insurance contracts without direct participation features, but with discretionary cash flows, the AA must specify the basis on which it expects to determine its commitment under the contract; for example, based on a fixed interest rate, or on returns that vary based on specified asset returns.

2.4.1.4.1Loss Component

The AA must explain the key drivers for:

- The loss component for each of the groups of onerous contracts at initial recognition;
- The loss component for each of the groups of contracts for which a loss component arises at subsequent measurement; and
- Subsequent changes to the loss component for each of the groups of onerous contracts.

Where a reinsurance contract held covers only a portion of the group of underlying onerous contracts, the AA must disclose the systematic and rational allocation method to determine the portion of losses of the onerous group that is reinsured. The AA must disclose how the loss-recovery component is established.

The AA must describe the approach used to allocate the changes in the fulfilment cash flows of the liability for remaining coverage specified in paragraph 50(a) of IFRS 17.

For insurance contracts for which the PAA is used, the AAR must provide commentary on the facts and circumstances associated with each group of insurance contracts for which a loss component arises at subsequent measurement, and must contain the amount of the loss components on a group basis and on a portfolio basis.

2.4.2 Product Type Reporting

Within each portfolio, the AA must separately discuss the valuation of the products within the product types that have been disclosed in Table 2.1b.

The reporting of each product must include the following:

2.4.2.1 Product Data

The AA must fill out the information requested in Table 4.2.1 and 4.2.1a of the accompanying Schedules to the AAR-LT. The amount of liabilities must reconcile to the amounts shown in Summary Table 2.1a. The purpose of showing face amounts, account values, and annualized premiums is to give an overview of the size of the product, which may not always be understood from the size of the liabilities. Face amounts must be shown for life insurance products. Account values must be shown for universal life, investment-linked and annuity contracts. If cohorts are based on an issuing period that is less than one year, the sum of cohorts issued during the reporting period must be reported between row (19) and row (57) in Table 4.2.1 (e.g. if quarterly cohorts is used then the sum of the four quarters numbers must be reported in the table).

If any requested values are determined by allocation methods to more detailed reporting levels (such as CSM, insurance revenue), please provide details of the allocation method(s).

2.4.2.2 Description of Products

The AAR must include a description of the products, including key features such as guarantees, nonguaranteed or adjustable items, benefits, contract boundary, types of dividends for participating policies, etc. The level of detail in this description should be sufficient to provide information to support the methodology and assumptions used. The AAR must disclose for each product whether it is open, closed, or closed but open for new deposits.

The AA must discuss the key risks for each of the main product types.

For participating products, the AA must describe whether a contribution to participating account surplus (e.g. as a percentage of premiums/dividends) is expected and the insurer’s practices (if any) on changes to the contribution to surplus.

For products with minimum interest rate guarantees, the AA must disclose the key information pertaining to the minimum interest rate guarantees for material blocks (e.g. (re-) insurance contracts liabilities, account value by product, issue year and guarantee rate).

For example, Universal Life with Level Cost of Insurance:

Minimum Guaranteed Interest Rate	Issue Year	Current Year Insurance Contract Liabilities	Account Values
5%			
6%			
…			

If the (re-)insurance contracts liabilities by minimum guaranteed interest rate are not available, allocation methods can be used. Please provide details of the allocation method(s) used.

2.4.2.3 New Products

The AAR must disclose details on the features of the new products, guarantees, benefits, contract boundary, etc. This description must be sufficient to support the assumptions and methodology used. Where the product is novel or experimental, and relevant experience data is not available, the AA must describe the work performed to measure the risk associated with these new contingencies.

For new participating products, the AAR must also disclose if the new product(s) are in the same dividend class or participating sub-account as the in force participating products. The AA must provide the rationale and considerations for the associated practice, and a description of how the insurer ensures that inter-generational equity is maintained.

2.4.2.4 Modelling for the valuation of contracts with financial guarantees

The AA must disclose how the provision for the financial guarantees is determined, including details such as the valuation approaches, modelling, market variables and parameters, and assumptions used to determine the market consistent valuation for insurance contracts that contain financial guarantees. The AA must provide the rationale for the choices made.

2.4.2.4.1 Stochastic Models

For products with financial guarantees using a stochastic approach to measure the market consistent value of the guarantees, the AA must explain the appropriateness of the model being used and that the range of stochastic scenarios adequately reflects the liability cash flows.

Discussion must include, but not be limited to, the description of the interest rate model, equity return model, calibration process, and types of tests performed to ensure that the number of scenarios used were appropriate. Discussion is expected to include, but not be limited to, the following by country and by type of product, as appropriate:

- The modelling of the cash flows;
- Description of the random number generator(s);
- Description of the economic scenario generator(s), including:

- Description of the interest rate, bond indices and equity return model, calibration process and parameters (e.g. mean, volatility, mean-reversion level and speed, etc.);
- Modelling of discount rates;
- Assessment on the appropriateness of the number of scenarios used to ensure the convergence of the valuation of the actuarial liabilities;
- The sources of data used;
- Rationale for the choice of the use of a specific model;
- Adjustments made to the model to reflect differences between the embedded options/guarantees and the financial instruments used to derive the market observable inputs;
- Basis risk modelling; and
- Any approximations and simplifications made to stochastic modelling.

The AA is expected to discuss the above by various product types as follows:

- Investment-linked contracts;
- Universal life insurance contracts; and
- Other types of contracts with financial guarantees such as Participating products with guaranteed minimum dividends, adjustable products, annuity contracts with minimum interest guarantees, and accumulation contracts with indexation guarantees.

2.4.2.4.2 Non-Stochastic Models

For products with financial guarantees using a non-stochastic approach to measure the market consistent value of the guarantees, the AA must explain how this approach meets the objective of consistency with observable market variables based on the specific facts and circumstances.

If a replicating portfolio is used, the following information must be disclosed:

- The types of products where a replicating portfolio is used for valuation including the rationale for choosing this approach;
- How the replicating portfolio is constructed – that is, how the insurer ensures that the replicating portfolio (IFRS 17 Paragraph B46) has the cash flows that exactly match the cash flows of the contract liability in amount, timing and uncertainty; and
- At a high level, the types of assets that are expected to be included for each replicating portfolio, along with the rationale for decisions made.

2.4.2.5 Use of Reinsurance to Mitigate Risks for the Underlying Contracts

Where reinsurance is material for product type, the AA must provide a description of the reinsurance structure with respect to risks and allowances. The AAR must also disclose any new reinsurance treaty or other arrangement. Disclosure must include the effective and expected termination dates, recapture clause, the type of reinsurance, a description of the products covered, whether there is significant insurance risk transferred, and any significant impact to liabilities for insurance and investment contracts and capital.

2.4.2.6 Expected Experience Assumptions for Non-Financial Risk

The AA must document all expected experience assumptions for non-financial risk used in the valuation, including description of rationale, justification, and validation. Where assumptions are changed, the prior as well as the current assumptions must be disclosed in the AAR. These include mortality, morbidity, mortality improvement, morbidity improvement, lapses, directly attributable expenses, inflation, renewal/conversion, disability/recovery, transaction-based taxes, investment income tax, policyholder behaviour (such as dynamic lapse (if applicable) function and sample rates, base lapse rates, full lapse rates, partial withdrawal rates, fund transfers, future deposits, and for living benefit products - utilization rates and pay-out levels) and any other contingencies that are applicable. If an assumption is common to several products, the AA can then specify where the relevant assumption is discussed in the AAR.

For lapses, the AA must report on the extent to which the assumption reflects variables such as product type, term to maturity, surrender charge period and degree to which the contract is in-the-money. The formula should produce relatively low or zero lapses in situations where the contract is deep in-the-money and close to maturity.

While all assumptions must be documented in the AAR, the AA must use judgement in deciding on the amount of detail included in the AAR with respect to assumptions. A description of the processes and approaches used to conduct experience studies, such as number of years of data used, frequency of conducting the study, how data are analysed, use of predictive analytics, etc., should be included.

The AAR must disclose how the expected experience assumptions were determined with specific reference to insurer experience studies and industry data as applicable. The credibility of the insurer data is to be disclosed, as is any blending of insurer and industry data.

If industry tables are available, but not used, the AA should provide the rationale for the choice made and show broadly how the selected assumptions compare with a relevant industry table. For assumptions where limited experience exists, the AA must disclose the basis and rationale for determining the assumptions selected.

Any use of implicit assumptions or approximations requires disclosure, discussion and justification in the context of the assessment of appropriateness of the valuation

The AA must disclose when the expected experience assumptions were last updated or reviewed, and briefly describe the policy (ies) and guidelines that govern how frequently each expected experience assumption is to be updated or reviewed. For material assumptions, the period for review must be at least annual. The AA must disclose when the expected experience assumptions were last updated or reviewed. The AAR must also note if the frequency of updating or review of expected experience assumptions is not governed by any policy, actuarial guideline or guideline issued by the Central Bank.

A comparison of actual experience versus expected experience assumptions should be shown separately for each material assumption within each product and for the last three years if the data is available. The AAR should document where such studies are done at a more aggregate level than the product level. This comparison should be shown separately for the key risk assumptions. The results for lapse should be shown separately for lapse-supported products and non-lapse supported products.

Where a full formal experience study is not conducted, the comparison can be based on an analysis of expected experience per the valuation system versus actual experience taken from the accounting data must be disclosed with consistent differences in one direction and large swings explained. If such actual to expected comparisons are done for only a portion of the product lines, the AAR must show the proportion that is measured. The AAR must also disclose if such studies are not available.

2.4.2.7 Construction of Discount Rate for Cash Flows that Vary with Returns on Underlying Items

The AA must discuss how the financial risk is reflected in the valuation per IFRS 17 paragraph B74 (b)(i.e. whether discount rates reflect the effects of financial risk or adjust cash flows for the effect of financial risk or some combination).

Under IFRS 17, it is possible to separate the insurance contract cash flows between those that vary with returns on underlying items and those that do not vary, and to use different discount rates to discount different sets of the cash flows.

If a separation of cash flows is used, the AA is required to explain in detail the methodology or methodologies used to determine the corresponding discount rate curves used for cash flows that vary with returns of underlying items, including the underlying assets, and the relationship between the actual yield rates and discount rates.

If the cash flows being valued are not separated, the AA must explain what valuation approach is used and how the discount rate curve is developed for discounting the cash flows. The AA must disclose the discount rate used in Table 4.2.7 of the accompanying Schedules of the AAR-LT.

2.4.2.8 Method and Assumption Changes:

The changes must be described by quarter (if applicable). If the assumptions/methods are changed, the AAR must explicitly document the previous assumptions/methods. This will allow for easier comparisons.

2.4.2.9 CSM Amortization

The AA must disclose the coverage unit chosen for each product type, and the setting of the discount rate if the insurer opted to use discounting to determine the coverage units. If there are multiple coverages within a group of contracts, the AA should also describe the approach to combine the coverages in development of coverage units.

The AA must comment on the non-financial assumption unlocking where there is material impact on the CSM and coverage units. Other events, such as de-recognition of contracts, could materially have an impact on the CSM and coverage units.

2.4.2.10 Internal Control Analysis of Policy Liabilities and Other Actuarial Liabilities

The AA typically makes use of some method(s) of internal analysis to verify or validate the actuarial reserves and other policy liabilities. This can take a variety of forms. Examples are (i) ratios of face amount to (re-)insurance contracts issued liabilities/assets, (ii) trend analysis, (iii) ratios to fund values, etc. The AA must discuss the internal analysis used to validate the policy liabilities and other actuarial liabilities and disclose the numbers from this process in the AAR.

In particular, the AA must describe the type of data provided and the review and verification procedures applied and the procedures and steps undertaken to ensure that the valuation data is sufficient, reliable and accurate. For example, data for liabilities should be reconciled between the source administration systems and the valuation system. Where any information is found to be inconsistent, the AA must explain what actions have been taken to adjust/correct for any errors found.

It is the Central Bank's expectation that the AA has established suitable procedures to verify that the data utilized is reliable and sufficient for the valuation of policy liabilities and other actuarial liabilities.

The AA must describe:

- Any use of the work of another actuary or other professionals;
- The scope of such use;
- A rationale for such use; and
- The extent of the review of the other person's work.

2.5 Product Descriptions in respect of policy liabilities and other actuarial liabilities not valued using IFRS 17

For those contracts that are not in the scope of IFRS17, high-level descriptions of the products and methods are required.

2.6 Additional Liability Disclosures

2.6.1 Scenario Testing of Discount Rates

The AA is also asked to disclose the effect of using the following discount rates as valuation rates:

- Less flat 100 basis points on the discount rate curve.
- Add flat 100 basis points on the discount rate curve.

* If a stochastic approach is used, each scenario is shifted +/- 100 basis points.

The above sensitivity tests must be performed on a company-wide basis for the (re-)insurance contracts issued and reinsurance contracts held. The future cash flows and other adjustments to reflect the financial risks related to the future cash flows should be determined assuming the interest rate scenarios mentioned above. The present value of future cash flows and the risk adjustments are to be disclosed separately. Locked-in CSM interest rates should not be changed per IFRS17 paragraph 44b. However, the AA is required to recalculate CSM to reflect the ripple effect due to the change in discount rates used to discount the future cash flows and risk adjustment (e.g. any lapse assumption changes with interest rates changes). The AA must disclose the (re-)insurance contracts liabilities/assets and reinsurance contracts held assets/liabilities for all lines of business for the base run and for each sensitivity scenario in Table 6.1 of the accompanying Schedules to the AAR-LT.

Distinct investment and service components embedded in the insurance contracts, as well as liability for remaining coverage using the PAA are excluded from the sensitivity tests. For Trinidad and Tobago business, the (re-)insurance contracts issued liabilities/assets and reinsurance contracts held assets/liabilities must be further disclosed in three categories:

1) "Cash flows that do not vary with returns on underlying items" – this category includes (re-)insurance contracts issued and reinsurance contracts held with cash flows that do not vary with returns on underlying items. If the (re-)insurance contracts issued and reinsurance contracts held have both cash flows that vary and do not vary with returns on underlying items such as universal life insurance contracts, and the insurer can segregate the cash flows that do not vary from cash flows that vary with returns on underlying items, then the cash flows that do not vary must be included in this category, and the cash flows that vary must be included in category 2, as described below.
2) "Cash flows that do vary with returns on underlying items" – this category includes (re-)insurance contracts issued and reinsurance contracts held with cash flows that do vary with returns on underlying items.
3) "Other" – this category includes all other (re-)insurance contracts issued liabilities/assets and reinsurance contracts held assets/liabilities not included in category 1 and 2. If the (re-)insurance contracts issued and reinsurance contracts held have both cash flows that vary and do not vary with returns on underlying items such as universal life insurance contracts, and the insurer cannot segregate the cash flows that do not vary with cash flows that vary with returns on the underlying items, then the insurance contracts will be included in this category.

Insurers must include all ripple effects (this includes but is not limited to impacts on risk adjustment, cash flows of products that have cash flows that vary with underlying items, etc.) resulting from the shocked scenarios. The tests must be based on data at the financial year-end. The above shocks are defined on a spot rate basis; insurers must increase/decrease the discount rate curve by the magnitude of these shocks on spot rate basis. Each shock should be performed independently.

In addition, insurers must further break down the (re-)insurance contracts issued liabilities/assets and reinsurance contracts held assets/liabilities by present value of future cash flows, risk adjustment, and contractual service margin. If the margin approach is not selected to calculate the risk adjustment, the AA must report the constant risk adjustment in the table.

The sensitivity tests are the same for all jurisdictions and could result in negative interest rates in certain scenarios and countries/regions. In these instances the rates should <u>not</u> be floored at zero.

For assumed inflation rates, Investment Income tax, participating policyholder dividends, adjustable features and minimum credited interest rates, the AA must reflect the interest rate scenarios as mentioned above. For example, for a universal life contract that has minimum interest guarantees and a stochastic valuation is used, the market consistent value of the guarantees should be projected as a cash flow at time zero, and should be revalued under the scenarios mentioned above so that the change in the market consistent value of the guarantees in response to movements in interest rates is appropriately captured.

Under each scenario, the AA must discuss the impact on participating policyholder dividends and/or participating surplus resulting from the use of the discount rates.

2.6.2 Bulk Provision

The AAR must disclose the amounts of any bulk provisions, with each disclosed separately for the last two years in Table 5.3 of the accompanying Schedules to the AAR-LT. Bulk provisions are expected to be temporary in nature and calculated outside the core valuation platform.

Examples of such provisions that fall into this category include:

- Manual adjustment reserves that are the result of the absence, or the inadequacies, of a valuation system;
- A bulk reserve to cover potential data problems;
- Liabilities held to cover cyclical fluctuations;
- A manual adjustment that does not have a natural run-off pattern based on the underlying policies; and
- Manual adjustments used to offset current experience fluctuations, etc.

The above are examples only and should not be considered an exhaustive list.

The disclosure must include the reasons for holding these provisions, the methods and assumptions used to determine the provisions, and policies for releasing these provisions in the future, and the allocation methodology of the bulk provisions to portfolio level. Any changes in these provisions must be disclosed as a methodology/assumption change and reported by quarter in Table 2.3a or 2.3b. and annually in Table 2.3a.

The Central Bank expects insurers to have approved policies describing the purpose and criteria for building and releasing such provisions. The AA must disclose the purpose, the criteria for determining and releasing the provisions.

2.6.3 Reinsurance Programme

The AA must document the insurer's reinsurance programme. This includes retention limits, and any changes in such limits in the last three years. The disclosure must also include any insurer policies with respect to the maximum exposure allowed to a single reinsurer.

The AA must give a list of all reinsurance agreements and indicate whether it is with a related party as defined by the insurance legislation. The AA must detail the type of reinsurance, a description of the products covered, key risks transferred, retention limits, the effective and expected termination dates, experience or profit share arrangements, any cancellation or adjustability clauses, and recapture clause. The AA must also clearly describe stop loss and catastrophe arrangements.

The AAR must also detail the treatment of expense sharing between the reinsurer and the direct writer.

The Central Bank is concerned about the use of back-to-back reinsurance contracts. Any reinsurance arrangements where an insurer cedes a block of business to a reinsurer and then accepts the same, or a similar, block of business back on a different basis requires full disclosure in the AAR. An insurer must not take capital credit for these arrangements.

The AA must disclose information about any financial reinsurance agreements where there is no significant transfer of insurance risk between the ceding insurer and the reinsurer, or where there are other reinsurance agreements or side letters that could offset the financial effect of the first reinsurance agreement. If no such agreements exist, the AA must state that there are no financial reinsurance agreements. The AA must also describe the process or assessment to evaluate the risk transfer used to reach the above conclusion. Insurers must not use insurance contract accounting for transactions that are substantially a form of financing, or principally involve the transfer of financial risks.

The AAR must list all of the assumption reinsurance agreements entered into or exited from during the last three years. This information, which is expected from both the ceding and the assuming entities, must include the:

- Date of the transaction;
- Line of business involved;
- Size of the liabilities at the time of the transaction; and
- Name of the insurer.

The AA must disclose any reinsurance arrangement which involve multiple reinsurers, specialized large risk transfers that may include statutory approvals, or multiple transitions from reinsurer(s) to reinsurer(s)/retrocessionnaires, how the liabilities were determined, and the impact on capital.

The AA must disclose any related party reinsurance. This includes reinsurance to or from a parent insurer, a subsidiary insurer or any affiliated insurer, whether from Trinidad and Tobago or foreign. The disclosure must include the:

- Parties involved;
- Type of reinsurance deal;
- Amount;
- Issue date; and
- Maturity date.

The AA must disclose whether there are any material risks from possible recapture of existing reinsurance agreements.

The AA must discuss any risk mitigation techniques in place, including but not limited to trust accounts, letters of credit, etc. The AAR should include a list of the reinsurance agreements that incorporate trust accounts or letters of credit.

In cases where a reinsurance financing arrangement significantly alters the pattern of liabilities, the AA should discuss the extent to which this arrangement involves a complete transfer of risk to the reinsurer. The Central Bank may request the AA to calculate and disclose capital requirements as if the particular arrangement had not been in place.

The carrying amounts of reinsurance contracts held assets/liabilities across all lines of business must be aggregated by reinsurer. The resulting ten largest reinsurers, based on the carrying amounts of reinsurance contracts held assets/liabilities, ceded outstanding claims and other amounts owed, must be disclosed in the form of Table 6.3. The Central Bank expects this disclosure to be done by product type. This top-ten list must be assembled by insurer groups, and not by individual subsidiaries of a reinsurance conglomerate.

2.6.4 Liability Roll Forward

The liability roll forward schedules are shown in Table 6.4.a to 6.4.c of the Schedules to the AAR-LT, separately for insurance contracts and reinsurance contracts held. The AA must provide the liability roll forward schedules by participating and non-participating, and by portfolio for Trinidad and Tobago. For outside of TT, the liability roll forward schedule by participating or non-participating must be provided. These tables are constructed to enable users to reconcile information within the AAR to the annual return, as per the following:

- For (re-)insurance contracts issued - Liability Roll Forward (Analysis by measurement component ((Re-)Insurance contracts issued not measured under the PAA));
- For Reinsurance contracts held - Liability Roll Forward (Reinsurance contracts held analysis by measurement component (Contracts not measured under the PAA));

2.6.5 Currency Exchange Rates

If applicable, the AA must show the currency exchange rates used in the financial statements for the last two years in Table 6.5 of the Schedules to the AAR-LT.

2.7 Asset Liability Management (ALM)

In order to better understand the risks associated with mismatches between asset and liability cash flows, the Central Bank is continuing to request ALM information. The AA in the AAR must describe the (re-)investment strategies, ALM philosophy, objectives, policies and practices of the insurer as detailed below.

This section of the AAR must document the asset segment details of the insurer’s ALM. In the reporting for each interest sensitive asset segment, the AAR must include an overview of the asset liability risk management practice for that segment. The AA must describe what product types are included in each asset segment for ALM purposes. This must include, but are not limited to:

- The ALM strategy employed for each segment such as cash flow matching, average Macaulay or modified duration matching, key rate duration matching, convexity matching, value at risk or CTE measures, etc. Provide details on the asset mix, types of asset used, credit rating, etc.;
- The specific operating guidelines such as asset mix guidelines, mismatch tolerance limit, concentration limits, currency mix, etc.;
- The processes in place, by asset segment, to manage interest rate risk;
- Key metrics or sensitivity testing used to measure asset liability mismatch position, and the frequency of measurement and reporting for monitoring purposes;
- Governance structure for managing asset liability mismatching risk;
- The reinvestment strategies applied;

- The term for fixed income assets which are used to immunize/match liabilities and the use of non-fixed income assets to support liability cash flows after this term;
- Reasons to employ non-fixed income assets in the investment strategies;
- Any major changes during the year in the ALM and Investment strategies and guidelines should be disclosed; and
- Details on hedging strategies used to manage the ALM risks.

The AA must provide the details of the asset and liability mismatch position as of the current year-end.

The composition of each asset segment must be documented separately in the Table 7.1 of the accompanying Schedules to the AAR-LT. The methodology for the determination of the liability cash flows used for ALM purposes for each asset segment must be documented in this section of the AAR.

Similarly, some of the descriptions of methodology or some assumptions may be the same for more than one asset segment. This only needs to be disclosed once in the AAR at an appropriate summary level, with a direct reference, where applicable. An example of this would be where the ALM is the same.

The AA must disclose the policy for determining the type of assets used to back the liabilities in this asset segment.

The Statement asset values (excluding the surplus segments if they are separated from the liability segments) should be the same as are used in the annual return.

Any inter-segment notes should be shown as positive and negative amounts in Table 6.1.

If there are any “other assets”, “other liabilities”, or “other investments” which are material to that asset segment, the AA is expected to provide more detail.

If the asset mix, such as bond quality, has changed materially between years, the reason must be discussed.

If the investment policy, strategy, or ALM approach, practice and process has changed during the year, including any changes related to IFRS 17 requirements and/or implementation, this must be discussed.

The use of assets other than bonds, mortgages, equities, real estate, policy loans and cash to back (re-)insurance contract issued liabilities/assets must be disclosed. Such assets include, but are not limited to, inter-segment notes, derivatives, goodwill, loans to subsidiaries or parents, etc.

Briefly describe where the use of intersegment notes as a part of the insurer’s investment policy framework and the controls associated with their use.

The AA must disclose the current year yield rates for fixed income assets and the actual/expected returns for non-fixed income assets (where applicable) by asset segment in Table 6.2 of the accompanying Schedules to the AAR-LT. The non-fixed income actual/expected returns must include dividend/income return and capital gain separately (if possible), used for ALM purposes. If it is not possible to separate them, the total actual/expected returns should be provided. The actual/expected returns are the returns earned over the past 12 months. For rows where actual/expected returns are noted, please provide the actual return if available. If this is not readily available, list the expected annual return rate. If a surplus segment is separate from the liability segment, it is not required to provide the asset information for the stand-alone surplus segment in Table 6.2.

2.8 Report on Participating Policies

2.8.1 Participating Account and Sub-Account Disclosure

The AA must provide a brief description of the nature of the business in each account maintained in respect of participating policies.

The AA must provide details on the measurement approach for the participating insurance contracts, regarding the determination of the policyholders' liabilities and policyholders' equity, as at the transition date.

Regulatory Return Line Items and Locations

Line Item	Annual Returns for Long-Term Insurers
Policyholder' Liabilities Policyholders' Equity*	
*Participating account, policyholder's equity, and participating account surplus are used interchangeably in section 2.8	

2.8.2 Participating Account, Policyholders' Equity and Transfers to Shareholders Account

The AAR must disclose the details for the total participating account and for each sub-account that may exist in Table 8.2 of the Schedules to the AAR-LT.

2.8.3 Allocation of Investment Income, Expenses and Taxes

The AA must disclose the method(s) used to allocate investment income, expenses and taxes to each of the sub-account(s). The AA must also disclose if there is any commingling of assets between different participating sub-accounts or between participating and non-participating accounts.

When disclosing expense allocation method(s), the AA must describe how expenses are charged to each participating sub-account(s). The AA must also disclose the type of expenses (for example maintenance expense, acquisition expense, etc.) that are allocated to the participating sub-account(s). Where expenses are fixed or guaranteed, the AAR must provide details of such arrangements, and discuss whether the full fixed or guaranteed expenses are included in the valuation.

2.8.4 Participating Policyholder Dividend Policy, Participating Account Management Policy and Dividend Scale Changes

The AA must include in the AAR the dividend or surplus policy required under Regulation 3 of the Insurance (Participating Account) Regulations, 2020. If there are any changes to the dividend or surplus policy, the AA must explain all the changes and provide supporting rationale.

The AA must disclose if there are any changes to the current dividend scales from the previous year's, and the key drivers of these changes, including any changes to the dividend determination practices (for example experience factor classes). A comparison of actual experience (for example interest, mortality, expense, etc.) in the past year to current expected experience assumptions and to the current dividend assumptions must be tabulated in Table 8.4.a. of the accompanying Schedules to the AAR-LT Spreadsheet. The dividend interest rate, actual portfolio yields for assets supporting the participating account, and yields on surplus must be tabulated in Table 8.4.b. The yields for assets supporting the participating accounts and participating account surplus should be expressed as market yields without smoothing. Dividend scale changes should be tabulated in Table 87.4.c of the Schedules to the AAR-LT. The level of the disclosure of the dividend scale change should be in line with the insurer's dividend determination practices.

2.8.5 Dividend Determination Methodology

The AA must disclose the dividends determination methodology, which includes but is not limited to:

- The principles of dividend class determination;
- A description of each of the experience factors used in the calculation of dividends;
- Whether earnings on surplus are distributed to policyholders through dividends and the proportion of any earnings on surplus that are included in the calculation of dividends; and
- A description of all adjustments that are made to the experience factors or to the dividends.

In addition, the AAR must disclose the insurer's definition of Policyholder Reasonable Expectations (PRE), and how the PRE is considered in setting dividends. The AAR should also include a description of how the contribution principle has been followed, and, if it has not been followed, a description of the deviations and the rationale for the deviations.

2.8.6 Surplus Management

For each participating block, the AA must disclose the methods used to manage participating account surplus, including, but not limited to the following:

- Whether the contribution to surplus is permanent, temporary or other; the rationale for using the chosen approach along with the definition of the approach.
- For each chosen approach how the distributable surplus is determined.

2.8.7 AAR Reporting

The AA must disclose the following for each participating blocks:

- A financial analysis of the experience in each of the participating accounts over the past twelve months;
- Any material changes in practice with respect to managing risks within the block;
- How CSM is determined at transition or on initial recognition of a group of insurance contracts and describe the movement of CSM in the current year, such as what components are specific for participating business (For example, IFRS17.B113(b)).

2.8.8 IFRS 17 Implementation and Impact on the Participating Blocks of Business

The AAR must contain details on the methodologies and assumptions used to determine the provisions for financial risk including guarantees such as minimum zero dividend if the dividend room is depleted based on adverse experience. The liabilities by measurement component should be tabulated in Table 8.8 of the Schedules to the AAR-LT. The disclosure in the tables should be at the level which information is available.

2.9 Other Disclosure Requirements

2.9.1 New Appointment

AAs must meet the qualification requirements outlined in the definition of an "actuary" in Section 4 of the Act, as well as the requirements of Section 78 of the Act.

If the AA was appointed to the role during the last financial year, the AAR must include the following disclosures:

- The date of appointment;
- The date of resignation of the previous AA;
- Confirmation of communication with the previous AA, as required by section 79 of the Act; and
- A list of the AA's qualifications, keeping in mind, but not limited to, the relevant Code/Rules of Professional Conduct.

2.9.2 Annual Required Reporting to the Board or Audit Committee

The AAR must disclose the date on which the AA met with the board or the audit committee of the board pursuant to regulation 11(5) of the Insurance (Financial Condition Report) (Amendment) Regulations.

2.9.3 Continuing Professional Development Requirements

The AA must disclose in the AAR that he/she is in compliance with the Continuing Professional Development requirements of his/her governing body.

2.9.4 Reporting Relationships of the Appointed Actuary

The AAR must disclose the reporting relationships, to and from the AA.

For AAs who are employees of the insurer, the AAR must disclose the name and position of the person (or persons) to whom the AA reports as well as any changes in this regard over the past year. Both solid line and dotted line reporting relationships should be disclosed, as well as any anticipated change.

When the AA is not an employee of the insurer, the AAR must disclose the names and positions of the main contacts within the insurer with respect to the different functions of the AA, such as the valuation, financial condition reporting and capital adequacy testing.

For example, the AAR should disclose the name and position of:

- The person who has hired the AA; and
- The insurer employees with whom the AA discusses findings and reports

2.9.5 Peer Review of the Work of the Appointed Actuary

If the work of the AA was peer reviewed in the last three years, the AA must summarize the key findings or recommendations, the status of each finding/recommendation by year, the name and qualifications of the peer reviewer. For the recommendations from peer reviews before the effective date of IFRS17, the AA must indicate whether the recommendations are still applicable under IFRS17.

2.9.6 Re-submitting the Report

Where the insurer re-submitted the AAR to the IOFI, the AA must disclose in the report, the reason(s) for re-submission.

2.9.7 Transition to IFRS17

The following disclosure is required only for the year of transition. This section will not be required in the next AAR.

2.9.7.1 Classification of Contracts

The AA must disclose any contracts classification that have changed under IFRS 17 from IFRS 4 (i.e. from IFRS 4 investment contract to IFRS 17 insurance contract or vice versa), the size of liabilities and the rationale of the reclassification in the following table:

Type of Products	Insurance/Investment Contract Liabilities – Under IFRS4 at Dec 31, 2022	Insurance/Investment Contract Liabilities – Under IFRS17 at Dec 31, 2022	Explanation of the Reclassification

2.9.7.2 Transition Amounts

For contracts measured under the modified retrospective approach or the fair value approach on transition to IFRS 17, the AA must provide details on how the insurer determines the measurement of the contracts at the date of transition and how CSM was determined.

2.9.7.3 Risk Adjustment If Margin Approach Is Used

For each non-financial risk, the AA must disclose and explain the level of margin used. The AA must highlight if a margin is outside the range recommended in the CIA Standards of Practice that existed prior to IFRS 17 for guidance in setting margin for adverse deviations.

2.9.7.4 Cash Value Deficiencies and Negative Policy Liabilities

The AA must disclose the following in the AAR:

(a) Cash value deficiencies calculated net of reinsurance on an aggregate basis within sets of policies by product type. Deficiencies must be calculated relative to fulfilment cash flows (i.e. including risk adjustment for non-financial risk) and should be floored at zero.

(b) Total negative policy liabilities calculated policy-by-policy on best estimate assumptions (i.e. excluding risk adjustment) and net of reinsurance. The net amount is subject to a minimum of zero.

Prior and current year comparatives must be presented as follows:

	Current Year ($'000)	Prior Year ($'000)
Cash Value Deficiencies calculated on an aggregate basis		
Negative Policy Liabilities calculated on a policy-by-policy basis		

3. APPENDIX I: Opinion of the Appointed Actuary

OPINION OF THE APPOINTED ACTUARY

I certify that:

a) I am a member in good standing with my governing actuarial body, [Name of Organization] and comply with its [Code/Rules of Professional Conduct]
b) I meet the qualification standards of the Central Bank of Trinidad and Tobago to value the policy liabilities and other actuarial liabilities of [Name of insurance company]; and
c) The valuation of policy liabilities and other actuarial liabilities of [Name of Insurance Company], was conducted in accordance with the Insurance Act, 2018 and its regulations, International Financial Reporting Standards, standards of actuarial practice in Trinidad and Tobago, and Guidelines issued by the Central Bank of Trinidad and Tobago.

In my opinion the amount of the policy liabilities and other actuarial liabilities of [Name of Insurance Company] reported in its financial statements prepared in accordance with International Financial Reporting Standards for the year ended [Date] is appropriate for this purpose and the annual returns present fairly the results of the valuation.

___________________________	___________________________	___________________________
Name of Appointed Actuary	Signature of Appointed Actuary	Date
[Name, Title, Qualification]		

4. APPENDIX II: Two examples of circumstance requiring a qualified opinion[5]

4.1 Liabilities different from those calculated by the actuary

If the [annual] financial statements of an insurer report policy liabilities and other actuarial liabilities that are materially different from those calculated and reported by the AA, then the AA would need to disclose the difference in the amounts and identify where to find an explanation for the difference. If possible, such explanation would include the important reasons for the difference.

The opinion could be as follows:

I certify that:

(a) I am a member in good standing with my governing actuarial body, [Name of Organization] and comply with its [Code/Rules of Professional Conduct];
(b) I meet the qualification standards of the Central Bank of Trinidad and Tobago to value the policy liabilities and other actuarial liabilities of [Name of insurance company]; and
(c) The valuation of policy liabilities and other actuarial liabilities was conducted in accordance with the Insurance Act, 2018 and its regulations, International Financial Reporting Standards, standards of accepted actuarial practice in Trinidad and Tobago and guidelines issued by the Central Bank of Trinidad and Tobago.

In my valuation, the amount of the policy liabilities and other actuarial liabilities is $[X]. The corresponding amount in the annual financial statements is $[Y]. The sources of this difference are described in [reference].

In my opinion, the amount of policy liabilities and other actuarial liabilities in the annual financial statements is not appropriate and as explained in [reference] the annual financial statements do not present fairly the results of my valuation.

[5] Source: Canadian Institute of Actuaries June 2023 Consolidated Standards of Practice 2230

4.2 Change in assumption or methodology affecting disclosure items in the annual financial statements

If an item valued by the AA is materially affected by a change in assumption or methodology that is not disclosed in the [annual] financial statements, the AA would modify the opinion paragraph in the standard reporting language to disclose this situation.

The opinion could be as follows:

> I certify that:
>
> (a) I am a member in good standing with my governing actuarial body, [Name of Organization] and comply with its [Code/Rules of Professional Conduct];
>
> (b) I meet the qualification standards of the Central Bank of Trinidad and Tobago to value the policy liabilities and other actuarial liabilities of [Name of insurance company]; and
>
> (c) The valuation of policy liabilities and other actuarial liabilities was conducted in accordance with the Insurance Act, 2018 and its regulations, International Financial Reporting Standards, generally accepted actuarial practice in Trinidad and Tobago and guidelines issued by the Central Bank of Trinidad and Tobago.
>
> In my opinion, the amount of the policy liabilities and other actuarial liabilities of [Name of Insurance Company] reported in its annual financial statements for the year ended [Date] is appropriate for the stated purpose. As explained in [reference], [the assumption/methodology for XX] was changed from that used for the previous year. Except for the absence of the disclosure of this change and its impact, the annual financial statements, in my opinion, presents fairly the results of the valuation.

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5. REFERENCES

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https://drive.google.com/file/d/1ccploy0sw34SnoxSV3TYLMC4BmowLkk4/view

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https://www.cia-ica.ca/docs/default-source/standards/sc063023e.pdf

INTERNATIONAL ACTUARIAL ASSOCIATION, INTERNATIONAL ACTUARIAL NOTE 100, APPLICATION OF IFRS 17 INSURANCE CONTRACTS, August 2021
https://www.actuaries.org/IAA/Documents/Publications/IANs/IAA_IAN100_31August2021.pdf