

Legal Notice No.

REPUBLIC OF TRINIDAD AND TOBAGO

THE INSURANCE ACT, 2018

REGULATIONS

Made by the Minister under section 279 of the Insurance Act and
subject to negative resolution of Parliament

THE INSURANCE (CAPITAL ADEQUACY) REGULATIONS

- Citation 1 These Regulations may be cited as the Insurance (Capital Adequacy) Regulations.
- Interpretation 2 (1) In these Regulations –
- Act No. of 4
2018
Chap. 83:02
Chap. 79:09
- “Act” means the Insurance Act, 2018;
- “annual returns” means the audited returns covering a full financial year required to be prepared and submitted to the Inspector on an annual basis pursuant to section 145(1) of the Act;
- “asset-backed security” has the meaning assigned to it in section 4 of the Securities Act;
- “banking business” has the meaning assigned to it in section 2 of the Financial Institutions Act;
- “best estimate policy liabilities” for insurance contracts, reinsurance contracts held and investment contracts with discretionary participation features valued using IFRS 17, means— (a) the reported insurance contract liability or asset minus the sum of the risk adjustment and contractual service margin for policy liabilities and other actuarial liabilities valued using the general measurement model or variable fee approach; or (b) the reported liability or asset for remaining coverage for policy liabilities and other actuarial liabilities valued using the premium allocation approach;
- “bond fund” means a fund where not less than seventy per cent of the portfolio is invested in bonds, debentures, notes or similar instruments representing indebtedness, whether secured or unsecured, that have an original tenor of more than one year;
- “business of a financial nature” has the meaning assigned to it in the Financial Institutions Act;
- “capital adequacy returns” means returns in respect of capital adequacy specified by the Inspector pursuant to section 145(1)(d) and 145(3) of the Act;

“contractual service margin” in respect of a group of insurance contracts means the IFRS 17 contractual service margin;

“credit rating” means an opinion or assessment of the creditworthiness of an entity, a credit commitment, a debt or debt-like security or an issuer of such obligations, expressed using the Standard and Poor’s ratings or equivalent ratings as specified by the Central Bank;

“credit rating agency” means an external credit rating agency that is deemed to be eligible for the determination of risk charges by the Central Bank in accordance with a Guideline issued by the Central Bank under the Act;

“derivative” has the meaning assigned to it in section 4 of the Securities Act;

“equity fund” means a fund where not less than eighty per cent of the portfolio is invested in equities;

“financial institution” means an institution licensed or registered by the Central Bank in accordance with the Financial Institutions Act or the Insurance Act or a financial holding company issued a permit under those Acts;

“financial statements” shall be as defined in the Act and are a complete set of financial statements in accordance with IFRS;

“financial subsidiary” means a domestic or foreign subsidiary of an insurer which carries on insurance business, banking business or business of a financial nature which is subject to regulation in respect of the capital that it is required to hold by the Central Bank or an equivalent foreign regulatory body;

“fully collateralized” means, in respect of a transaction mentioned in paragraph 1 of Schedule 5, that such transaction meets the criteria in paragraphs 2 to 4 of Schedule 5;

“fund” means an investment fund and includes, without limitation, a collective investment scheme as defined in the Securities Act, an exchange traded fund or a hedge fund;

“general measurement model” means the IFRS 17 general measurement model for the measurement of insurance contracts;

“IFRS” means the International Financial Reporting Standards developed and maintained by the International Accounting Standards Board and adopted by the Institute of Chartered Accountants of Trinidad and Tobago;

“IFRS 17” means International Financial Reporting Standard 17, Insurance Contracts, as adopted by the Institute of Chartered Accountants of Trinidad and Tobago;

“individual financial statements” means the separate financial statements included in the returns which are prepared on a non-consolidated basis in

accordance with IFRS and in compliance with such form as specified by the Inspector pursuant to section 145(1) or 145(3) of the Act;

“investment linked policy” means a policy, the principal object of which by its policy terms is to provide insurance benefits based on the market value of a specific portfolio of assets maintained for the purpose of calculating such benefits, and “investment linked insurance business” shall be construed accordingly;

“money market fund” means a fund where not less than ninety per cent of the portfolio is invested in any or all of the following:

- (a) cash;
- (b) cash equivalents; or
- (c) evidences of indebtedness, other than cash equivalents that have a remaining term to maturity of not more than one year;

“net premiums received” means premiums received net of associated reinsurance premiums paid;

“net tier 1 ratio” means the Net Tier 1 Capital determined under regulation 7 plus seventy per cent of the net risk adjustment determined under regulation 6(2), divided by the regulatory capital required determined under regulation 10;

“non-financial subsidiary” means a subsidiary of an insurer that is not a financial subsidiary;

“non-permissible value” means, where applicable

- (a) the aggregate value of assets in excess of the limits prescribed in Schedule 1;
- (b) the aggregate value of assets which do not comply with the criteria set out in Schedule 2; and
- (c) the aggregate value of assets, credit exposures and reduction in liabilities prohibited by the Act or Regulations made thereunder, not including amounts in excess of the limits prescribed under section 85 of the Act;

“non-qualifying unrated asset-backed securities” means unrated asset-backed securities which do not meet the criteria in Schedule 4;

“policy liabilities and other actuarial liabilities” means the liabilities as at the valuation date, on account of the insurer’s policies and other obligations to policyholders including commitments, that are in force at the date of valuation or that were in force before that date and include—

- (a) insurance contract liabilities or assets;

- (b) liabilities or assets for policy contracts and other obligations to policyholders other than insurance contracts;
- (c) policy liabilities or assets associated with reinsurance contracts issued or held, investment contracts with discretionary participation features, contracts with investment or service components, investment contracts and service contracts; and
- (d) liabilities referenced in section 158(4) of the Act;

“portfolio of insurance contracts” has the meaning given in paragraph 14 of IFRS 17, namely a group of contracts subject to similar risks and managed together;

“premium allocation approach” means the IFRS 17 premium allocation approach for the measurement of insurance contracts;

“public corporation” means a body incorporated by statute or under the Companies Act, in which the Government or a body controlled by the Government –

- (a) exercises or is entitled to exercise control directly or indirectly over the affairs of the body;
- (b) is entitled to appoint a majority of the directors of the Board of Directors of the body; or
- (c) holds at least fifty per cent of the ordinary share capital of the body, as the case may be;

“qualifying unrated asset-backed securities” means unrated asset-backed securities which meet the criteria in Schedule 4;

“quarterly returns” means the unaudited returns required to be prepared and submitted to the Inspector on a quarterly basis pursuant to section 145(3) of the Act;

“regulatory capital available” means an amount of capital available determined under regulation 6(1);

“regulatory capital ratio” means the regulatory capital available determined under regulation 6(1) plus the net risk adjustment determined under regulation 6(2), divided by the regulatory capital required determined under regulation 10;

“regulatory capital required” means an amount of capital required determined under regulation 10;

“returns” means annual returns or quarterly returns;

“repurchase agreement” means the sale of a security with a commitment by the seller to buy the same or equivalent security back from the purchaser at a specified price and at a designated date in the future;

“reverse repo” means the purchase of a security with a commitment by the buyer to re-sell the security to the seller at a future date at a fixed price;

“risk adjustment” means the IFRS 17 risk adjustment;

“segregated fund policy” means an investment linked policy in respect of which by its policy terms, the portfolio of assets is held in a separate and distinct fund from the funds of the insurer, such segregated fund is established and maintained under trust and the property and income of the fund are considered to be the property and income of the trust; and

“specifications” means specifications issued by the Inspector under regulation 27A;

“variable fee approach” means the IFRS 17 variable fee approach for the measurement of insurance contracts;

(2) Under these Regulations, “real estate” includes all estates in land as defined in section 84(1) of the Interpretation Act.

Application 3 These Regulations apply to an insurer in respect of business both in and outside of Trinidad and Tobago.

Risk Charges for Non-Financial Subsidiaries etc. 4 The risk charges on investments in and debts due from non-financial subsidiaries controlled by the insurer and affiliates and associates of the insurer shall be determined by looking through to the underlying securities or guarantees as if they were directly held or given.

Adequate Capital 5 (1) Every insurer shall maintain adequate capital to support its risk profile and business plan and shall comply with sections 22, 82 and 83 of the Act and sub-regulation (4).

(2) The starting basis for the amounts used in calculating regulatory capital available, regulatory capital required, value of assets and any of their components, including risk adjustment, net risk adjustment, contractual service margin and retained earnings, shall be those reported in, or used to calculate the amounts reported in, the insurer’s individual financial statements and other financial information contained in the insurer’s returns.

(3) Unless otherwise provided in these Regulations, all accounting policies including classification, contract boundaries and other assumptions and methods and cash flow projections used in the determination of best estimate policy liabilities and net amount at risk shall be the same as those used in the measurement and reporting of policy liabilities and other actuarial liabilities for the insurer’s individual financial statements.

(4) Pursuant to section 82(3) of the Act, the Inspector may direct an insurer to increase a risk charge, impose a risk charge or apply any other adjustment to regulatory capital available to take account of the risk profile and business plan of the insurer to ensure that the insurer maintains adequate capital.

(5) The Inspector may require an insurer to vary the amounts in respect of reinsurance or other risk transfer arrangements in its capital adequacy return.

(6) An insurer shall maintain the minimum ratios as follows:

- (a) its net tier 1 ratio shall not be less than one hundred and five percent; and
- (b) its regulatory capital ratio shall not be less than one hundred and fifty per cent.

(7) Where at any time the Inspector is of the opinion that an insurer is exposed to excessive risk, the Inspector may impose a capital adequacy ratio on that insurer that is higher than the minimum ratios set out in sub-regulation (6).

Own Risk and
Solvency
Assessment

5A.

(1) Every insurer and financial holding company shall have in place an own risk and solvency assessment as set out in a guideline issued by the Central Bank that is proportional to its nature, scale, complexity and business strategy.

(2) Every insurer and financial holding company shall –

- (a) document the own risk and solvency assessment process which shall be approved by the board of directors and updated in such time and with such frequency as the Central Bank may specify; and
- (b) submit the documented own risk and solvency assessment process to the Central Bank in such time and manner as specified by the Central Bank.

(3) Notwithstanding sub-regulation (2), where the Inspector is of the opinion that there have been changes in the business, strategy, nature, scale or complexity of activities or operational environment of an insurer or financial holding company, the Inspector may, require that insurer or financial holding company to document and submit an own risk and solvency assessment process to the Central Bank in such time and manner as specified by the Central Bank.

Public
Disclosures

5B. Insurers and financial holding companies shall disclose such information pertaining to their capital, risk exposures, risk assessment processes, risk mitigation and capital adequacy in such time, form, manner and frequency as the Central Bank may specify in a guideline.

Regulatory
capital available
Risk adjustment

6 (1) Regulatory capital available shall be the sum of Net Tier 1 Capital and Tier 2 Capital, as calculated in accordance with regulations 7 and 8, minus the deductions stated in regulation 9.

(2) The net risk adjustment used in determining the regulatory capital ratio and the net tier 1 ratio shall be equal to the risk adjustment on insurance contracts issued and

investment contracts with discretionary participation features net of risk adjustments on reinsurance contracts held.

Net Tier 1
Capital

- 7 (1) For the purpose of these Regulations, Net Tier 1 Capital shall be the amount by which the value of Gross Tier 1 Capital exceeds the aggregate of the deductions stated in sub-regulation (3) and sub-regulation (4).
- (2) Gross Tier 1 Capital shall consist of the accumulation of an insurer's –
- (i) ordinary shares and retained earnings;
 - (ii) Shareholders' share of accumulated other comprehensive income/(loss);
 - (iii) preference shares that meet the criteria of Part A of Schedule 3;
 - (iv) appropriated surplus on participating and non-participating business; and
 - (v) other reserves included in net equity;
- (3) An insurer shall deduct from Gross Tier 1 Capital the accumulation of:
- (a) goodwill and other intangibles net of any associated deferred tax liabilities that would be extinguished if the goodwill or intangible assets were to become impaired or otherwise derecognized;
 - (b) unrealized after-tax gains on real estate and unquoted equity included in Gross Tier 1 Capital
- (4) In addition to the deductions in sub-regulation (3), an insurer shall deduct any non-permissible value from Gross Tier 1 Capital.
- (5) The minimum value of each of the amounts required to be deducted in sub-regulations (3) and (4) shall be zero.

Tier 2 Capital

- 8 (1) Tier 2 Capital shall be the sum of Tiers 2A, 2B and 2C and shall not exceed one hundred per cent of Net Tier 1 Capital.
- (2) Tier 2A Capital shall consist of the following:
- (a) preference shares that meet the criteria in Part A of Schedule 3, except that their value exceeds the limit in paragraph 1(d) of Part A of Schedule 3 ;
 - (b) preference shares that meet the criteria in Part A of Schedule 3, except that the holder is entitled to cumulative dividends;
 - (c) hybrid capital instruments that meet the requirements in Part B of Schedule 3; and
 - (d) unrealized after-tax gains on real estate excluded from Tier 1 Capital under sub-regulation 7(3)(b) which shall not exceed twenty per cent of Net Tier 1 Capital; and
 - (e) unquoted equity excluded from Tier 1 Capital under sub-regulation 7(3)(b).
- (3) Tier 2B Capital shall consist of limited life instruments that meet the criteria in Part C of Schedule 3.

(4) Where the remaining term of the limited life instrument referred to in sub-regulation (3) is less than five years, the amount of the instrument included in Tier 2B Capital shall be amortized in the manner prescribed in Part D of Schedule 3.

(5) Tier 2B Capital shall not exceed fifty per cent of Net Tier 1 Capital.

(6) Tier 2C Capital shall consist of the net contractual service margin, being the contractual service margin in respect of insurance contracts issued and investment contracts with discretionary participation features, less the contractual service margin in respect of reinsurance contracts held, as reflected in the insurer's individual financial statements at the reporting date.

(7) The comparability deduction determined under regulation 8A shall be applied as a reduction to Tier 2 Capital.

Comparability
Deduction

8A. (1) Tier 2 Capital shall be reduced by the comparability deduction, which gives effect to the measurement requirements, applied for prudential capital adequacy purposes, including—

(a) consistency with observable market data where available;

(b) unbiased estimation of the cash flows used in the measurement of insurance contract liabilities; and

(c) the principles applicable to the estimation of cash flows beyond the durations for which observable market data is available.

(2) The method of computation, the parameters and the defined terms applicable to the comparability deduction are set out in Schedule 18.

Deductions

9 (1) The sum of Net Tier 1 Capital and Tier 2 Capital for all insurers shall be reduced by the following:

(a) reciprocal cross holdings in capital instruments, whether arranged directly or indirectly, between financial institutions that artificially inflate the capital position of the insurer;

(b) deferred tax assets;

(c) pension plan assets net of any associated deferred tax liability, related to the insurer's own employees and beneficiaries under the pension plan;

(d) subrogation receivables aged more than one hundred and twenty business days;

(e) outstanding agent or broker debit balances aged more than sixty business days;

(f) residential mortgages that are overdue more than one hundred and twenty business days;

(g) commercial mortgages that are overdue more than one hundred and twenty business days; and

(h) investments in financial subsidiaries.

(2) In addition to the deductions to be made under regulation 9(1), insurers carrying on long-term insurance business shall also reduce the sum of Net Tier 1 Capital and Tier 2 Capital by the amount of outstanding premiums aged more than sixty business days.

(3) The minimum value of each of the amounts required to be deducted in sub-regulation (1) shall be zero.

Regulatory capital required

10. (1) The regulatory capital required shall be the sum of the risk charges in paragraph (a) and, where applicable, paragraphs (b) or (c) –

(a) the following risk charges in relation to all insurers:

- (i) asset default risk charge;
- (ii) investment volatility risk charge;
- (iii) off balance sheet risk charge; and
- (iv) foreign currency mismatch risk charge.

(b) the following risk charges in relation to all insurers carrying on long term insurance business:

- (i) asset liability mismatch risk charge;
- (ii) mortality and morbidity risk charge;
- (iii) lapse risk charge;
- (iv) interest margin pricing risk charge;
- (v) liquidity and operational risk charge; and
- (vi) risk charge for guarantees.

(c) the following risk charges in relation to all insurers carrying on general insurance business:

- (i) margin for unexpired coverage;
- (ii) margin for liability for incurred claims; and
- (iii) catastrophe risk charge.

(2) The Central Bank shall, from time to time, establish criteria and procedures to be used by an insurer for determining credit ratings to be used for these Regulations, by issuing a Guideline or through directions to an insurer.

(3) For the purpose of these Regulations, no risk charge shall be applied to items that are deducted from capital.

Asset default risk charge

11. The asset default risk charge shall be the sum of the value of assets held for each type of asset multiplied by the appropriate risk factor determined in accordance with Schedule 4.

Investment volatility risk charge

12. The investment volatility risk charge shall be the sum of the value of assets held for each type of asset multiplied by the appropriate risk factor determined in accordance with Schedule 6.

Off balance sheet risk charge

13. (1) For the purpose of these Regulations, off balance sheet activities include guarantees, commitments, derivatives and similar contractual arrangements whose full notional principal amount may not be reflected on the balance sheet.

(2) Subject to subregulation (5), the off balance sheet risk charge shall be the sum of the exposure to risk with each counterparty multiplied by the appropriate risk factor for the counterparty determined in accordance with Schedule 7.

(3) For the purpose of sub-regulation (2), “counterparty” means the person guaranteed in the case of a guarantee or the party with whom the contract is made in the case of derivatives or other similar contractual arrangements.

(4) An insurer shall not invest in a derivative contract for trading or speculative purposes.

(5) The risk charge for guarantees stated in policies, including guarantees made under any off balance sheet policy arrangements, shall be determined in accordance with regulation 20.

Foreign
currency
mismatch risk
charge

14. The foreign currency mismatch risk charge shall be determined in accordance with Schedule 8.

Asset
liability
mismatch
risk charge

15. The asset liability mismatch risk charge shall be determined in accordance with Schedule 9

Mortality and
Morbidity risk
charge

16. (1) The mortality risk charge for long-term insurance business shall be the sum of the exposure for each type of policy multiplied by the appropriate risk factor determined in accordance with Schedule 10.

(2) The morbidity risk charge for long-term insurance business shall be the sum of the exposure for each type of policy multiplied by the risk factor determined in accordance with Schedule 10.

Lapse risk
charge

17. (1) The lapse risk charge shall be calculated, in respect of the liability for remaining coverage only, for all insurance contracts, reinsurance contracts held and investment contracts with discretionary participation features, valued using the general measurement model or variable fee approach of IFRS 17.

(2) The lapse risk charge shall be determined in accordance with Schedule 11.

Interest margin
pricing risk
charge

18. (1) The interest margin pricing risk charge shall be the sum of the best estimate policy liabilities net of the associated best estimate asset for reinsurance contracts held, multiplied by the appropriate risk factor for the type of policy in accordance with Schedule 12.

(2) The reasonable flexibility of the crediting features with respect to universal life policies shall be tested in pricing the policy or elsewhere, and shall demonstrate that the insurer may recoup at least half of any unexpected losses due to disintermediation risk.

Liquidity and operational risk charge

19. The liquidity and operational risk charge shall be the value of the assets held by the insurer backing investment linked insurance business multiplied by the appropriate risk factor determined in accordance with Schedule 13.

Risk charge for policy guarantees

20. (1) An insurer shall maintain adequate reserves and capital for guarantees stated in policies including guarantees made under any off balance sheet arrangements including segregated fund policies. The appointed actuary shall certify the appropriateness of reserves held for such guarantees.

(2) Capital required to be held under sub-regulation (1) shall be no less than six per cent of the policy liabilities for the guarantees stated in policies and shall apply as at the insurer's first financial year end following commencement of the Regulations.

Margin for Unexpired Coverage

21. For each class of general insurance business, the margin for unexpired coverage shall be the net premiums received in the previous twelve months, multiplied by the appropriate risk factor for the class of insurance business in accordance with Schedule 14.

Margin for liability for incurred claims

22. For each class of general insurance business, the margin for liability for incurred claims shall be the liability for incurred claims net of the associated risk adjustment, less the asset for incurred claims for reinsurance contracts held net of the associated risk adjustment, multiplied by the appropriate risk factor for the class of insurance business in accordance with Schedule 15.

Catastrophe risk charge

23. The catastrophe risk charge shall be determined in accordance with Schedule 16.

Returns, audits and declarations

24. (1) An insurer shall submit to the Central Bank, audited capital adequacy returns in such form as the Inspector may from time to time specify in accordance with the provisions of section 145(1)(d) of the Act.

(2) In addition to the capital adequacy returns, an insurer shall provide a declaration by the chief financial officer, the appointed actuary and a director of the insurer in the form prescribed in Schedule 17.

(3) Notwithstanding sub-regulation 24(2), where an appointed actuary has not yet been appointed by an insurer carrying on general insurance business within three years immediately following the commencement of the Act, a director shall provide the declaration in the form prescribed in Schedule 17.

Grandfathering

25. (1) Unrealised after-tax gains on real estate reported by the insurer in its financial statements prior to the commencement of these Regulations shall be treated

as though they were realised as at the date of the commencement of these Regulations and shall not be subject to regulations 7(3)(b) and 8(2)(d).

(2) The risk factors for unrated bonds in respect of asset default risk and for quoted common shares in respect of investment volatility risk that are acquired prior to the commencement of these Regulations shall be:

- (a) ten percent for unrated bonds or other evidence of indebtedness; and
- (b) fifteen percent for quoted common shares.

Capital
adequacy
returns

26. The insurer shall submit unaudited capital adequacy returns quarterly. Notwithstanding section 145(3) of the Act, the first unaudited capital adequacy return shall be submitted within three months from the commencement of these Regulations for the end of the first quarter immediately preceding the commencement of the Act.

Transitional
Capital Ratios

27. (1) Upon the commencement of these Regulations, where an insurer does not satisfy the requirements under regulation 5, the insurer shall—

- (a) within two months from the submission of the first capital adequacy return referred to in regulation 26, submit a plan approved by the board of directors of the insurer, for attaining the capital ratios referred to in paragraph (b); and
- (b) attain the transitional regulatory capital ratios as specified in Schedule 8 of the Act.

Specifications

27A. (1) The Inspector may issue specifications in respect of any matter dealt with under these Regulations.

(2) Specifications issued under sub-regulation (1) shall be for the purpose of ensuring the consistent application and operational implementation of these Regulations, including in respect of the calculation of regulatory capital available, regulatory capital required, and the deductions from capital.

(3) An insurer shall comply with any specifications issued under sub-regulation (1).

Commencement

28. These Regulations shall come into operation on _____, 2026.

SCHEDULE 1

Non-Permissible Value: Asset Limits

1. The total value of assets held in excess of the limits shown below shall be included in the non-permissible value.

Description	Limit
Maximum aggregate value of ordinary shares not including ordinary shares in permissible real estate entities	40% of Adjusted Assets
Maximum aggregate value of mutual funds including unit trusts and other collective investment schemes not including money market funds	20% of Adjusted Assets
Maximum aggregate value of mortgages, charges or other titles for repayment of a loan secured by real estate not including mortgages or debts due from permissible real estate entities	50% of Adjusted Assets
Maximum aggregate value of interests in real estate	30% of Adjusted Assets
Maximum aggregate value of mortgages, charges or other titles for repayment of a loan secured by real estate not including mortgages or debts due from permissible real estate entities controlled by the insurer and the value of interests in real estate	50% of Adjusted Assets
Maximum aggregate value of securities rated below investment grade (credit rating BB and lower)	5% of Adjusted Assets
Maximum aggregate value of unrated securities	30 % of Adjusted Assets

2. These requirements shall apply to an insurer on an individual basis.
3. For the purpose of this Schedule:
- (a) Adjusted Assets in respect of an insurer, at a particular time, means the amount determined by the formula A minus B, where:
- (i) A is the total value of assets reported on the capital adequacy returns submitted; and
 - (ii) B is the total of all deductions made under regulation 7(3) and regulation 9.
- (b) For avoidance of doubt, 'A' in the formula for calculating Adjusted Assets in sub-paragraph 3(a)(i) does not include assets backing liabilities of the investment linked insurance business if
- (i) the assets are identifiable and valued at market value;
 - (ii) transfers into and out of the portfolio of assets occur at market value; and
 - (iii) there is full pass through of investment returns due on the policies and credited returns are not based on the insurer's discretion.
4. The value of interests in real estate shall include:
- (a) the gross book value of the real estate, less any accumulated depreciation;
 - (b) the book value of ownership interests in permissible real estate entities; and
 - (c) the book value of mortgages or other debts due from permissible real estate entities; reported on a balance sheet of the insurer prepared in accordance with the Act.

SCHEDULE 2

Non-Permissible Value: Mortgages, Charges and Other Titles for Repayment of a Loan Secured by Real Estate

1. The total value of a mortgage, charge and other titles for repayment of a loan secured by real estate in which the amount of the loan exceeds eighty per cent of the value of the property at the time of the origination of the mortgage, charge or other title for repayment on real estate shall be included as a non-permissible value.

2. Notwithstanding paragraph (1), the total value of a mortgage, charge and other title for repayment of a loan secured by real estate in which the amount of the loan exceeds eighty per cent of the value of the property at the time of the origination of the mortgage, charge or other title to repayment of loan secured by real estate shall not be included as a non-permissible value where the following criteria are met:
 - (a) the total value of the mortgage, charge or other title to repayment of a loan secured by real estate is guaranteed by the Government and said guarantee is explicit, unconditional, legally enforceable and irrevocable over the life of the mortgage, charge or other title to repayment secured on real estate in question or through an agency of the Government of Trinidad and Tobago; or
 - (b) that portion of the amount of the loan which exceeds eighty per cent of the value of the property is guaranteed by an insurer registered under the Act to carry on that class of insurance business.

SCHEDULE 3

Part A –Preference Shares Which Qualify As Tier 1 Capital

1. Preference shares shall qualify as Tier 1 capital only where -
 - (a) they are fully subordinated to the interests of policyholders and unsecured creditors;
 - (b) they are of permanent and of perpetual duration;
 - (c) they are free of mandatory payments or encumbrances;
 - (d) their value does not exceed thirty-three per cent of X, where X equals Net Tier 1 Capital, excluding the entire value of the preference shares in regulation 7 (2)(a)(ii); and
 - (e) they meet the conditions in paragraphs 2 and 3 below.

2. Preference shares -
 - (a) in respect of which there is an option for redemption at the request of the holder;
 - (b) in respect of which there is obligation of the issuer to redeem the shares; or
 - (c) are callable by the issuer within five years of issuance,shall not qualify as being of permanent and perpetual duration under paragraph 1(b).

3. Preference shares in respect of which-
 - (a) cumulative dividends are payable to the holder;
 - (b) payment of dividends is influenced by the credit rating of the issuer;
 - (c) compensation other than a dividend is payable to holders; or
 - (d) the issuer is required to establish and maintain a sinking fund or purchase funds,shall not qualify as being free of mandatory payments or encumbrances in accordance with paragraph 1(c) above.

Part B – Hybrid Capital Instruments in Tier 2A Capital

A hybrid capital instrument shall be included in Tier 2A Capital where the terms or conditions of the hybrid capital instrument provide for or meet the following criteria:

- (a) they are of perpetual duration and fully paid up;
- (b) there is no option for redemption at the request of the holder;
- (c) they are unsecured and fully subordinated to the interests of policyholders and unsecured creditors;
- (d) subject to Part E of this Schedule, they are callable by the issuer after a minimum of five years and with the prior consent of the Inspector;
- (e) payment/declaration of dividends or interest are deferred by the issuer where the profitability of the issuer would not support payment; and
- (f) they do not contain restrictive covenants or default clauses that would allow the holder to trigger acceleration of repayment in circumstances other than insolvency, bankruptcy or winding-up of the issuer.

Part C – Limited Life Instruments in Tier 2B Capital

A limited life instrument shall be included in Tier 2B Capital where the terms or conditions of the limited life instrument provide for or meet the following criteria:

- (a) the initial minimum term of the limited life instrument is greater than five years;
- (b) the limited life instrument is fully subordinated to the interests of policyholders and other creditors;
- (c) the limited life instrument is fully paid up in cash or, with the approval of the Inspector, in property; and

- (d) subject to Part E of this Schedule, the limited life instrument may be callable by the issuer after a minimum of five years and with the prior consent of the Inspector.

Part D - Amortization of Tier 2B Capital Instruments

Years to Maturity	Included in Capital
A remaining term of at least 4 years, but less than 5 years	80%
A remaining term of at least 3 years, but less than 4 years	60%
A remaining term of at least 2 years, but less than 3 years	40%
A remaining term of at least 1 year, but less than 2 years	20%
A remaining term of less than 1 year	0%

Part E – Exercising a Call Option on a Capital Instrument

The call option for capital instruments referred to in paragraph 2 (c) of Part A, paragraph (d) of Part B and paragraph (d) of Part C of this Schedule shall satisfy the following criteria:

- (a) An issuer’s actions or the terms of the capital instrument shall not create an expectation that the call will be exercised; and
- (b) An issuer shall not exercise the call unless:
 - i) it replaces the called capital instrument with capital of the same or better quality; or
 - ii) the issuer demonstrates that its capital position would be above the minimum ratios in regulation 5(4) after the call option is exercised.

SCHEDULE 4 (Regulation 11)

Asset Default Risk Charge and Factors

1. The value of assets referred to in regulation 11 used to calculate the asset default risk charge shall be -
 - (a) net of any depreciation or provision for diminution of value; and
 - (b) inclusive of any investment income due and accrued.

2. The appropriate risk factor for the asset default risk charge referred to in regulation 11 shall be determined in accordance with Table 1.

3. (1) Except for bonds and other evidence of indebtedness –
 - (a) issued by the Government of Trinidad and Tobago;
 - (b) guaranteed by the Government of Trinidad and Tobago; or
 - (c) issued by Multilateral Agencies,the ratings for bonds and other evidence of indebtedness in Table 1 refer to the rating of the instrument.
 - (2) A risk factor of 0% shall be assigned to bonds and other evidence of indebtedness-
 - (a) issued by the Government of Trinidad and Tobago;
 - (b) guaranteed by the Government of Trinidad and Tobago; or
 - (c) issued by Multilateral Agencies.
 - (3) For the purpose of this Schedule, “Multilateral Agencies” means organizations that are jointly owned by a group of countries for the purpose of assisting with the social and economic growth and development in member countries and shall include the following:
 - (a) African Development Bank;
 - (b) Asian Development Bank;
 - (c) Bank for International Settlements;
 - (d) Caribbean Development Bank;
 - (e) Council of Europe Development Bank;
 - (f) European Bank for Reconstruction and Development;
 - (g) European Central Bank;
 - (h) European Community;
 - (i) European Economic Community;
 - (j) European Investment Bank;
 - (k) European Investment Fund;
 - (l) Inter-American Development Bank;
 - (m) International Bank for Reconstruction and Development;
 - (n) International Finance Corporation;
 - (o) International Monetary Fund;
 - (p) Islamic Development Bank;
 - (q) Multilateral Investment Guarantee Agency;
 - (r) Nordic Investment Bank; or
 - (s) The International Finance Facility for Immunisation

4. In the event that a bond or other evidence of indebtedness is not rated, the rating of the issuer applies. If neither the issuer nor the bond or other evidence of indebtedness is rated, the risk factor shall be the appropriate unrated categories in Table 1.

Table 1

Assets	Factor
Bank certificates of deposit	0.25%
Commercial paper including bankers acceptances secured by bank deposit	0.25%
Commercial paper including bankers acceptances secured by investment grade instrument	2.00%
Other commercial paper including bankers acceptances	15.00%
Bonds and other evidence of indebtedness	
Rated "AA-" or higher	0.50%
Rated "A-" to "A+"	1.00%
Rated "BBB-" to "BBB+"	3.00%
Rated "BB-" to "BB+"	5.00%
Rated "B-" to "B+"	10.00%
Rated "CCC+" and below	15.00%
Unrated and fully collateralized	10.00%
Unrated	15.00%
Rated Asset Backed Securities	
Rated "AA-" or higher	0.50%
Rated "A-" to "A+"	2.00%
Rated "BBB-" to "BBB+"	3.00%
Rated "BB-" to "BB+"	10.00%
Rated "B-" to "B+"	15.00%
Rated "CCC+" and below	20.00%
Qualifying Unrated Asset-Backed Securities	2.00%
Non-Qualifying Unrated Asset Backed Securities	20.00%
Receivables (Excluding non-distinct components not separated per IFRS 17)	
Agent or broker debit balances aged less than 60 business days	0.00%
Outstanding premiums aged less than 60 business days (for long-term insurance business)	0.00%
Outstanding premiums aged less than 20 business days (for general insurance business)	0.00%
Subrogation aged less than 120 business days	0.00%

Assets	Factor
Other Balance sheet receivables	0.50%
Reinsurance Contract Held Assets Rated “AA-” or higher	0.50%
Reinsurance Contract Held Assets Rated “A-” to “A+”	2.00%
Reinsurance Contract Held Assets Rated “BBB-” to “BBB+”	3.00%
Reinsurance Contract Held Assets Rated “BB-” to “BB+”	10.00%
Reinsurance Contract Held Assets Rated “B-” to “B+”	15.00%
Reinsurance Contract Held Assets Rated “CCC+” and below	15.00%
Reinsurance Contract Held Assets Unrated	20.00%
Mortgages	
Residential Mortgages that are less than 60 business days overdue	2.00%
Commercial Mortgages that are less than 60 business days overdue	4.00%
Residential Mortgages that are overdue between 60 and 120 business days	10.00%
Commercial Mortgages that are overdue between 60 and 120 business days	20.00%
Undeveloped Land	8.00%
Mutual Funds, Units and other Collective Investment Schemes	
Money market funds	2.00%
Bond funds	8.00%
Miscellaneous Items	
Cash	0.00%
Fixed Assets (excluding Real Estate)	10.00%
All Other Assets not described in either Schedule 4 or Schedule 6 and not required to be deducted pursuant to regulation 9	20.00%

5. Notwithstanding paragraph 2 of this Schedule, in the case of unrated bonds or other evidence of indebtedness acquired prior to the commencement of these Regulations, the risk factor shall be determined in accordance with sub-regulation 25(2)(a).
6. In the case of bonds or other evidence of indebtedness guaranteed by the Government of Trinidad and Tobago referred to in Table 1 of this Schedule, such guarantees shall be explicit, unconditional, legally enforceable and irrevocable over the life of the bond or other evidence of indebtedness in question.

7. A security shall not be categorised as a qualifying unrated asset-backed security in Table 1 unless the following criteria are met:
 - (a) The underlying asset(s) must be equities, bonds, debentures, stocks or other evidence of indebtedness of:
 - (i) the Government of Trinidad and Tobago; or
 - (ii) any public corporation that is fully guaranteed by the Government of Trinidad and Tobago and which said guarantee is explicit, unconditional, legally enforceable and irrevocable over the life of the equity, bond, debenture, stock or other evidence of indebtedness in question;
 - (b) Such equities, bonds, debentures, stocks or other evidence of indebtedness must be vested in a trustee on behalf of the participants under a deed of trust constituting participation;
 - (c) Such equities, bonds, debentures, stocks or other evidence of indebtedness must be transferred from the seller to the trustee by way of an executed instrument of transfer and such trustee is constituted as the registered owner of such equities, bonds, debentures, stocks or other evidence of indebtedness;
 - (d) The trustee of the equities, bonds, debentures, stocks or other evidence of indebtedness is, without being compelled to take recourse to the seller, empowered by the deed of trust constituting the participation to take enforcement action against the issuer of such asset(s);
 - (e) Participants under the deed of trust constituting the participation have a right of action against the trustee, where the trustee has acted negligently or committed a breach of trust; and
 - (f) The seller and trustee are financial institutions regulated by the Central Bank.
8. In the case of subrogation receivables from another insurer or a third party contained in Table 1, the number of business days outstanding shall be measured from the date of acknowledgement and confirmation of the amount of the subrogation receivable due from that other insurer or third party.
9. (1) Notwithstanding paragraph 2 of this Schedule, in the case of repurchase agreements or reverse repos –
 - (a) if there is exposure to counterparty risk, the risk factor shall be the higher of the risk factor in Table 1 assigned to the securities to be repurchased or sold, or the risk factor assigned to the counterparty in accordance with Schedule 7; or
 - (b) if there is no exposure to counterparty risk, the risk factor shall be the risk factor in Table 1 assigned to the securities to be repurchased or sold.(2) For the purpose of this paragraph 9, “counterparty” means the party with whom the repurchase agreement or reverse repo is made.
10. Notwithstanding paragraph 2 of this Schedule, in the case of leases -
 - (a) where an insurer is the lessee, the risk factor for the underlying leased asset in accordance with Table 1 in this Schedule or Table 2 in Schedule 6 shall apply;
 - (b) where an insurer is the lessor of a finance lease in respect of real estate, the risk factor for the counterparty in Schedule 7 shall apply, unless the lease is in arrears in which case a risk factor of twenty per cent shall apply; or
 - (c) where an insurer is the lessor of an operating lease in respect of real estate, the risk factor for the leased asset in accordance with Table 2 in Schedule 6 shall apply.
 - (d) “counterparty” for the purpose of this paragraph means the lessor in the case of a finance lease.

- 11.(1) Notwithstanding paragraph 2 of this Schedule, the risk factor applicable to non-performing assets shall be the risk factor assigned to those assets in Table 1 increased by an additional twenty per cent.
- (2) For the purpose of this Schedule, “non-performing assets” mean assets for which the interest or installment of principal are overdue for more than sixty business days but does not include -
- (a) assets required to be deducted under regulation 9; or
 - (b) the following assets in Table 1:
 - (i) subrogation receivables aged less than 120 business days;
 - (ii) residential mortgages that are overdue between 60 and 120 business days; and
 - (iii) commercial mortgages that are overdue between 60 and 120 business days.
- 12.The asset default risk charge does not apply to the portion of the assets backing the investment linked insurance business if –
- (a) the assets are identifiable and valued at market value;
 - (b) transfers into and out of the portfolio of assets occur at market value; and
 - (c) there is full pass through of investment returns due on the policies and credited returns are not based on the insurer’s discretion.

SCHEDULE 5
Collateralization

1. This Schedule only applies to the following transactions -
 - (a) transactions in which the credit exposure is an unrated bond or other evidence of indebtedness; or
 - (b) transactions which are repurchase agreements, reverse repos, finance leases or off-balance sheet activities made between an insurer and an unrated counterparty.
2. Subject to paragraphs 3 and 4 of this Schedule, a transaction referred to in paragraph 1 of this Schedule shall qualify as being fully collateralized for the purpose of these Regulations where it meets the following criteria -
 - (a) The collateral –
 - (i) is posted by a counterparty or a third party on behalf of a counterparty in order to fully secure the exposure to risk in the transaction;
 - (ii) is pledged, legally assigned, conveyed or transferred to the insurer for at least the life of the exposure; and
 - (iii) meets the criteria in paragraph 4;
 - (b) the fully collateralized transaction is binding on all parties and legally enforceable in all relevant jurisdictions;
 - (c) the insurer has-
 - (i) conducted a sufficient and reasoned legal review supported by legal opinions to verify the enforceability and legal nature of the transaction;
 - (ii) undertaken such further review as necessary to ensure continuing enforceability;
 - (iii) the right to liquidate or take legal possession of the collateral in a timely manner in the event of the default, insolvency or bankruptcy of the counterparty and, where applicable, of the custodian holding the collateral;
 - (iv) taken all necessary steps to fulfil any requirements under the law applicable to the interest of the insurer in the collateral, for obtaining and maintaining an enforceable security interest or for exercising a right to net or set off in relation to title transfer collateral;
 - (v) clear and robust procedures for the timely liquidation of collateral; and

- (vi) taken steps to ensure that any legal conditions required for declaring the default of the counterparty and liquidating the collateral are observed, and that collateral can be liquidated promptly; and
 - (d) Where collateral is held by a custodian, the insurer has taken reasonable steps to ensure that the custodian segregates the collateral from its own assets.
3. Notwithstanding paragraph 2 of this Schedule, where the value of the collateral has a positive correlation to the credit rating of the counterparty including but not limited to transactions where the collateral posted is securities issued by the counterparty, that transaction shall not be recognized as a fully collateralized transaction.
4. The following collateral shall be recognized for fully collateralized transactions:
- (a) Debt securities rated by a credit rating agency where these securities have a credit rating of:
 - (i) BB or better and have been issued or guaranteed by the Government of Trinidad and Tobago and such guarantees shall be explicit, unconditional, legally enforceable and irrevocable over the life of the debt security; or
 - (ii) BBB or better and have been issued by other entities (including banks, insurance companies, and securities firms)
 - (b) Unrated debt securities where
 - (i) the securities are issued by a company whose equity is listed on a recognized exchange;
 - (ii) the securities are classified as senior debt;
 - (iii) all rated issues of the same seniority by the issuing company must be assigned a credit rating of at least BBB.
 - (c) Equities and convertible bonds which are included in a main index;
 - (d) Gold; and
 - (e) collective investment schemes where:
 - (i) a price for the units is publicly quoted daily; and
 - (ii) the collective investment scheme is limited to investing in the instruments listed in (a) to (d) of paragraph 4 of this Schedule.

SCHEDULE 6 (Regulation 12)

Investment Volatility Risk Charge and Factors

1. The appropriate risk factor for the investment volatility risk charge referred to in regulation 12 shall be determined in accordance with Table 2 except that in the case of quoted common shares acquired prior to the commencement of these Regulations, the risk factor shall be determined in accordance with sub-regulation 25(2)(b).

Table 2

Assets	Factor
Equity Investments	
Quoted Common Shares	20%
Unquoted Common Shares	25%
Quoted Preference Shares	10%
Unquoted Preference Shares	12%
Real Estate	
Income-producing Real Estate	10%
Owner-Occupied Real Estate	5%
Oil, gas and mining properties/rights	35%
Other	15%
Funds, Mutual Funds, Units and other Collective Investment Schemes	
Equity funds	20%
Other including exchange traded funds	12%

2. (a) The risk factor for income-producing real estate shall be used only if the real estate earns an income yield of at least 4% of its carrying value.
(b) The 4% test in sub-paragraph (2)(a) should be calculated net of encumbrances, if any, and income should be calculated net of all real-estate expenses (including interest on encumbrances) and taxes (including property and other taxes, but excluding income taxes).
(c) The income amount used in the 4% test in sub-paragraph (2)(a) includes cash income only, and does not include amortization of the value of the property.
(d) The risk factor for income-producing real estate shall not be used for properties currently under development and for which imputed interest is capitalized for financial reporting purposes.
(e) For avoidance of doubt, if income-producing real estate does not satisfy the criteria in sub-paragraphs (a) to (d), a risk factor of 15% shall be applied.
3. The investment volatility risk charge does not apply to the portion of the assets backing the investment linked insurance business if—
 - (a) the assets are identifiable and valued at market value;
 - (b) transfers into and out of the portfolio of assets occur at market value; and
 - (c) there is full pass through of investment returns due on the policies and credited returns are not based on the insurer's discretion.

SCHEDULE 7
Counterparty Risk Factors

1. The appropriate risk factor for counterparty risk shall be determined in accordance with Table 3 in this Schedule.

Table 3

Counterparty Rating	Factor
Rated "AA-" or higher	0.5%
Rated "A+" to "A-"	1.0%
Rated "BBB+" to "BBB-"	3.0%
Rated "BB+ " to "BB-"	5.0%
Rated "B- to B+"	10.0%
Rated "CCC+" and below	15.0%
Unrated counterparty where the transaction is fully collateralized	10.0%
Unrated	15.0%

SCHEDULE 8 (Regulation 14)
Foreign Currency Mismatch Risk Charge and Factors

1. Subject to paragraphs 3 and 4 of this Schedule, the foreign currency mismatch risk charge shall be -
- (a) two per cent of the total of the net open positions in any currency issued by countries with a credit rating of BBB and above expressed in Trinidad and Tobago dollars; and
 - (b) eight per cent of the total of the net open positions in any currency issued by countries with a credit rating of BBB minus and below, expressed in Trinidad and Tobago dollars.
2. For the purpose of these Regulations, the net open position shall be the absolute value of the assets denominated in a currency less the liabilities denominated in that currency and such value shall be converted to Trinidad and Tobago dollars using the prevailing selling rate as determined by the Central Bank at the valuation date.
3. Where the appointed actuary demonstrates that provisions for foreign currency mismatch risk have been established within the policy liabilities, such provisions may be offset against the foreign currency mismatch risk charge.
4. The foreign currency mismatch risk charge does not apply to the portion of the assets backing and the liabilities of the investment linked insurance business if -
- (a) the assets are identifiable and valued at market value;
 - (b) transfers into and out of the portfolio of assets occur at market value; and
 - (c) there is full pass through of investment returns due on the policies and credited returns are not based on the insurer's discretion.

SCHEDULE 9 (Regulation 15)

Asset Liability Mismatch Risk Charge and Factors

1. Subject to paragraphs 2 and 3 of this Schedule, the asset liability mismatch risk charge shall be ten per cent of the absolute change in the best estimate policy liabilities resulting from a one per cent parallel shift in the discount curve.
2. All best estimate values referred to in this Schedule shall be calculated using the discount curve used in the financial statement valuation of the policy liabilities being stressed.
3. The asset liability mismatch risk charge under this Schedule shall be calculated in respect of the liability for remaining coverage only. Cash flows attributable to the liability for incurred claims are excluded from the calculations under this Schedule.
4. Where the insurer has implemented an asset liability management policy in place and has the ability to stress test the assets supporting the liability segment, a one per cent parallel shift in the discount curve shall be determined and the asset liability mismatch risk charge shall be the lesser of –
 - (a) the absolute change in the best estimate policy liabilities minus the absolute change in the assets, when a one per cent parallel shift is applied; and
 - (b) the charge calculated under paragraph 1 of this Schedule.
5. The asset liability mismatch risk charge does not apply to the portion of the assets backing and the liabilities of the investment linked insurance business if -
 - (a) the assets are genuinely identifiable and valued at market value;
 - (b) transfers into and out of the portfolio of assets occur at market value; and
 - (c) there is full pass through of investment returns due on the policies and credited returns are not based on the insurer's discretion.

SCHEDULE 10 (Regulation 16)
Mortality and Morbidity Risk Charge and Factors

1. The appropriate risk factor for the mortality risk charge referred to in sub-regulation 16(1) shall be determined in accordance with Table 4.

Table 4

Type of policy	Measure of exposure	Factors
Individual life and Group life	Net amount at risk	.0010 (Less than 1 year guaranteed term remaining) .0020 (1-5 years guaranteed term remaining) .0040 (Over 5 years guaranteed term remaining)
Participating adjustable life & universal life where mortality costs are reasonably flexible	Net amount at risk	.0020 Where mortality costs are not reasonably flexible, use the factors for "All other policies"
Accidental death and dismemberment: Participating adjustable life and universal life	Net amount at risk	.0006
Accidental death and dismemberment: Individual life and Group life	Net amount at risk	.00030 (Less than 1 year guaranteed term remaining) .0006 (1-5 years guaranteed term remaining) .0012 (Over 5 years guaranteed term remaining)
All annuities involving life contingencies	Best estimate policy liabilities	.02
All other policies	Net amount at risk	.0010 (Less than 1 year guaranteed term remaining) .0020 (1-5 years guaranteed term remaining) .0040 (Over 5 years guaranteed term remaining)

2. The appropriate risk factor for the morbidity risk charge referred to in sub-regulation 16(2) shall be determined in accordance with Table 5.

Table 5

Type of Policy	Measure of exposure	Factors
Disability income and premium waiver with guaranteed terms:		

Type of Policy	Measure of exposure	Factors																							
Individual – New claims Continuing claims	Net premiums received within the last twelve months Liability for incurred claims related to claims incurred in prior years, including the portion of the provision for incurred but unreported claims	.24 (Less than 1 year guaranteed term remaining) .40 (1-5 years guaranteed term remaining) .60 (over 5 years guaranteed term remaining) <table border="1" data-bbox="810 427 1265 869"> <thead> <tr> <th colspan="3" data-bbox="810 427 1114 584">Duration of disability (years)</th> <th data-bbox="1114 427 1265 584">Benefit period remaining (years)</th> </tr> <tr> <th data-bbox="810 584 922 620">2</th> <th data-bbox="922 584 1018 620">>2≤5</th> <th data-bbox="1018 584 1114 620">>5</th> <th data-bbox="1114 584 1265 620"></th> </tr> </thead> <tbody> <tr> <td data-bbox="810 620 922 707">.080</td> <td data-bbox="922 620 1018 707">.060</td> <td data-bbox="1018 620 1114 707">.040</td> <td data-bbox="1114 620 1265 707">≤ 1</td> </tr> <tr> <td data-bbox="810 707 922 786">.120</td> <td data-bbox="922 707 1018 786">.090</td> <td data-bbox="1018 707 1114 786">.060</td> <td data-bbox="1114 707 1265 786">>1 ≤2</td> </tr> <tr> <td data-bbox="810 786 922 869">.160</td> <td data-bbox="922 786 1018 869">.120</td> <td data-bbox="1018 786 1114 869">.080</td> <td data-bbox="1114 786 1265 869">> 2</td> </tr> </tbody> </table>				Duration of disability (years)			Benefit period remaining (years)	2	>2≤5	>5		.080	.060	.040	≤ 1	.120	.090	.060	>1 ≤2	.160	.120	.080	> 2
Duration of disability (years)			Benefit period remaining (years)																						
2	>2≤5	>5																							
.080	.060	.040	≤ 1																						
.120	.090	.060	>1 ≤2																						
.160	.120	.080	> 2																						
Disability Income and premium waiver with guaranteed terms: Group - New claims	Net premiums received within the last twelve months	.24 (Less than 1 year guaranteed term remaining) .50 (1-5 years guaranteed term remaining) .80 (over 5 years guaranteed term remaining)																							
Continuing claims	Liability for incurred claims related to claims incurred in prior years, including the portion of the provision for incurred but unreported claims	<table border="1" data-bbox="810 1339 1265 1653"> <thead> <tr> <th colspan="3" data-bbox="810 1339 1114 1496">Duration of disability (years)</th> <th data-bbox="1114 1339 1265 1496">Benefit period remaining (years)</th> </tr> <tr> <th data-bbox="810 1496 922 1532">≤ 2</th> <th data-bbox="922 1496 1018 1532">>2≤5</th> <th data-bbox="1018 1496 1114 1532">>5</th> <th data-bbox="1114 1496 1265 1532"></th> </tr> </thead> <tbody> <tr> <td data-bbox="810 1532 922 1568">.080</td> <td data-bbox="922 1532 1018 1568">.060</td> <td data-bbox="1018 1532 1114 1568">.040</td> <td data-bbox="1114 1532 1265 1568">≤ 1</td> </tr> <tr> <td data-bbox="810 1568 922 1603">.120</td> <td data-bbox="922 1568 1018 1603">.090</td> <td data-bbox="1018 1568 1114 1603">.060</td> <td data-bbox="1114 1568 1265 1603">>1 ≤2</td> </tr> <tr> <td data-bbox="810 1603 922 1653">.160</td> <td data-bbox="922 1603 1018 1653">.120</td> <td data-bbox="1018 1603 1114 1653">.080</td> <td data-bbox="1114 1603 1265 1653">> 2</td> </tr> </tbody> </table>				Duration of disability (years)			Benefit period remaining (years)	≤ 2	>2≤5	>5		.080	.060	.040	≤ 1	.120	.090	.060	>1 ≤2	.160	.120	.080	> 2
Duration of disability (years)			Benefit period remaining (years)																						
≤ 2	>2≤5	>5																							
.080	.060	.040	≤ 1																						
.120	.090	.060	>1 ≤2																						
.160	.120	.080	> 2																						
Other accident and sickness excluding accidental death and dismemberment – New claims		.24																							

Type of Policy	Measure of exposure	Factors
Continuing claims	Net premiums received within the last twelve months Liability for incurred claims related to claims incurred in prior years, including the portion of the provision for incurred but unreported claims	.20
Health insurance Individual and Group – New claims Continuing claims	Net premiums received within the last twelve months Liability for incurred claims related to claims incurred in prior years, including the portion of the provision for incurred but unreported claims	.40 .20

3. Where current premium rates are significantly less than the maximum guaranteed premium rates, the term of the current premium rates shall be the guaranteed term for the purpose of calculating the mortality risk charge in accordance with paragraph 1 of this Schedule and the morbidity risk charge in accordance with paragraph 2 of this Schedule.
4. Where disability income and premium waiver benefits are attached to group life policies, the factors for individual coverage shall apply to these riders for the purpose of calculating the morbidity risk charge in accordance with paragraph 2 of this Schedule.

SCHEDULE 11 (Regulation 17)
Lapse Risk Charge and Factors

Lapse Risk Charge

1. Definitions

In this Schedule —

"set" means a grouping of insurance contracts issued, or of reinsurance contracts held, that share similar lapse characteristics and to which common best estimate lapse rates are applied in the financial statement valuation;

"sub-set" means a partition of a set by attained duration band, with bands of zero to ten years, eleven to twenty years, twenty-one to thirty years, and thirty-one years and over, where the attained duration of a contract is its duration at the valuation date;

"post-shock rate" means the best estimate lapse rate at a duration adjusted in accordance with paragraph 4 of this Schedule;

"sub-set designation" means the classification of a sub-set as lapse-sensitive or lapse-supported in accordance with paragraph 5 of this Schedule.

In this Schedule, references to "insurance contracts issued" include investment contracts with discretionary participation features valued using the general measurement model or variable fee approach of IFRS 17.

2. Discount curve

All best estimate values referred to in this Schedule shall be calculated using the discount curve used in the financial statement valuation of the relevant contracts.

3. Scope

The lapse risk charge under this Schedule shall be calculated in respect of the liability for remaining coverage only. Cash flows attributable to the liability for incurred claims are excluded from the calculations under this Schedule.

4. Post-shock rate

The post-shock rate shall be calculated by adjusting the best estimate lapse rate at each duration by —

(a) fifteen per cent of the underlying lapse rate, in respect of participating and adjustable premium policies; and

(b) thirty per cent of the underlying lapse rate, in respect of all other policies, with the direction of adjustment determined by the sub-set designation under paragraph 5 of this Schedule. Where the post-shock rate calculated under this paragraph would exceed ninety-seven and a half per cent per annum, it shall be capped at ninety-seven and a half per cent per annum. In calculating values using post-shock rates, all assumptions other than the lapse rate shall remain as used in the financial statement valuation.

5. Sub-set designation

For each sub-set, the insurer shall calculate two values —

(a) the value of the contracts in the sub-set using post-shock rates with the adjustment under paragraph 4 applied as an increase at all durations within the sub-set; and

(b) the value of the contracts in the sub-set using post-shock rates with the adjustment under paragraph 4 applied as a decrease at all durations within the sub-set.

A sub-set is —

- (i) "lapse-sensitive" if subparagraph (a) is the adverse direction for the sub-set; and
- (ii) "lapse-supported" if subparagraph (b) is the adverse direction for the sub-set,

where the adverse direction is —

- (A) for sub-sets in a liability position, the direction that increases the best estimate policy liabilities for the sub-set; and
- (B) for sub-sets in an asset position, the direction that decreases the best estimate asset for the sub-set.

6. Lapse risk charge in respect of insurance contracts issued

For each sub-set of insurance contracts issued —

- (a) the insurer shall calculate the best estimate value for the sub-set using best estimate lapse rates; and
- (b) the insurer shall calculate the best estimate value for the sub-set using post-shock rates with the adjustment applied as an increase at all durations if the sub-set is lapse-sensitive, or as a decrease at all durations if the sub-set is lapse-supported.

The lapse risk charge for the sub-set is the value calculated in subparagraph (b) less the value calculated in subparagraph (a), with a minimum value of zero.

The lapse risk charge in respect of insurance contracts issued for the insurer is the sum of the lapse risk charges for all sub-sets calculated under this paragraph.

7. Lapse risk charge in respect of reinsurance contracts held

For each sub-set of reinsurance contracts held —

- (a) the insurer shall calculate the best estimate value for the sub-set using best estimate lapse rates; and
- (b) the insurer shall calculate the best estimate value for the sub-set using post-shock rates with the adjustment applied as an increase at all durations if the sub-set is lapse-sensitive, or as a decrease at all durations if the sub-set is lapse-supported.

The lapse risk charge for the sub-set is the value calculated in subparagraph (b) less the value calculated in subparagraph (a), with a minimum value of zero.

The lapse risk charge in respect of reinsurance contracts held for the insurer is the sum of the lapse risk charges for all sub-sets calculated under this paragraph.

8. Lapse risk charge for the insurer

The lapse risk charge for the insurer is the sum of the lapse risk charge calculated under paragraph 6 and the lapse risk charge calculated under paragraph 7, divided by 1.5.

SCHEDULE 12 (Regulation 18)
Interest Margin Pricing Risk Charge and Factors

Type of Policy	Factor
Deferred annuities that are renewable at new business rates; policies with no repricing risk; policy liabilities and other actuarial liabilities that are not discounted for interest	.000
Adjustable premiums/adjustable interest credits; universal life where the crediting rates are reasonably flexible	.006
All other policies	.012

SCHEDULE 13 (Regulation 19)
Liquidity and Operational Risk Charge and Factors

The appropriate risk factor for the liquidity and operational risk charge applicable to investment linked insurance business shall be one percent.

SCHEDULE 14 (Regulation 21)
Margin for Unexpired Coverage and Factors

Class of Insurance Business	Factor
Property	.17
Motor Vehicle	.11
Marine, Aviation and Transport	.13
Workers Compensation	.22
Liability	.28
Pecuniary Loss	.17
Personal Accident	.20

SCHEDULE 15 (Regulation 22)
Margin for Liability for Incurred Claims and Factors

Class of Insurance Business	Factor
Property	.11
Motor Vehicle	.11
Marine, Aviation and Transport	.13
Workers Compensation	.17
Liability	.17
Pecuniary Loss	.13
Personal Accident	.13

SCHEDULE 16 (Regulation 23)
Catastrophe Risk Charge and Factors

1. The catastrophe risk charge shall be the cost to the insurer of a catastrophe event equal to the minimum acceptable upper limit divided by 1.5.
2. For the purpose of this Schedule, the cost to the insurer of a catastrophe event shall be net of all other applicable reinsurance arrangements and includes the retention of the insurer and reinstatement cost under the catastrophe reinsurance programme.
3. For the purposes of this Schedule, the minimum acceptable upper limit is an event which is expected to occur once in every two hundred and fifty years.

SCHEDULE 18 (Regulation 8A)

Comparability Deduction

This Schedule sets out the method of computation of the comparability deduction. The amount of the deduction is determined as the sum of two components: a discount-rate technique component, applicable to insurance contracts measured under the general measurement model; and a spread technique component, applicable to insurance contracts measured under the variable fee approach.

1. Discount-rate technique

Under the discount-rate technique, the insurer shall determine, in respect insurance contracts measured under the general measurement model—

- (a) the value of best estimate policy liabilities determined using a prescribed regulatory curve for each currency in which the cash flows are denominated and for which the Inspector has issued specifications under regulation 27A; and
- (b) the value of best estimate policy liabilities determined using the insurer's own discount rates for each currency in which the cash flows are denominated.

The discount-rate technique component of the comparability deduction shall be the aggregate amount, if any, by which (a) exceeds (b).

In determining the value of best estimate policy liabilities under sub-paragraph (a), the cash flows and all other assumptions shall be those used in the financial statement valuation, and only the discount rate shall differ.

Where, in respect of cash flows denominated in a currency for which the Inspector has not issued specifications under regulation 27A, the insurer shall determine the value of best estimate policy liabilities under sub-paragraph (a) using the insurer's own discount rates for that currency.

The amounts in respect of separate portfolios of insurance contracts shall not be netted.

2. Spread technique

(1) In this paragraph—

“benchmark spread” means, in respect of a combination, the single value, expressed in basis points, being the lower of (a) the average value of the spread realised by contracts in the combination over the preceding three financial years; and (b) the value of the spread realised by those contracts in the most recent financial year;

“combination” means a collection of contracts within a portfolio of insurance contracts denominated in a common currency that share a common credited rate at each duration and a common gross investment return at each duration, where the credited rate and gross investment

return at each duration are those used in the financial statement valuation of those contracts, and contracts that differ in any of those respects are in separate combinations;

“*gross investment return*” means, in respect of a combination, the projected return on the underlying items used in measuring insurance contract liabilities in respect of that combination in accordance with IFRS 17, before allocation of any portion to policyholders by way of credited rates;

“*projected gross spread vector*” means, in respect of a combination, the duration-based vector whose element at each duration is the projected value of the spread at that duration implied by the cash flow assumptions used in the measurement of insurance contract liabilities for contracts in the combination as at the reporting date;

“*spread*” means, in respect of a combination, the difference, expressed in basis points, between the gross investment return and the credited rate to policyholders.

(2) Under the spread technique, the insurer shall, in respect of each combination of contracts measured under the variable fee approach—

(a) compare the projected gross spread vector with the benchmark spread; and

(b) at each duration at which the element of the projected gross spread vector exceeds the benchmark spread, replace that element with the benchmark spread, and recalculate best estimate policy liabilities using the modified projected gross spread vector, and the spread technique component of the comparability deduction in respect of each combination shall be the amount, if any, by which the value of best estimate policy liabilities determined using the benchmark spread, exceeds the value of best estimate policy liabilities determined using the projected gross spread vector, with the amount in respect of any combination being floored at zero. The benchmark spread, being a single value, applies at every duration of the projected gross spread vector, and the comparison and any substitution are performed duration by duration. In recalculating best estimate policy liabilities under sub-paragraph (b), the gross investment return and all other assumptions used in the measurement of the best estimate policy liabilities shall remain as used in the financial statement valuation, and the credited rate shall be the rate that, given that gross investment return, produces the spread as modified under that sub-paragraph.

(3) The amounts in respect of separate combinations shall not be netted, whether or not the combinations fall within the same portfolio of insurance contracts.

3. Specifications

(1) In this paragraph—

“*convergence point*” means the duration at which a prescribed regulatory curve converges to the Ultimate Forward Rate, as specified by the Inspector;

“*Last Liquid Point*” or “LLP” means the last duration at which a prescribed regulatory curve uses the insurer’s own discount rate, as specified by the Inspector;

“prescribed regulatory curve” means, in respect of a currency in which insurance contract cash flows are denominated and for which the Inspector has issued specifications under regulation 27A, the discount curve so specified for use in determining the comparability deduction;

“Ultimate Forward Rate” or “UFR” means the long-term forward interest rate to which a prescribed regulatory curve converges, as specified by the Inspector.

(2) The Inspector may issue specifications under regulation 27A in respect of any matter relevant to the determination of the comparability deduction, including the currencies for which a prescribed regulatory curve is issued and the parameters of each such prescribed regulatory curve, the granularity at which combinations are to be identified, the methodology for determining the benchmark spread, and the recalculation mechanics.

4. Section 82 powers

Nothing in this Schedule limits the powers of the Inspector under section 82 of the Act, including any power to require an insurer to report more granular portfolios of insurance contracts or combinations.

Dated this day of , 2026.

Minister of Finance