Responses to Industry Comments on the Draft Guidelines for Appointed Actuaries -
Requirements for the Valuation of Policy Liabilities and Other Actuarial Liabilities for Long-Term Insurance and General Insurance Business

No.	Section/ Reference	Industry Comments	Central Bank of Trinidad and Tobago (Central Bank)'s Response
Guideline for Appointed Actuaries for Valuation of General Insurance Business:			
1	1 - Definitions	"*Standards of accepted actuarial practice*" – what about APS 4 and APS5?	These standards will also apply. The intention was to stipulate the more general actuarial standards and any others that are specific to the type of business or other non-general aspect, would fall under the catch all of (iii) for the standards of accepted actuarial practice as specified by the Inspector in Section 2.4. Application of Professional Standards to the Appointed Actuary's Valuation.
2	2.2 - Application and Scope	It states, "The AAR should form a key part of the 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, assumptions and outcomes are reasonable." contradicts a later sentence "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." A reviewing actuary would be far more technical in expertise, while a report for Management will be at a much higher level and simpler to understand. It is therefore impractical to fulfil both requirements.	Management is responsible for the valuation under IFRS. Therefore, the Appointed Actuary's Report (AAR) should not be unduly technical. Management is expected to understand the fundamentals of the valuation and be in a position to discuss and decide on whether or not to accept the advice of the actuary. The sentence highlighted was therefore amended to read: "The AAR should form a key part of the 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 the insurer's management and regulator) to assess whether the documented process, data, assumptions and outcomes are reasonable." In light of the above amendment, the sentence "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" was deleted.
3	2.2 - Application and Scope	Most appointed actuaries (AA) would be external to the company and would rely on the company for verifications or reconciliations. We believe that these Guidelines should be flexible for the actuaries to disclose where they relied on others.	This is addressed in Section 2.4. which deals with the application of standards of accepted actuarial practice, and in particular, where the AA must meet a standard of care with respect to the data used in valuations. The AA is required to take reasonable steps to review the consistency, completeness and accuracy of the data used.
4	2.2.1 - Reconciliation to the Corresponding Annual Return Liabilites	What if the Company decides to hold higher policy liabilities than estimated by the AA?	The AA is not estimating the liabilities, the AA's role is to opine on whether or not the insurer's numbers are appropriate. The numbers are to be considered to be appropriate if they comply with IFRS, applicable legislation and directives or instructions of the IOFI. Amendments were made to this section for further clarity.

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5	2.4 - Application of Professional Standards to the Appointed Actuary's Valuation	"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 5.7 of the AAR." We believe that this requirement for a formal statement from the Company is onerous. There may be no single person at a Company who can certify this. We believe that this statement should be a requirement / submission by the External Auditors as this is part of their audit review engagement and is independent of any person within the Company anyway. This aligns with the Canadian standards where Appointed Actuaries and External Auditors have an agreement between each other that is well-defined.	We acknowledge there are instances where several persons may be involved in the verification of data, however, it is expected that an authorized individual would have oversight of this exercise and of the data. Having considered the issues being raised and that the objective should be on reliabilty of data and fit for use, the requirements for a formal statement of accuracy for policy records was deleted. Regarding the recommendation to require the External Auditors to review and align with Canadian standards, the company and ATTIC should make this recommendation to the Auditors and Actuaries' associations.
6	2.4 - Application of Professional Standards to the Appointed Actuary's Valuation	The following comment is with regards to the signed statement required from other party(ies), when the AA uses another person's work for the accuracy of data used in the valuation: The auditors have not been willing to provide a Statement of accuracy of policy records. This matter should be raised with the Institute of Chartered Accountants of Trinidad & Tobago (ICATT).	See comments above.
7	3 - Central Bank's Review Process	"Further, where the IOFI determines that 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." We trust that as part of the collaboration efforts between the Central Bank and insurers that the Bank would allow for sufficient discussion between the AA and the Bank before arriving at the need for an updated report to be provided. This section does not speak to the opportunity to discuss the rationale for the AAR selections if the IOFI is in disagreement with the choices made.	It is customary that before any final supervisory action is taken, in this case mandating a revised report, there will be opportunity for discussion between the insurer and the Central Bank.
8	5.1 - Report Outline	We believe that these sections are exhaustive and the following are more reasonable at minimum: o Introduction o Expression of Opinion o Executive Summary o Description of Insurer o Materiality Standard o Data o Expenses o Classification of Contract o Discount Rate o Risk Adjustment o Exhibits	Though the sections listed, at a minimum, are considered necessary dislcosures for understanding the valuation approach, the requirements regarding the UCLR reporting were removed. For the first year's submission, the actuaries are expected to prepare the AAR in accordance with the Inspector's instructions on a best efforts basis.

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9	6.2 - Expression of Opinion	We do not believe it is practical for insurers to supply an original signature for the physical report to be submitted to the Central Bank due to the locations of external actuaries. We trust that an electronic signature can be provided in lieu of this in order to achieve the submission deadline.	An electronic signature is acceptable. The signature for the opinion was amended to read: "The opinion must contain the AA's signature, name (in block letters) and, the date of signing."
10	6.2 - Expression of Opinion	The opinion must contain an original signature of the Appointed Actuary (AA), the AA's name (in block letters), the date and location of signing. We would ask the CBTT to consider removing this requirement. As we move to a digital age, we believe that requiring a physical signature and a hard copy report is outdated, especially given the fact that our actuaries are not based locally.	See comments above.
11	6.2 - Expression of Opinion	The Guidelines stipulate that the Actuarial Opinion must contain an original signature of the Appointed Actuary (AA). Given that many AAs are not local, the AAR is generally sent via an electronic copy in PDF format. Central Bank should clarify exactly what is meant by an "original signature", as in the past the AAR was often submitted electronically or as a printed version of the PDF file.	See comments above.
12	6.5 - Description of Insurer	These are all too detailed to be compiled by the AA and do not all have any impact on the IFRS17 figures nor can this be quantifiable. For instance, if a Claims Manager has changed, the AA will be unable to quantify the impact of this change in the IFRS17 numbers. We suggest that these sections be re-worded to something like: "We recommend that these are areas that must be reviewed by the AA in discussions with Management. The AAR should note any changes in these factors that have an impact on the IFRS17 numbers."	These are considered valuable inputs into the AAR, therefore no change is required. Notably, for the first year's submission, the actuaries are expected to prepare the AAR in accordance with the Inspector's instructions on a best efforts basis.
13	6.6 - Materiality Standards	The AA has a different level of materiality than the External Auditor. We believe the AA materiality should be disclosed here in the AAR.	Paragraph was amended by deleting the following sentence: ~~In preparing the insurer's annual returns, the management of the insurance company and the external auditor routinely agree on a level of materiality.~~
14	6.8 - Expenses	We believe it is challenging for the AA to disclose this information on expenses at this level of detail as none of these are Actuarial decisions but are Company/business decisions. For a section such as there where there is not an actuarial approach that is taken, we do not think it is suitable for the AA to submit this level of information. It may be more appropriate for the AA to disclose that the details of the allocation of expenses have been discussed between the AA and Management and the opinion of the AA as to whether this is reasonable or not. The AA is also not involved in any of these processes: o The directly attributable expenses allocation among acquisition, policy administration and maintenance costs and other split between insurance contracts issued and reinsurance contracts held o 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 to future groups o The type of investment expenses considered directly attributable o The treatment of the acquisition costs for the coverage period that is one year or less o The details of the recoverability tests as this should be done by the Company	It is not just about documenting the allocation process. The AA must have a substantial understanding of the allocation process because the results impact the valuation and the AA's role is to opine on whether or not the valuation conforms with the requirements of IFRS. Therefore no change was required.

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15	6.8 - Expenses	The AA must disclose how directly attributable expenses are determined and how total insurer expenses are allocated among acquisition, policy administration and maintenance costs, and other (refer to the examples noted per paragraphs IFRS 17.B65(f), B65(l), etc.). Expense allocations are not a decision of the AA. Management determines the expense allocations, and these are audited/tested by the company's auditors not the AA. This matter should be raised with ICATT.	The expense allocations may not be a decision of the actuary but the actuary must assess whether the allocation (method and result) is appropriate given IFRS. Therefore no change was required.
16	6.12 - Discount Curve	This assumes that the AA was involved in the development of the curve, but not all AA are involved in this. We believe this section should allow more flexibility for the AA to disclose the extent of their involvement with the development of the discount curve, and their rationale for relying on the curve that is used	The AA is free to disclose such information when another party was involved. Therefore no change was required.
17	6.13 - Risk Adjustment	The confidence interval is at the Company's choice and is not derived from any specific technique.	The expected techniques for the Confidence Interval (CI) are the Value at Risk (VaR) or the Conditional Tail Expectation (CTE), which are applied for the Cost of Capital and Quantile Technique approaches. Amendments were made to stipulate VaR or CTE for clarification.
18	6.15.1 - Measurement Approach	This section is very onerous for the AA to complete. It is not possible for the AA to supply this level of detail in the AAR. We suggest that the AA disclose at a high level the approach taken and the rationale.	The level of informaton required is not considered unreasonable but necessary for understanding the valuation approach. For the first year's submission, the actuaries are expected to prepare the AAR in accordance with the Instructions on a best efforts basis and submit further comments to the Central Bank as necessary.
19	6.15.2 - Estimates of Future Cash Flows	This section is very onerous for the AA to complete. It is not possible for the AA to supply this level of detail in the AAR. We suggest that the AA disclose at a high level the approach taken and the rationale.	See comments above.
20	6.17 - Liability Roll Forward	These table numbers do not match with the table numbers in the schedules. Nevertheless, these figures are not available.	These figures are also required for the Annual Returns so the information would be available. No issues were raised with providing this information during the consultation of the Annual Returns. Incorrect references were addressed.
21	7 - Unpaid Claims and LR Analysis Exhibit	This exhibit is very detailed and it is unlikely that this can be provided.	The UCLR exhibits and requirements were deleted.
22	9.1 - Liabilities Different from those Calculated by the Actuary	This assumes the Company holds a lower amount of liabilities, but it could be more.	Yes, and the opinion in Appendix I still applies in that instance. The word "different" was deliberately used. Also, the certification is no longer about "adequacy". It is now a certification of "appropriateness". Fair presentation of the financial position, performance and cash flows, and IFRS do not accommodate undue conservatism. Hence, company liabilities higher could be just as problematic as too low. Valuations are estimates and "different" given the purpose of the certificate. Certification of appropriateness means appropriate for use in IFRS compliant financial statements.

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Guideline for Appointed Actuaries for Valuation of Long-Term Insurance Business:			
1	3.4.2.1 - Product Data	There is also some disconnect with the draft Guidelines and the Schedules. While we recognize that these are based on the Supplementary Tables to The Appointed Actuary (Memorandum) as published by Canada's Office of the Superintendent of Financial Institutions (OSFI), there was some change made in the schedules as proposed by Central Bank, but these changes were not subsequently reflected in Central Bank's Guideline. For example, Section 2.4.2.1 Product Data refers to the reporting between rows (19) and (57) which is consistent with what is stated in OSFI's Guidelines and the supporting Supplementary Tables, however the corresponding rows in Central Bank's schedules appears to be rows (14) to (39). In addition, there was lack of clarity as to what the "Product Type" in the Schedules referred to, and whether this was based on the Product Types under Schedule 1 of the Insurance Act, or whether this required further drill down at the cohort level (consistent with the grouping structure under IFRS 17) which would produce a level of granularity that would be somewhat excessive. We understand that there are drop-down selections in the Supplementary Tables to The Appointed Actuary (Memorandum) which suggest that the grouping would not be required at the cohort level and only at the product level. However, the schedules should be amended to ensure that this is clarified and it is recommended that the use of a similar drop-down list be provided for consistency in reporting amongst insurers.	The incorrect references were addressed. The drop down boxes for product types were inserted consistent with previous AAR - Schedule 1 list . If the type of product is related to the reinsurance aspects, select the 'Other' option and specify the type.