



**CENTRAL BANK  
OF  
TRINIDAD AND TOBAGO**

**FORMAT OF THE FINANCIAL CONDITION REPORT**

**February 2022**

## **Format of the Financial Condition Report**

Pursuant to sections 159 and 214 of the Insurance Act, 2018 (Act) and regulation 11(2) of the Insurance (Financial Condition Report) Regulations, 2021 (Regulations) the Central Bank of Trinidad and Tobago outlines the minimum requirements for a financial condition report for insurers.

This report is one of the key components in providing a forward looking assessment of an insurer and is intended for the insurer's board of directors, with a copy submitted to the Inspector of Financial Institutions. It should therefore be generally understandable and written in a clear and consistent manner. All values are to be reported in absolute numbers and Trinidad and Tobago currency and the exchange rates used must be disclosed.

The format and order of presentation specified below must be followed to ensure consistency in reporting within the industry. A table of contents must be included at the beginning of the report showing the required sections and page numbers.

The financial condition report shall have at least the following sections:

### **1. Executive Summary**

The recommendations and results of the stress and scenario testing exercise under regulations 8 and 9 of the Regulations shall be summarized. The most significant capital adequacy risks and threats to the maintenance of a satisfactory financial condition shall be highlighted. The summary shall include a review of the main events that occurred since the last financial condition report was submitted, including any reports submitted by the appointed actuary under section 159(4) of the Act.

### **2. Introduction**

The introduction shall provide a description of the purpose and basis of the financial condition report. It shall include a description of the role of the appointed actuary or chief financial officer, the purpose and scope of the financial condition report and an overview of the processes and methods used in stress and scenario testing. The appointed actuary shall confirm that the standards of accepted actuarial practice have been applied. The chief financial officer, is not required to comply with the standards of accepted actuarial practice.

### **3. Background**

The financial condition report shall provide an overview of the insurer, which shall include but not be limited to a summary of the nature of the business, products and target markets. A brief discussion on the recent and current financial position shall be included. Every financial condition report, other than the first report submitted after commencement of the Act, shall contain a review of the recommendations from the report of the previous year and management actions (where applicable) so as to maintain a sense of continuity.

### **4. Data**

A description of the verification of all data, which shall include:

- (a) the extent to which reliance was placed on the information provided by the insurer, another actuary or any other third party and any resulting limitations; and
- (b) the manner in which the accuracy and suitability of the data and reports provided by the insurer was satisfied.

## **5. Base Scenario**

A clear description of the base scenario and results shall include:

- (a) a description of the main assumptions and methods used to project the base scenario;
- (b) a discussion of consistency of the base scenario to the internal business plan;
- (c) a description and disclosure of the level of materiality used;
- (d) a description of the criteria used in the assessment of capital adequacy and liquidity;
- (e) for each major line of business and in total, results of the financial projections including regulatory capital required, regulatory capital available, regulatory capital ratio, and net tier 1 ratio for each year of the projection period together with the prior three years' results; and
- (f) results of the tests using the assessment criteria.

## **6. Adverse Scenario**

This section shall contain detailed descriptions of the adverse scenarios. For each adverse scenario the following shall be included where applicable:

- (a) key assumptions of the risk being tested and whether the risk is significant to the insurer;
- (b) a description of the methods used to stress the base scenario;
- (c) a comparison to scenarios used in the financial condition report from the previous year;
- (d) a description of the criteria used in the assessment of capital adequacy and liquidity;
- (e) for each major line of business and in total, results of the financial projections including regulatory capital required, regulatory capital ratio and net tier 1 ratio and the change from the corresponding base scenario results;
- (f) results of the tests using the assessment criteria;
- (g) an assessment of the impact of the adverse scenarios on the financial condition of the insurer, including a discussion on any management actions needed to manage or mitigate the impact of these scenarios; and
- (h) any other matters that are specified by the Inspector.

## **7. Integrated Scenario (if applicable)**

This section shall contain detailed descriptions of the additional scenarios that are a combination of two or more adverse scenarios. The level of disclosure included in the financial condition report shall be similar to that of the adverse scenarios in 6 above.

## **8. Conclusion and Recommendations**

This section shall contain overall conclusions from the stress and scenario testing performed. A brief description and summary of the results of the base and adverse scenarios shall be included. The most significant risks and threats to satisfactory financial condition shall be highlighted. Recommendations, if any, as to management actions to manage or mitigate any identified risk and the effect of plausible adverse scenarios.

**9. Opinion of the Actuary**

The appointed actuary shall include a signed opinion on the financial condition of the insurer and shall have the following format:

I have examined the future financial condition of [*insurer*] as at [*date*]. The investigation has been carried out in accordance with the standards of accepted actuarial practice, the stipulations of the Insurance (Financial Condition Report) Regulations, 2020 and any applicable instructions of the Inspector.

I am currently in good standing, meet the appropriate qualification standards and am familiar with the actuarial valuation and capital adequacy requirements applicable to [*General/Long-Term*] insurance companies in Trinidad and Tobago.

_____	_____	_____
Name of the appointed actuary [ <i>Include title and qualification</i> ]	Signature of appointed actuary	Date

**10. Opinion of the CFO of the General Insurer**

Where there is no appointed actuary for the General Insurer, the Chief Financial Officer shall include a signed opinion on the financial condition of the insurer. The opinion of the Chief Financial Officer shall have the following format:

I have examined the future financial condition of [*insurer*] as at [*date*]. In my opinion, the investigation has been carried out in accordance with the stipulations of the Insurance (Financial Condition Report) Regulations, 2020 and any applicable instructions of the Inspector.

_____	_____	_____
Name of the Chief Financial Officer [ <i>Include qualification</i> ]	Signature of Chief Financial Officer	Date

**11. Appendices**

The appendices shall include any tables, graphs or any other additional information that is considered to be pertinent to the report and/or may be specified by the Inspector.