

July 6, 2026

CIRCULAR LETTER TO:

Insurance Companies Registered under the Insurance Act, 2018

Appointed Actuaries

Association of Trinidad & Tobago Insurance Companies (ATTIC)

Institute of Chartered Accountants of Trinidad and Tobago (ICATT)

Caribbean Actuarial Association (CAA)

REF: CB-OIFI-2258/2026

INTEGRATING IFRS 17 INTO THE CAPITAL ADEQUACY FRAMEWORK

Further to our circular letter CB-OIFI-663/2024 the Central Bank of Trinidad and Tobago (Central Bank/ Bank) advises of changes to the Parallel Run Capital Adequacy Returns (Parallel Run Returns) as part of the finalisation of the re-calibration of the capital adequacy framework for IFRS 17.

The Bank has considered the Parallel Run Returns, the impact of the draft amendments to the Insurance (Capital Adequacy) Regulations, 2020, and submissions from the industry, and is now releasing the following documents to the industry for review:

- a) draft amendments to the Insurance (Capital Adequacy) Regulations, 2020; and
- b) a revised version 2 of the Parallel Run Capital Adequacy Returns, issued pursuant to the powers of the Inspector under sections 145(1) and 145(3) of the Insurance Act, 2018, which will be tested through the parallel run phase.

The Parallel Run has provided the Central Bank with critical insights, particularly with respect to:

- material heterogeneity in contractual service margin (CSM) levels across insurers;
- variation in the risk adjustment (RA), being the compensation entities require for bearing non-financial risk;
- inconsistency in the computation of cash surrender value (CSV) deficiency across insurers, resulting in figures that are not sufficiently reliable for regulatory use as currently calculated; and

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- notable divergence in long-end discount rate assumptions, particularly beyond the last liquid point of the domestic government securities market.

These issues materially affected the re-calibration of the current capital adequacy framework for IFRS 17 at an industry level and adjustments were required. The framework has therefore been revised to address these issues at a structural level, rather than just through calibration adjustments to the Parallel Run data.

Submissions for the Parallel Run 2 and data collection

Pursuant to section 145(1) of the Act, insurers are required to complete and submit the revised version 2 of the Parallel Run Capital Adequacy Returns, and recalculated credit exposure CB105i forms, for the period ended December 31, 2025, by **August 7, 2026**. These Parallel Run Returns must align with audited financial figures. Insurers without a December 31st financial year-end must report based on their most recent financial year-end, and ensure the submission is consistent with the audited figures for that period. The introduction of this version 2 of the Parallel Run Returns supersedes and removes the requirement to submit the previous version.

Insurers are reminded of the previous instruction to upload Returns via the GoAnywhere portal, as well as forwarded by e-mail to: insurance_reports@central-bank.org.tt. Any queries may be forwarded electronically to: IFRS17@central-bank.org.tt

The results of the Parallel Run 2 exercise will assist the Central Bank in:

- completing the re-calibration of risk factors and target ratios;
- comparing required capital levels with risk margins held; and
- evaluating the need for, and scope of, new transition arrangements.

Consultation on draft amendments to the Insurance (Capital Adequacy) Regulations and revised Parallel Run Returns

As part of the consultation process, the Bank encourages industry feedback on the draft amendments to the Insurance (Capital Adequacy) Regulations, the associated revised Parallel Run 2 Returns and the legislative provisions within these draft Regulations that give effect to the Own Risk and Solvency Assessment framework.

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The consultation period closes on **August 7, 2026**. Insurers are required to provide their feedback using the templates outlined in Appendix 2 — Section A for comments on the draft Regulations and Section B for comments on the workbook.

Details of the changes made to the Parallel Run Returns are itemized in the Appendix 1 attached to this letter. These documents will also be made available on the Bank's public website at <https://www.central-bank.org.tt/core-functions/financial-stability/insurance-sector/>.

Please ensure that relevant personnel in your institutions are informed of the contents of this letter. We look forward to your continued cooperation and feedback.

Yours sincerely



Michelle Francis-Pantor
INSPECTOR OF FINANCIAL INSTITUTIONS

APPENDIX 1

SUMMARY OF THE CHANGES MADE FOR PARALLEL RUN 2

- a) **General insurance business** — unchanged.
- b) **Long-term insurance business** — revisions as set out below.

CHANGE	TITLE	SUMMARY
A	Restructuring of the CSM Capital Treatment	The adjusted retained earnings mechanism is eliminated. The corresponding CSM deduction from Tier 1 capital is also removed. Eligible CSM is now included directly in Tier 2C capital, subject to the existing Tier 2 cap and to the comparability deduction described in Item C.
B	Elimination of the CSV Deficiency Mechanism	The CSV deficiency deduction from Tier 1 capital and the corresponding 75% Tier 2C add-back are removed. Schedule 18 of the 2020 Regulations is deleted, and the schedule numbering is consolidated accordingly. The substantive requirements for determining any applicable CSV deficiency for actuarial purposes remain in effect under section 3.9.7 of the Instructions for Appointed Actuaries for Insurers Writing Long-Term Insurance Business and reporting obligations continue to apply.
C	Introduction of a Comparability Deduction	A deduction from Tier 2 Capital, applied before the Tier 2 cap, that gives effect to the measurement requirements of IFRS 17 — consistency with observable market data, unbiased estimation of cash flows used in the measurement of insurance contract liabilities, and the principles applicable to estimation beyond the durations for which observable market data is available — at the capital adequacy layer. The mechanism comprises two components: (i) a discount-rate technique applied to liabilities measured under the General Measurement Model (GMM), and (ii) a spread technique applied to liabilities measured under the VFA. The mechanics of each technique are summarised below.
D	Asset-Liability Mismatch Risk Charge	The Version 1 increase in the asset-liability mismatch (ALM) risk charge factor will not be implemented. The factor reverts to the level prescribed in the 2020 Regulations (10%).
E	Schedule 11 — Lapse Risk Charge Codification	Schedule 11 restated: sub-set framework for the lapse-supported / lapse-sensitive distinction; stress applied separately to issued and reinsurance-held contracts; multiplier of 0.75 replaced by divisor of 1.5. Stress levels (15% / 30%) unchanged from Version 1.

Comparability deduction — discount-rate technique

The prescribed regulatory curve is introduced for the limited purpose of improving comparability across insurers in the determination of available capital. It applies solely in the calculation of the comparability deduction and does not replace IFRS 17 valuation for any other purpose.

For each IFRS 17 portfolio to which the discount-rate technique applies, the comparability deduction is the excess of the value of best estimate policy liabilities determined using the prescribed regulatory curve over the value of best estimate policy liabilities determined using the insurer's own curve. The deduction is determined separately for each IFRS 17 portfolio, with a floor of zero applied at portfolio level. Cross-portfolio netting is not permitted.

The prescribed regulatory curve differs from the insurer's curve only beyond the last liquid point (LLP). The Central Bank's current calibration sets the LLP at year 15, the convergence point at year 35, and the Ultimate Forward Rate (UFR) at 5.0% for all liquidity categories.

The UFR is set on the basis of long-run macroeconomic equilibrium reasoning. T&T does not have observable market rates beyond year fifteen, and at the horizon at which the UFR applies there is no market benchmark capable of supporting or contradicting it. The UFR is therefore unobservable in the sense of IFRS 17 paragraph B82. The current calibration of five per cent corresponds to a long-run real interest rate of approximately two per cent combined with a long-run inflation expectation of approximately three per cent, with a small adjustment for the residual sovereign credit component. This methodology is consistent with the approach used in the International Association of Insurance Supervisors (IAIS) Insurance Capital Standard for currencies in which there is no observable market rate at the ultimate horizon. Differences between the UFR set for T&T and the corresponding ultimate rates set in other jurisdictions reflect differences in long-run inflation and real growth expectations, not inconsistency in methodology.

Comparability deduction — spread technique

The spread technique applies to VFA business. It operates at the level of a combination — a collection of contracts within an IFRS 17 portfolio that are in a common currency and, sharing a common credited rate and a common gross investment return at each duration. Contracts that differ in any of these respects are treated as belonging to separate combinations.

For each combination, the insurer determines the projected gross spread — the duration-based difference between the gross investment return and the credited rate, expressed in basis points — and the benchmark spread, being the lower of (i) the average value of the spread realised by contracts in the combination over the preceding three financial years, and (ii) the value of the spread realised by those contracts in the most recent financial year. The benchmark spread is a single value and applies at every duration. At each duration at which the projected spread exceeds the benchmark, the projected spread is replaced by the benchmark and best estimate policy liabilities are recalculated; the resulting increase in best estimate policy liabilities is the comparability deduction for that combination, floored at zero. No offset is permitted between combinations, whether or not they fall within the same IFRS 17 portfolio.

Tier 2 Capital Limit

The existing Tier 2 cap is retained: Tier 2 capital shall not exceed 100% of Net Tier 1 capital. The comparability deduction is applied as a reduction to Tier 2 Capital before the Tier 2 cap test.

APPENDIX 2

The Central Bank is particularly interested in feedback about:

- Areas of ambiguity in how aspects of the exhibits should be populated;
- Aspects of the exhibits which may not be consistent with the draft regulation;
- Errors detected in the links;
- Ambiguity of the column headings or row descriptions; and
- Possibility of defining product categories for the ALM risk sheet.

COMMENTS TEMPLATE — SECTION A
DRAFT INSURANCE (CAPITAL ADEQUACY) REGULATIONS 202X

Insurer or Organization:
Contact Name:
Contact Number / Email:
Date:

No.	Capital Adequacy Regulations Section or Subsection	Comment
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COMMENTS TEMPLATE — SECTION B

IFRS 17 Capital Adequacy Excel Workbook

Insurer or Organization:
Contact Name:
Contact Number / Email:
Date:

No.	Workbook Tab/ Number e.g. Tab “Instructions” or “40.011”	Comment
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