



CENTRAL BANK OF TRINIDAD & TOBAGO

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Circular letter to all Insurance Companies, the Appointed Actuaries of Life Insurance Companies, members of the Statutory Valuation Working Group, the ATTIC Secretariat and ICATT.

REF: CB-OIFI-245/2011

**Parallel Run 2 of the
Valuation of the Long Term Insurance Business
Risk Based Capital Requirements and
Non-Life Outstanding Claims Reserves**

Further to our letter dated December 20, 2010 on the above subjects, the Central Bank of Trinidad and Tobago (Central Bank) advises that all relevant information in respect of the Parallel Run 2 is now available on the Central Bank's website at this location http://www.central-bank.org.tt/financial_stability/index.php?pid=3079.

The information comprises:

1. Valuation of Long Term Insurance Business:
 - Draft Insurance (Caribbean Policy Premium Method) Regulations
 - Guidance document for the CPPM
 - Inspector's Directions
2. Risk Based Capital Requirements:
 - Draft Insurance (Capital Adequacy) Regulations
 - Guidance document for Capital Adequacy for Insurers
 - Capital Adequacy Returns. These Returns now include the revised Form D1 – Balance Sheet and Form D3 – Statutory Fund Requirements and have been separated by type of company:
 - Capital Adequacy Returns for Life Insurance Companies
 - Capital Adequacy Returns for General Insurance Companies
 - Capital Adequacy Returns for Composite companies
3. Non-Life Outstanding Claims Reserves:
 - Form B4 Schedules – Claims run-off data. These forms are required for the previous 3 years' financial year-ends for each line of business.
 - Guidance document for Form B4 Schedules

Based on concerns raised regarding various risk factors, the grandfathering provision and the transition provision under the risk based capital framework, amendments have been made to the Draft Insurance (Capital Adequacy) Regulations. The most important of these are as follows:

- a. Short Term Securities – T-Bills. The risk factors for T-Bills issued by other sovereigns have been included.
- b. Foreign Currency Mismatch Risk – The risk factors for US currency, Pound Sterling, Euro, EC, B'dos and other currencies issued by countries rated BBB and above have been reduced from 8% to 2%.
- c. Factor for Mortgages for Undeveloped Land, was reduced from 10% to 8%.
- d. Grandfathering provision – The effective date will be the date of enactment of the Insurance Bill. For Parallel Run 2 purposes, the effective date is December 31, 2010.
- e. Transitioning provision – The intent has been clarified by the new wording “Within three months of the enactment of these Regulations, Capital Adequacy Returns under Section 168 of the Act must be submitted based on the statutory returns from the insurer’s financial year end immediately prior to enactment of the Act”.

The Parallel Run 2 on the Valuation of the Long Term Insurance Business, Risk Based Capital Requirements and Non-Life Outstanding Claims Reserves will be conducted using 2010 financial year-end data and is required to be submitted by June 30, 2011.

As previously advised, once the results of the Parallel Run 2 are audited, they are expected to represent the relevant opening balances for the statutory reports that are required following enactment of the Insurance Bill. The Central Bank therefore strongly encourages your active participation in this Parallel Run 2, pending the enactment of the new Insurance Bill and Regulations in 2011.

Yours sincerely



Carl Hiralal
Inspector of Financial Institutions

c.c. CFOs and Appointed Actuaries