



CENTRAL BANK OF
TRINIDAD & TOBAGO

**Guideline for the Approval of
NEW OR SIGNIFICANTLY AMENDED
INSURANCE POLICIES
Under the Insurance Act, 2018**

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1. INTRODUCTION

- 1.1. Insurers continuously seek to improve their performance and competitive position in many ways, including the introduction of new or amended products. However, such products may pose undue risk to insurers or the financial system.
- 1.2. In light of the foregoing, and in accordance with the Insurance Act, 2018 (as amended) (the Act/Insurance Act, 2018), insurers are required to obtain no objections from or seek the approval of the Inspector of Financial Institutions (the Inspector) before offering and issuing a **new product or a significantly amended product** to the public.
- 1.3. For insurers registered to carry on general insurance business in Trinidad & Tobago, in accordance with Section 33 of the Act, if the Inspector does not raise any objections to the new or amended standard forms of proposal, policy, endorsement or application and if they comply with the provisions of the Act and are not fraudulent, unjust, imprudent, or not in the public interest, only then the company can proceed to offer and issue the product.
- 1.4. For insurers registered to carry on long-term insurance business in Trinidad & Tobago, in accordance with Section 164 of the Act, the Inspector shall approve the new or amended standard forms of proposal, policy, endorsement or application if they comply with the provisions of the Act and are not fraudulent, unjust, imprudent, or not in the public interest.
- 1.5. All expressions used in this Guideline (except where defined for the purposes of this Guideline or where the context otherwise requires) shall have the same meanings as defined in the Act.

2. PURPOSE OF THE GUIDELINE

- 2.1. This Guideline seeks to enhance the transparency and efficiency of the product approval process for insurers by:
 - 2.1.1 Providing guidance on what constitutes a new product or significantly amended product; and

- 2.1.2 Detailing the information required to be submitted to the Inspector for the review of new products or significantly amended products.
- 2.2. This Guideline supplements legislation, regulations and other guidelines governing the insurance sector, in particular where the development of insurance products is guided by fair consumer treatment.
- 2.3. In addition, the Guideline reminds insurers that risk management associated with the introduction of new or amended products resides with the Board of Directors of the insurer (the Board) and senior management of the insurer.

3. SCOPE AND APPLICATION

- 3.1 This Guideline is applicable in cases where:
 - 3.1.1 An insurer is desirous of launching a new product.
 - 3.1.2 An insurer wishes to significantly amend an existing product.
 - 3.1.3 A company is applying to the Central Bank to be registered as a local insurer. In such a circumstance the applicant is required to submit details pertaining to all the products that it intends to offer in Trinidad & Tobago.
- 3.2 This Guideline applies to all local insurers, prospective applicants seeking to be registered as local insurers under the Act and, in part, to associations of underwriters (collectively called insurers).

4. ASSOCIATION OF UNDERWRITERS

- 4.1 An association of underwriters (association), in accordance with Section 247 of the Act, shall not offer a new or amended product in Trinidad & Tobago without first furnishing the Inspector with the information required under Section 33 or 164 of the Act. Sections 33 and 164 also apply mutatis mutandis to associations.
- 4.2 Accordingly, an association is only required to comply with the Sections 6, 8 and 9 of this Guideline.

5. DEFINITIONS

Except as provided below or where the context requires, all expressions used in this Guideline have the same meanings in the Act. For the purposes of this Guideline, the following definitions apply:

- 5.1 An “**amended product**” is a variation, whether significant or not, to an existing product.
- 5.2 An “**existing product**” is a product which the:
- a) Inspector has not objected or has granted an approval for marketing and sale by an insurer under the Insurance Act, 2018; or
 - b) Central Bank has not objected or has granted an approval for marketing and sale by an insurer under the repealed Insurance Act, 1980.
- 5.3 A “**new product**” is a product which has not previously been marketed or sold by the insurer.
- 5.4 A “**product**” includes all of the standard forms of proposal, policy, endorsement, rider or application in relation to the carrying on of insurance business.
- 5.5 A “**significantly amended product**” is an existing product to which material changes to any of the terms and conditions of the standard form of proposal, policy, endorsement, rider or application have been made.

6. NEW AND AMENDED PRODUCTS

- 6.1 A new or amended product must belong to a type and class of business for which the insurer is currently registered to carry on insurance business under Section 21(2) of the Act or Section 230 of the Act. If an insurer submits a new product for approval which does not belong to a type or class of business for which it is registered to write, then the insurer must submit an application to carry on the new type or class of insurance business under Sections 24, 25(8) or 230 of the Act.

- 6.2 If a new or amended product is to be sold outside of Trinidad and Tobago, the insurer must have a registered branch or agency in that jurisdiction under Section 27(1)(a) of the Act. The insurer must also seek approval from the relevant regulator in that jurisdiction before the new or amended product can be sold.
- 6.3 The chief risk officer or equivalent officer identified by the insurer shall be responsible for determining whether a variation to an existing product causes it to become a significantly amended product or not.
- 6.4 Where the insurer has determined that a variation to an existing product constitutes a significant amendment, or is uncertain as to whether a change is significant, the proposal should be subjected to the same level of review as a new product and submitted to the Central Bank in accordance with Sections 33, 164 and 247 of the Act.
- 6.5 SIGNIFICANT AMENDMENTS
- 6.5.1 In determining significant amendments an insurer must analyse the implications of the modification from its perspective as well as the prospective policyholder's. The results of the analysis should be well documented and be readily available for review by the insurer's internal audit function and by the Central Bank.
- 6.5.2 Significant amendments to a product may include the following. This is **not** intended to be an exhaustive list as amendments not listed here may also be considered significant upon analysis.
- I. Changes to benefits such as coverage limits, term of coverage, issue ages or guaranteed rates.
 - II. Introducing US dollar or other currency versions of an existing product.
 - III. Changes to the underwriting process, for example a change from simplified issue underwriting to fully underwritten.
 - IV. Changes to standard policy conditions such as fraud, governing law or policy exclusions.

6.6 INSIGNIFICANT AMENDMENTS

- 6.6.1 Amendments to a product which are not considered material will be deemed **insignificant**. Such amendments include repackaging, renaming or changes to the format of an existing product.
- 6.6.2 Amendments other than in 6.6.1 that the insurer regards as insignificant must be confirmed as such by the chief risk officer or equivalent officer identified by the insurer.
- 6.6.3 For insignificant amendments to an existing product, the insurer must notify and submit copies of all documents revised on account of the amendments, a summary of the changes made, together with the opinion of the chief risk officer or equivalent officer (see section 6.6.2), to the Inspector at least twenty (20) business days for general insurance products and sixty (60) business days for long-term insurance products, before the intended date of its launch.
- 6.6.4 In the instance where the amendment is only a **change to premium rates** for long-term insurance products, the insurer must provide a written notification to the Central Bank of such change along with a written certification by the Actuary that the new premium rates are adequate for the risks undertaken. This notification must be submitted within **twenty (20) business days** before the change to premium rates is made.

7. PRODUCT DEVELOPMENT POLICY

- 7.1 All local insurers must establish a Board-approved **Product Development Policy** to guide the development and approval process for new and significantly amended products that not only meet the insurer's business needs but are fair and good value to the customer.
- 7.2 The **Product Development Policy** should detail the process for the development, review and approval of new products or significant amendments to existing products and should, at a minimum, address the following:
- 7.2.1 Strategies for the development and distribution of products, which should include the use of adequate information to assess the needs of different

customer groups. This should include the conduct of research and feasibility studies.

- 7.2.2 Product development processes, which should include stress testing against customer outcomes, identification of potential risks for the customer and a thorough assessment of the main characteristics of a product and of the related disclosure documents by every appropriate functional area of the insurer. These areas may include actuarial, underwriting, compliance, marketing, legal, accounting, information technology, administration and investments.
- 7.2.3 Processes and strategies for ensuring consistency and alignment of the product development process with the insurer's appropriate and relevant internal policies and procedures.
- 7.2.4 Processes for evaluating and developing a realistic assessment of the reserves under the policies, the need for capital and eventual contributions to capital and surplus under the assumptions adopted for the marketing of the product.
- 7.2.5 Strategies for ensuring that adequate and appropriate systems, for example information technology systems, are in place for the administration and distribution of the product.
- 7.2.6 Clearly defined reporting to senior management, with the required information and disclosures regarding the development of the product outlined. For instance, a comprehensive product development report should be prepared and submitted to senior management for review and approval, which should include items such as, pricing, market research, financial projections and legal review.
- 7.2.7 Clearly defined roles and responsibilities for the Board and senior management to ensure that the risks the products present to the insurer and the policyholder are properly considered and ensure that all regulatory, compliance, accounting and taxation requirements are satisfied. For instance, the Board should review and be in agreement with the attestation provided by the Chief Executive Officer/equivalent officer, or designated senior manager as required in Appendix 1. There must be sufficient Board and management oversight of the development of the product.

- 7.2.8 The Board's policy regarding reviews of the products, including the frequency of such reviews, unplanned circumstances that might cause the insurer to review a product and the review process for existing products that have not been sold or marketed for five (5) years or more. For products that the insurer considers as key to their business such reviews can be done more frequently. The review should at a minimum, cover compliance with applicable laws and guidelines, the profitability of the product, as well as the product's marketing plans, illustrations, staff training and any other features that the insurer considers significant.
- 7.2.9 Adequate and proper review process and quality control for all documents required to be submitted to the Inspector for approval. This process should at a minimum, ensure that flagrant misspelling, grammatical errors and missing or incorrect references are avoided. Further, all terms must be properly defined and consistently used throughout the required documents, i.e. policy contract, policy application form, policy illustration, marketing materials etc.
- 7.2.10 Strategies for ensuring that regular training plans for sales staff and intermediaries are developed and implemented. These should be structured so as to ensure a thorough understanding of the characteristics of the product by sales staff including being able to explain any guarantees and any risks transferred to the purchaser of the product.
- 7.2.11 Record keeping procedures for product approval letters with the corresponding policy contract and other relevant documents approved by the Central Bank or any other relevant authority.
- 7.2.12 Processes for the review of the product by legal counsel to ensure compliance with the applicable laws of Trinidad and Tobago, with specific attention to the Act, and relevant guidelines issued by the Central Bank.
- 7.2.13 Procedures for submitting appropriate documentation to the Inspector for approval/no-objection (*refer to section 8 of the Guideline*).

7.3 Regarding the development, review and approval of new **long-term insurance products** or significant amendments to existing long-term insurance products, the Product Development Policy should also address the following matters in addition to the items outlined in section 7.2 above:

- 7.3.1 Processes to ensure actuarial input for the policy design, pricing/profit testing and risk assessment consistent with sound business and financial practices and Board approved levels of profitability.
- 7.3.2 Procedures in line with the investment department's (or its equivalent) responsibility, in cooperation with the actuarial function, to assess the expected rate of return on assets, the investment risks involved and asset-liability matching issues.
- 7.4 All insurers must regularly review their existing Product Development Policy, to ensure that it complies with the requirements in Sections 7.2 and 7.3 of this Guideline.
- 7.5 Where an insurer either does not have a Product Development Policy or must revise its Policy to ensure compliance with this Guideline, the insurer is required to develop or amend the Policy as the case may be within **six (6) months** of the effective date of this Guideline and submit confirmation of this to the Inspector. The Product Development Policy must be made available to the Inspector upon request.

8. NOTIFICATION PROCESS FOR A NEW OR SIGNIFICANTLY AMENDED PRODUCT

- 8.1 The insurer must submit all the documents in Appendix 1 to the Inspector, at least twenty (20) business days for general insurance products and sixty (60) business days for long-term insurance products, before the intended date of the launch of a new product or a significantly amended product.
- 8.2 In addition to the specified documents in Appendix 1, under Section 33(2)(a) or 164(3) of the Act the Inspector may specify such other information as he thinks necessary for review of the new product or the significantly amended product.
- 8.3 If additional information is requested under Section 8.2 of this Guideline, and no response is received from the insurer within **six (6) months** of the request being made, the Central Bank will consider the application for approval of the product closed. Once an application is closed, if the insurer is still desirous of launching the product, then a completely new application for approval will be required.
- 8.4 For long-term insurance products, the Inspector will respond to all complete applications within **sixty (60) business days** of receipt. If the Inspector does not respond

within sixty (60) business days to complete applications the new product or significantly amended product will be deemed as approved.

- 8.5 In the case of general insurance products, if the Inspector does not raise any objections by the end of **twenty (20) business days** from the submission of all complete applications, the insurer can proceed to launch the product.
- 8.6 However, it should be noted that an approval granted in accordance with Section 8.4 of this Guideline or a “de facto” no objection given in accordance with Section 8.5 of this Guideline does not prevent the Inspector from requiring the insurer to discontinue offering or issuing of the product if information comes to his attention at a later date that the new product or amended product is fraudulent, unjust, imprudent or not in the public’s interest.

9. DISCLOSURE, TRANSPARENCY AND MARKETING

- 9.1 The policy contract, illustration, marketing materials and other relevant documents as required in Appendix 1, for the new product or the significantly amended product must:
- 9.1.1 Be clear, accurate and not misleading;
 - 9.1.2 Include appropriate, proper and consistent disclosures of key features, terms and provisions, including any guarantees and any risks transferred by the insurer to the policyholder;
 - 9.1.3 Clearly disclose any applicable interest rates, fees and other charges, where appropriate;
 - 9.1.4 Be designed and written in a manner that can be easily understood by the prospective policyholder;
 - 9.1.5 State prominently any significant or unusual exclusions or limitations;
 - 9.1.6 Not hide, diminish or obscure key statements, conditions, exclusions, limitations or warnings; and
 - 9.1.7 Be subjected to an adequate and proper review process.

- 9.2 The insurer must ensure that any marketing or promotional material pertaining to the new product or the significantly amended product is compliant with section A of Schedule 11 of the Act. The Inspector may require the insurer to correct or withdraw an advertisement if it is found to be misleading or objectionable, in accordance with Section 258 of the Act.
- 9.3 A **policy illustration** should be prepared, where relevant. It should inform an existing or prospective policyholder about key features and operations of the product as well as those product features that are of particular significance to the performance of the product. Any assumptions, promise or forecast, on which the illustration is based should be clearly stated, reasonable and up to date. The policy illustration should clearly state that the information provided is not exhaustive and does not contain the full terms of the policy, but such details can be found in the policy contract.
- 9.4 For **products with an investment linked or savings component**, the prospective policyholder must be provided with sufficient information on the investment strategy, approach and performance and the potential risks. Such information may be included in a prospectus, comparative financial information or portfolio statements and the policy contract, policy illustration and promotional material should include –
- a) a clear and prominent statement describing any limits on upside or downside potential; and
 - b) a clear and prominent warning that past performance is not a reliable indicator of future performance and that the product is not risk free.

Additionally, all marketing materials should be compliant with Schedule 11 Part (A)(2) of the Act.

- 9.5 For property insurance products, the insurer must clearly describe the concept of "**average provision**" in plain language to the policyholder as required by Section 213 of the Act.
- 9.6 The sales, marketing and post-sales communication of all products must adhere to the appropriate laws of Trinidad and Tobago, including relevant guidelines issued by the Central Bank, in particular the Market Conduct Guideline for Registrants under the Insurance Act, 2018.

10. EFFECTIVE DATE

This revised Guideline shall be effective on the date that it is issued.

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APPENDIX 1 – REQUIRED DOCUMENTS

A) Further to Section 8.1 of this Guideline, the following documents are required for **long-term insurance products**:

- 1) The standard form policy contract, (including a sample schedule of benefits);
- 2) The policy application form;
- 3) Policy illustrations given to clients;
- 4) Copies of any marketing, promotional or advertising materials (including printed or electronic) used to advertise the product;
- 5) All rider contracts and endorsements, where applicable;
- 6) For significantly amended products, a document highlighting the changes made to the original policy contract with the rationale for the changes made, along with a version of the amended policy contract that includes tracked changes;
- 7) An explanation of the reinsurance arrangements applicable to the new product including, if a new treaty is to be arranged and the key terms of that new reinsurance arrangement;
- 8) Premium rates;
- 9) A copy of the policy certificate, which must include the key terms and provisions of the policy contract¹;
- 10) A copy of the prospectus or other financial information describing the available investment funds, as it relates to products with an investment or savings component;
- 11) A copy or sample of post-sales communication to be provided to the policy holder under Schedule 11 Part(E) of the Act;

¹ Timelines for the issue of policy certificates upon acceptance of risk by the insurer is specified in section 268 of the Act.

- 12) For annuities, a copy of approval from the Board of Inland Revenue where eligibility for tax exemptions will be pursued by the insurer;
- 13) A signed statement by an actuary of the insurer stating:
- That he/she has reviewed the policy contract and has found the premium rates to be suitable for the class of policy to which the policy belongs;
 - That he/she has reviewed the policy illustrations (if applicable) and found that they provide full, true and plain disclosure to the consumer;
 - The pricing assumptions used;
 - That he/she certifies the final rates on a case by case basis where a group insurance policy is being effected;
 - That the profitability targets set by the board are met;
 - That sensitivity testing was completed; and
 - The most critical assumptions that pose the greatest risk to the insurer.
- 14) A signed statement by legal counsel that, in his/her opinion, the new product or significantly amended product complies with the appropriate laws of Trinidad and Tobago, including any applicable guidelines issued by the Central Bank;
- 15) A signed statement by the Chief Executive Officer/equivalent officer, or a designated senior manager of the insurer, stating, in his/her opinion:
- The new product or significantly amended product does not contain provisions which are likely to imperil the insurer's financial position and is developed in accordance with this Guideline as well as other statutory requirements;
 - The development, review and approval process of the new product or significantly amended product is in compliance with the insurer's Board approved Product Development Policy; and
 - The type and class of business of the new product or significantly amended product in accordance with the definitions in Schedule 1 of the Act.
- 16) Copy of the receipt of payment of the service charge as prescribed in the Central Bank (Payment of Supervisory Fees and Charges) Regulations, 2011 as amended by

the Central Bank (Payment of Supervisory Fees and Charges) (Amendment) Regulations, 2021; and

17) A copy of the letter granting previous approval, if the product submitted is an existing product.

B) Further to Section 8.1 of this Guideline, the following documents are required for **general insurance products**:

- 1) The standard form policy contract (including a sample schedule of benefits);
- 2) The policy application form;
- 3) Policy illustrations given to clients, if applicable;
- 4) Copies of any marketing, promotional or advertising materials (including printed or electronic) used to advertise the policy;
- 5) All rider contracts and endorsements, where applicable;
- 6) For significantly amended products, a document highlighting the changes made to the original policy contract with the rationale for the changes made, along with a version of the amended policy contract that includes tracked changes;
- 7) An explanation of the reinsurance arrangements applicable to the new product including, if a new treaty is to be arranged and the key terms of that new reinsurance arrangement;
- 8) A copy of the certificate², which must include the key terms and provisions of the policy contract;
- 9) A signed statement by legal counsel that, in his/her opinion, the new product or significantly amended product complies with the appropriate laws of Trinidad and Tobago, including any applicable guidelines issued by the Central Bank;

² Timelines for the issue of policy certificates upon acceptance of risk by the insurer is specified in Section 268 of the Act.

- 10) A signed statement by the Chief Executive Officer/equivalent officer or a designated senior manager of the insurer stating, in his/her opinion, that:
- The new product or the significantly amended product does not contain provisions which are likely to imperil the insurer's financial position and is developed in accordance with this Guideline as well as other statutory requirements;
 - The development, review and approval process of the new product or the significantly amended product is in compliance with the insurer's Board approved Product Development Policy;
 - The type and class of business of the new product or the significantly amended product in accordance with the definitions in Schedule 1 of the Act; and
 - That he/she has reviewed the policy illustrations (if applicable) and found that they provide full, true and plain disclosure to the consumer.
- 11) Copy of the receipt of payment of the service charge as prescribed in the Central Bank (Payment of Supervisory Fees and Charges) Regulations, 2011 as amended by the Central Bank (Payment of Supervisory Fees and Charges) (Amendment) Regulations, 2021; and
- 12) A copy of the letter granting previous no-objection, if the product submitted is an existing product.