Central Bank of Trinidad and Tobago
Eric Williams Plaza, Independence Square, Port-of-Spain, Trinidad, Trinidad and Tobago
Postal Address: P.O. Box 1250
Telephone: (868) 621-CBTT (2288), 235-CBTT (2288); Fax: (868) 612-6396
E-Mail Address: info@central-bank.org.tt
Website: www.central-bank.org.tt

June 28, 2024

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-1975/2024

FURTHER RESPONSES TO IMPLEMENTING INTERNATIONAL FINANCIAL REPORTING STANDARD 17 - INSURANCE CONTRACTS ("IFRS 17") FOR REGULATORY PURPOSES

This correspondence follows the circular letter CB-OIFI: 1877/2024 dated June 25, 2024. The Central Bank of Trinidad and Tobago (Central Bank/Bank) now seeks to address the remaining issues raised in ATTIC's letter to the Bank dated June 5, 2024, regarding the subject above (ATTIC's letter).

The Central Bank acknowledges ATTIC's leadership in crafting specific recommendations and appreciates the detailed Appendix in its letter, which listed comments and concerns expressed by some of its members.

The feedback aligns quite closely with those also raised with the Central Bank by certain members of the Caribbean Actuarial Association (CAA)[1] and insurers directly. This letter and appendices include responses to all of the comments and concerns submitted to the Bank to date. For purposes of this letter, the stakeholders who have provided comments and concerns are referenced as "certain concerned stakeholders".

The Bank has responded to these matters in the context of its objectives and has taken the opportunity to reiterate and to provide insights into its policy framework and risk-based supervisory approach.

A. OBJECTIVES

1. The Central Bank's supervisory approach and implementation strategy to integrate IFRS 17 into the Regulatory Capital Framework and for financial condition assessment (IFRS 17 strategy) are in keeping with the Insurance Core Principles and Standards (ICP) of the International Association of Insurance Supervisors (IAIS) and the policy framework of the Insurance Act, 2018[2] (the Act). Under the Act, insurers are required to align the financial

[1] The CAA submitted, by way of letter dated April, 30, 2024, a compilation of the issues raised by certain of its individual members. The CAA might be considered to be the de facto self-regulator of actuaries in the region. The CAA did not provide the Bank with its own professional view.
[2] Section 144 (1) of the Act requires every insurer and financial holding company to submit financial statements in accordance with the financial reporting standards. Section 145 of the Act requires every insurer and financial holding company to submit audited returns in accordance with the financial reporting standards. The financial reporting standards are defined in the Act as "the International Financial

reporting standards used for the primary financial statements in the regulatory returns with those used for the audited financial statements presented to shareholders[3]. This was a deliberate policy change when the Act was developed.

2. Under the previous Act, regulatory financial statements were not based on International Financial Reporting Standards (IFRS) used for shareholder reporting. The decision to align was made in order to comply with the guidance of ICP 14.0.1 of the IAIS and to address industry concerns about the compliance cost of dual reporting. Alignment in this way reduces regulatory burden by limiting the need for insurance companies to maintain dual valuation, actuarial, accounting and reporting systems and reduces additional audit work needed for the returns. Alignment also improves supervision efficiency and effectiveness and better aligns risk-based supervisory assessments with the financial management of insurers. Furthermore, IFRS 17 is compatible with the total balance sheet approach and economic approach to capital adequacy required by the ICPs.

3. After review of stakeholders' responses to the Bank's circular letters CB-OIFI:345/2024 and CB-OIFI:663/2024 and following the consultation process, the Central Bank appreciates that there is a fair amount of agreement about the principles which underpin its IFRS 17 strategy and transition approach, most notably the need to:

    a. Protect policyholders' interests and contribute to financial stability by ensuring sound risk and capital management and reliable and transparent financial reporting by insurers (ICP 7, ICP 8, ICP 16 and ICP 24)
    b. Assess and ensure adequacy of capital/satisfactory future financial condition (ICP 9, ICP 16, ICP 17 and ICP 14)
    c. Enforce preventive and corrective measures in a timely manner to achieve supervisory objectives (ICP 10)
    d. Engage in meaningful consultation in pursuit of supervisory objectives (ICP 2.9)

4. The Bank's responses to the contents of ATTIC's letter set out in Appendix 1 are made in the context of the above objectives. Also attached as Appendix 2 are responses to the items listed in the Appendices to ATTIC's letter. Appendix 2 also includes responses to feedback received from the CAA and from individual insurers.

5. In responding, and to chart the way forward, the Bank considers the interests of all stakeholders and primarily its mandate to promote the soundness and stability of the financial system in Trinidad and Tobago and to protect the interest of policyholders in accordance with Section 7 of the Act. The duty of the Inspector set out in Section 10 (3) of the Act to ensure that insurers are in a sound financial condition is also quite pertinent.

Reporting Standards (IFRS) or such other accounting standards as may be prescribed in this Act and Regulations thereto or specified by the Central Bank."

[3]The Returns include complete sets of financial statements (the "primary financial statements") on a consolidated and non-consolidated basis. Paragraph 10 of IAS 1 of IFRS states "A complete set of financial statements comprises:
(a) a statement of financial position as at the end of the period;
(b) a statement of profit or loss and other comprehensive income for the period;
(c) a statement of changes in equity for the period;
(d) a statement of cash flows for the period;
(e) notes, comprising material accounting policy information and other explanatory information;
(ea) comparative information in respect of the preceding period as specified in paragraphs 38 and 38A; and
(f) a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively

B. ATTIC'S RECOMMENDATIONS

1. The rationale for the Bank's position on the recommendations a. to d. in discussion point #4 of ATTIC's letter is self-evident from the responses in Appendices 1 and 2. In summary the Bank's positions are:

   a. The concessions granted in circular letter CB-OIFI: 1877/2024 dated June 25, 2024, are expected to alleviate challenges experienced by certain insurers in meeting the reporting deadline.

   b. Pursuant to its statutory powers to determine the financial reporting standards for Trinidad and Tobago, the Institute of Chartered Accountants of Trinidad and Tobago (ICATT)[4] has adopted IFRS **as issued** by the International Accounting Standards Board (IASB). For regulatory reporting, the Act requires use of the same financial reporting standards used for shareholder financial statements, i.e. IFRS. The effective date of IFRS 17 is a part of the standard issued by the IASB. Therefore the Bank does not have the power to change the mandatory effective date of IFRS 17.

   c. Based on the unaudited parallel run filings to date, the Central Bank is confident that insurers are operationally able to complete the new returns and it would be counterproductive to retain the CPPM framework at this time.

   d. The Bank's latitude to take action when warranted, in pursuit of desired supervisory outcomes, cannot be constrained. In practice not every breach of a rule or requirement will result in enforcement action as other actions may be warranted. The Bank has always been proportionate in its decision making and takes action only after proper investigation, discussion and due process. Based on the unaudited parallel run filings to date and the objectives of the recalibration of the regulatory capital framework for IFRS 17, discussed in Appendix 1, the impact of the changes to the financial reporting regime and the recalibration is not expected to adversely impact the assessment of the financial condition of the industry. Transition arrangements will be put in place for individual insurers on a case by case basis if needed.

2. The Central Bank agrees to reconvene the IFRS 17 Stakeholder Group to expose changes before circulating to the wider industry. The recalibration of the regulatory capital framework is to be done based on the actual submissions from insurers. Accordingly, due to confidentiality constraints, there will be limits to the scope of what can be revealed to the Stakeholder Group. Quick turnarounds for feedback from the members of the IFRS 17 Stakeholder Group would also be required.

[4] Prescribed by Regulation 11 made under Section 507 of the Companies Act

C. THE WAY FORWARD

1. The Bank would like to ensure regulatory certainty by rectifying all areas where the regulations and the returns conflict with IFRS and the Act and to discontinue parallel runs as soon as possible before the end of 2024.

2. Parallel run Returns and regulatory reporting are therefore critical to facilitate the analysis and consultation required for developing a workable solution for the Bank's IFRS17 strategy. Key reporting timelines are set out as follows:

   a. <u>BY END OF JUNE 2024</u>
      - Insurers file its year end December 31, 2023 audited annual returns, audited financial statements, Appointed Actuary's Report, and Financial Condition Report.
      - Insurers that were permitted an additional period of three months, file its year end 2024 audited annual returns, audited financial statements, Appointed Actuary's Report, and Financial Condition Report.

   b. <u>BY JULY 5, 2024 FOR THOSE INSURERS FILING NO LATER THAN JULY 31, 2024</u>
      - Insurers file letters explaining the specific challenges with IFRS 17 implementation that caused the delay.
      - External auditors file letters advising of all high-risk areas that have been identified in the course of the external audit.
      - Members of Stakeholder Group identified.

   c. <u>BY END OF JULY 2024</u>
      - Insurers under b. file their year end audited annual returns, audited financial statements, Appointed Actuary's Report, and Financial Condition Report.
      - Meet with Stakeholder Group.

   d. <u>BY END OF AUGUST 2024</u>
      - Insurers re-submit their Parallel run Returns for the December 2023 quarter using audited data.
      - Insurers file Parallel run Returns for the June 2024 quarter, along with any feedback.
      - Updated Financial Condition Reports and capital plans requested from those insurers that require transition arrangements (if any). Deadline for these submissions is by end of September 2024.
      - Meet with Stakeholder Group.

   e. <u>BY END OF SEPTEMBER 2024</u>
      - Updated Financial Condition Reports and capital plans received from those insurers that require transition arrangements.
      - Meet with Stakeholder Group.

f. <u>BY END OF OCTOBER 2024</u>

- Insurers file Parallel run Returns for September 30, 2024 along with further feedback.
- Transition plans agreed with certain individual insurers.
- Meet with Stakeholder Group.

Please ensure that relevant personnel in your institutions are advised of the contents of this letter. The Central Bank anticipates your continued co-operation and looks forward to your feedback.

Yours sincerely,

Patrick Solomon
INSPECTOR OF FINANCIAL INSTITUTIONS

APPENDIX 1

RESPONSES TO KEY POINTS RAISED IN ATTIC'S LETTER

NON-COMPLIANCE WITH FINANCIAL REPORTING OBLIGATIONS BY INSURERS POSES RISK TO POLICYHOLDERS

1. An insurer's Board of Directors and management have a duty to ensure sound risk and capital management and reliable and transparent financial reporting. Under Section 69 of the Act, it is the Board of Directors' responsibility for (i) preparing financial statements; and (ii) establishing and maintaining an adequate internal control structure and procedures for financial reporting and maintenance of separate accounts.

2. The Companies Act requires directors to call annual meetings of shareholders[5], at which audited financial statements are required to be presented[6]. Financial statements must be prepared in accordance with standards approved by the Institute of Chartered Accountants of Trinidad and Tobago (ICATT)[7]. ICATT has adopted the IFRS as issued by the International Accounting Standards Board (IASB). Furthermore, publicly listed companies are subject to more frequent reporting to the public in accordance with the requirements of applicable stock exchanges and securities regulators. The financial statements prepared in accordance with the Companies Act are also required to be submitted to the Central Bank[8].

3. Section 67(1) of the Act states "For the purpose of discharging his duty to act honestly and in good faith with a view to the best interests of an insurer or a financial holding company, a director or officer thereof shall take into account the interests of the insurer's policyholders." Directors and management of insurers who have not been able to meet the legislated timelines for implementing IFRS 17 lack insight into the magnitude of the balance sheet and earnings impact. This hampers their decision making and can pose serious risk to policyholders.

4. The Bank's responses to specific assertions made by certain concerned stakeholders and by ATTIC are set out in Table 1.

[5] Section 109 of the Companies Act
[6] Section 151 of the Companies Act
[7] Prescribed by Regulation 11 made under Section 507 of the Companies Act
[8] Section 144 of the Act

TABLE 1

<table>
<tr><th>Key points of certain concerned stakeholders as per ATTIC's Letter</th><th>Considerations for the Bank</th></tr>
<tr><td>"ATTIC recommends the following:
a. An Extension of the Deadline Date for 2023 Financial Statements, CBTT Returns and related regulatory filings to September 30, 2024
b. Deferral of the mandatory IFRS17 Effective Date to January 1, 2025."

Central Bank's response (see section B of this letter):
a. The concessions granted in circular letter CB-OIFI: 1877/2024 dated June 25, 2024, are expected to alleviate challenges experienced by certain insurers in meeting the reporting deadline;
b. The Bank does not have the power to change the mandatory effective date of IFRS 17.</td><td>1. IFRS 17 was issued by the IASB in May 2017 and replaced IFRS 4. Since June 2020, after amendments to IFRS 17, a full four years ago, there was certainty about the requirements of the standard. A two-year deferral of the effective date from January 1, 2021 to January 1, 2023 was granted by the IASB. Early adoption was permitted. The first quarterly reports using IFRS 17 for insurers with a fiscal year ending December 31, 2023 should have been for March 31, 2023.

2. The first regulatory financial returns using IFRS 17 (as distinct from financial statements for shareholder or management reporting) was not required for March 31, 2023 for quarterly reporting but implemented for annual filings for December 31, 2023. Instead of the statutory submission date of March 31, 2024, the Central Bank allowed insurers an additional four months, until July 31, 2024 to submit if needed.

3. After six years since the issuance of IFRS 17, it is not unreasonable for the Central Bank to expect that the directors and management of insurers would have ensured that they would be in a position to fulfil their financial reporting obligations on schedule.</td></tr>
<tr><td>"Significant Reputational Concerns for the Insurance Industry as a whole in Trinidad and Tobago as well as a negative impact on consumer confidence."</td><td>4. Failure of directors and management to ensure that financial reporting obligations are fulfilled breaches legislative requirements, will result in a qualified audit opinion[9], risks reputational damage and can have a negative impact on consumer confidence. Inability to comply with International Standards will negatively impact the industry and the country's reputation internationally.</td></tr>
</table>

[9] Paragraph 16 of International Accounting Standard (IAS 1) – Presentation of Financial Statements, states that "…An entity whose financial statements comply with IFRSs shall make an explicit and unreserved statement of such compliance in the notes. An entity shall not describe financial statements as complying with IFRSs unless they comply with all of the requirements of IFRSs.

Key points of certain concerned stakeholders as per ATTIC's Letter	Considerations for the Bank
"By letter dated January 17, 2024 ATTIC wrote to the CBTT recommending that given various stakeholder concerns, it believed that a deferral of the IFRS17 Implementation Date from January 1, 2023 to January 1, 2024 (as done across the majority of CARICOM territories, and internationally) may be appropriate."	5. The regulatory returns are specified to receive information in a standardized format and includes (i) primary financial statements based on the shareholder financial statements using IFRS; (ii) supplementary supporting schedules; and (iii) the capital returns. It is the duty of the Inspector and a core supervisory function to assess the financial condition of each insurer[10]. The returns contain information needed, along with other information, for the Central Bank and the Inspector to perform this function[11]. The Central Bank considers that it is reasonable to expect insurers[12] to have already complied with the requirements of the Companies' Act and to now be able to complete the new returns as specified within the allowed timeframe. 6. The inability of an insurer to produce timely financial statements and returns is a red flag for a regulator. When an insurer cannot produce its financial statements on time, it may be indicative of several potential risks and warrant increased oversight or other regulatory action. The nature of these risks are discussed further in Appendix 3. 7. In this regard, it is noteworthy that regulators in other major CARICOM territories such as Jamaica, Barbados and Guyana who are the home regulators of various regional groups have not deferred implementation of IFRS 17 beyond year end 2023. 8. ATTIC's request to deviate from IFRS for regulatory reporting for one additional year means that the first audited regulatory return, the computation of regulatory capital ratios, actuarial reports and financial condition assessments on the IFRS 17 basis will be for December 31, 2025, with a filing deadline of March 31, 2026. Agreeing to this request would mean that the Bank would not have audited information or actuarial information based on applicable financial reporting standards to use in its assessment of the financial condition of insurers until more than three years after the date of a material change in the financial reporting standards. The Bank understands that similar

[10] Paragraph 10 of the Act

[11] ICP 9 on Supervisory Review and Reporting States "The supervisor uses off-site monitoring and on-site inspections to: examine the business of each insurer; evaluate its financial condition, conduct of business, corporate governance framework and overall risk profile; and assess its compliance with relevant legislation and supervisory requirements. The supervisor obtains the necessary information to conduct effective supervision of insurers and evaluate the insurance market."

[12] Those with December 31 year end

Key points of certain concerned stakeholders as per ATTIC's Letter	Considerations for the Bank
	requests to defer the date for shareholder reporting purposes were made to ICATT. Those requests were however not agreed.
ASSESSING AND ENSURING ADEQUACY OF CAPITAL/SATISFACTORY FUTURE FINANCIAL CONDITION	
"ATTIC recommends the following: c. Continued use of CPPM framework for solvency and dividend considerations until the CBTT and Industry Stakeholders collaborate on a new and appropriate IFRS 17 Solvency Framework, and any resultant Regulations are approved by Parliament."	9. It is entirely feasible under IFRS 17 that for many insurers the balance sheet position reported to shareholders using IFRS 17 may appear much less favourable than on regulatory benchmarks based on the old IFRS 4/CPPM basis. It is therefore not a benchmark the Central Bank considers to be appropriate for use on its own at this time.
"Process for paying dividends based on **revised and parallel CapAd**"	10. At this time the "parallel CapAd" is being used to test and to calibrate minimum regulatory thresholds, risk charges and the components of available capital and is not final. 11. The "revised CapAd" is solely intended to measure the required and available capital and capital ratios using the existing formula after conversion to IFRS 17. The information will inform the calibration exercise. **Requirement to hold adequate capital and appropriate forms of liquidity** 12. Section 82 of the Act states: **"82.** (1) An insurer or financial holding company shall, in relation to its operations on an individual and consolidated basis maintain— *(a)* adequate capital; and *(b)* adequate and appropriate forms of liquidity, and shall comply with Schedule 8 and the Regulations in relation to adequate capital and adequate and appropriate forms of liquidity. 13. Also, Section 84 of the Act states: **84.** (1) An insurer or financial holding company shall not declare or pay a dividend or transfer an amount from which a dividend can be paid or make

Key points of certain concerned stakeholders as per ATTIC's Letter	Considerations for the Bank
	any payment to purchase or redeem any shares issued by it or reduce its stated capital— *(a)* where the assets of the insurer are insufficient to meet the requirements under this Act and the Regulations; *(b)* where the dividend would reduce the assets of an insurer below the amount referred to in paragraph *(a)*; 14. The Central Bank wishes to clarify and emphasize that the minimum net tier 1 ratio and minimum regulatory capital ratio and required and available capital being calibrated based on the "parallel CapAd" will be the minimum required to trigger different degrees of intervention by the regulator[13]. They also only capture certain financial risks. These minimum ratios and amounts may not adequately capture the adequacy of assets or capital needed given its risk profile and business plans as determined by the insurer[14] and required by Sections 82 and 84 and the Act and the regulations. The factor-based approach to minimum regulatory capital, by its very nature, may not be able to fully and appropriately reflect the risk profile of each individual insurer. 15. The Bank's expectations in terms of the testing of the adequacy of assets and capital and compliance with Sections 82 and 84 and the process for payment of dividends to shareholders was already set out in paragraphs 6 and 7 of Circular letter REF: CB-OIFI-663/2024. It was clearly stated that the directors' decision to pay a dividend to shareholders must be informed by the advice of the insurer's Appointed Actuary ("AA") and consider internal criteria for satisfactory financial condition/capital adequacy (such as risk measures, confidence levels or time horizons) to be assessed using model-based stress testing[15]. The Central Bank believes that this approach is a necessary step for directors to properly and responsibly fulfil their duty under the Act to ensure that insurers maintain adequate capital and adequate forms of liquidity pursuant to Section 82 of the Act. Relying primarily on minimum regulatory ratios as the criterion for declaration of a dividend may be considered by the

[13] The need to establish minimum regulatory capital requirements to trigger degrees of intervention are set out in ICP 17.

[14] This framework in keeping with the guidance of Insurance Core Principles (ICP) 17.2.1, 17.2.3, 17.2.8, 17.2.9, 16.13 and 16.14 of the International Association of Insurance Supervisors (IAIS). ICP 17.9.1 and 17.9.5 are also instructive.

[15] Regulation 4(4) of the Insurance (Financial Condition Report) Regulations, 2020 (FCR Regulation) states that "An insurer shall establish criteria for capital adequacy and liquidity appropriate to its insurance business in accordance with the Act and Regulations made thereunder and the investigation made under regulation 4 and the Financial Condition Report shall be based on these criteria."

Key points of certain concerned stakeholders as per ATTIC's Letter	Considerations for the Bank
	Bank to be a breach of the director's duties under inter alia Sections 82, 84, 67(1) and 69 of the Act.
ENFORCEMENT	
"Inconsistency between the lawfully in-force/ unamended Insurance Act regulations vs New/Parallel Form Requirements via CBTT Circular Letters"	**Consistency with the Act** 16. Section 144 (1) of the Act requires every insurer and financial holding company to submit audited financial statements in accordance with the financial reporting standards. Section 145 of the Act requires every insurer and financial holding company to submit audited returns in accordance with the financial reporting standards. The financial reporting standards are defined in the Act as "the International Financial Reporting Standards (IFRS) or such other accounting standards as may be prescribed in this Act and Regulations thereto or specified by the Central Bank". The Act as drafted requires the same financial reporting standards to be used to comply with Section 145 as for compliance with Section 144. As discussed above, ICATT, not the Bank, has the power to stipulate the financial reporting standards to be used for shareholder reporting and IFRS is required. 17. In order to comply with Section 145 of the Act, the primary financial statements of the New/Parallel Form Requirements via CBTT Circular letters require use of IFRS to value insurance contracts rather than the methods set out in the Insurance (Caribbean Policy Premium Method) Regulations, 2020 ("CPPM regulations"). Many of the provisions of the CPPM Regulations contradict the requirements of IFRS 17[16]. Therefore, after the coming into force of IFRS 17, regulatory returns based on the CPPM Regulations would not comply with IFRS or Section 145 of the Act.

[16] IFRS 17 replaced IFRS 4. The CPPM regulations did not contradict IFRS 4. IFRS 17 was developed in order to address a shortcoming of IFRS 4 which did not stipulate principles or a standardized method for valuing insurance contract liabilities. The IASB developed IFRS 17 to address this shortcoming in order to improve the reliability, comparability, transparency and consistency of financial statements.

Key points of certain concerned stakeholders as per ATTIC's Letter	Considerations for the Bank
	18. Regulation 5(2)(a) of the CPPM Regulations requires the insurer's AA to ensure consistency with the financial reporting standards and the insurer's accounting policy, including classification. Further, Paragraph 5(5) of the CPPM Regulations requires the AA to ensure fair presentation of the results of the valuation of policy liabilities and other actuarial liabilities. The Central Bank uses IFRS as the fair presentation framework[17] for assessing compliance with Sections 77(5) and 81(b) of the Act. Therefore, IFRS is the relevant fair presentation framework to be used by an appointed actuary to fulfil these obligations and not CPPM. 19. The Insurance (Capital Adequacy) regulations, 2020 (2020 CapAd regulations) refer to the CPPM regulations. IFRS 17 is compatible with the economic basis and total balance sheet approach to capital adequacy required by the ICPs[18]. The goals of the Central Bank's capital adequacy framework can be met by using IFRS 17 for the valuation of insurance contracts and through judicious use of prudential filters and careful design and calibration of required capital and/or solvency control levels. Examples of prudential filters would be to adjust IFRS net equity by the CSM or to disallow certain intangible assets. 20. The Central Bank was not able to rescind or revise the CPPM regulations or the 2020 CapAd regulations in time to eliminate the inconsistencies with IFRS 17 and the Act. However the Act is considered to "trump" the regulations. The steps taken to consult on the required amendments including parallel runs and recalibration of the 2020 CapAd formula based on IFRS 17 are set out in Appendix 4. The parallel runs are not voluntary as they have been issued pursuant to the Inspector's powers to request information under Section 11 of the Act.

[17] Paragraph 15 of IAS 1 states: "Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the Conceptual Framework for Financial Reporting (Conceptual Framework). The application of IFRSs, with additional disclosure when necessary, is presumed to result in financial statements that achieve a fair presentation.

[18] ICP 14.0.4 ICP 14.0.5 and ICP 17.1

Key points of certain concerned stakeholders as per ATTIC's Letter	Considerations for the Bank
"CBTT notification of Regulatory Forbearance on fines and penalties related to the transitional impact of IFRS17 on Insurance Companies' Financial Statements, CBTT Returns and Capital Adequacy. "	21. The Central Bank uses a risk-based approach to insurance supervision. It does not simply use one or two ratios in determining supervisory action. The Central Bank must take all risks to its supervisory mandate into account and not just financial risks. The Bank's latitude to take action when warranted in pursuit of desired supervisory outcomes cannot be constrained. In practice not every breach of a rule or requirement will result in enforcement action as other actions may be warranted. The Bank has always been proportionate in its decision making and takes action only after proper investigation, discussion and due process. 22. During the transitional period, the Central Bank expects insurers to be transparent about the impact of IFRS 17 and cooperate with the Bank in providing the required filings and needed explanations and feedback in a timely manner. In particular, the financial condition/capital adequacy analysis using model-based stress testing required to be carried out by the AA will allow the insurer to provide valuable feedback to inform the calibration exercise. 23. The goal is to calibrate the target ratios, risk charges and the components of available capital so that overall, at an industry level, there will be no need for material capital injections due to the changes. On the flip side, the calibration is not intended to result in material increases in surplus assets in excess of required regulatory amounts. The goals are based on industry aggregates and the calibration will take into account any material changes in best estimate liabilities between IFRS 4 and IFRS 17. Notably, Paragraph 84(1) of the Act which deals with dividend declaration, speaks to the adequacy of assets. This means that both capital must be adequate and liabilities must also be properly determined. 24. Depending on the risk profile and mix of business, some insurers may see increases in distributable assets and some insurers may see reductions in distributable amounts. The Bank cannot calibrate the framework for all insurers to be no worse off as this will weaken the regulatory capital framework, undermine its objectives and pose risks to policyholders and systemic risk. The Bank will however consider appropriate transition arrangements on a case by case basis.

Key points of certain concerned stakeholders as per ATTIC's Letter	Considerations for the Bank
	25. There will also be circumstances where the implementation of the standard and its inherent transparency, and more economic approach will uncover problems and vulnerabilities. Even if the industry-wide impact on regulatory capital is mitigated through transition arrangements and other policy measures, additional institution specific actions, such as requesting capital restoration plans supported by rigorous stress testing, may need to be taken. 26. Based on the unaudited parallel run filings to date and the objectives of the recalibration of the regulatory capital framework for IFRS 17, discussed above, the impact of the changes to the financial reporting regime and the recalibration is not expected to adversely impact the assessment of the financial condition of the industry. In any case, transition arrangements will be put in place for individual insurers if the parallel runs and other information indicate that they will be adversely affected.

MEANINGFUL CONSULTATION IN PURSUIT OF SUPERVISORY OBJECTIVES	
"CBTT decision making process takes into account the views of all stakeholders" "there has always been a collaborative approach with the industry" and "ATTIC notes the success of similar collaborative approaches in the past, with the implementation of CPPM and the Insurance Act, 2018." Would like to see "the appointment of a IFRS 17 Stakeholder Group."	27. The Central Bank's policy is to facilitate broad consultation and takes the views of all stakeholders into account. The Bank's mandate and objectives are always front and centre in any decision making. 28. The implementation of CPPM and the Insurance Act, 2018 involved extensive consultation and back and forth. It took 20 years to complete during which time the country saw the collapse of the largest insurance entity in the country. As summarized in Appendix 4, work on the Bank's IFRS 17 strategy and the regulations started since 2019 and has already involved broad stakeholder participation and consultation. 29. The Central Bank agrees to reconvene the IFRS 17 Stakeholder Group to expose changes before circulating to the wider industry. The recalibration of the regulatory capital framework is to be done based on the actual submissions from insurers. Accordingly, due to confidentiality constraints, there will be limits to the scope of what can be revealed to the Stakeholder Group.

APPENDIX 2

See attached.

APPENDIX 3

The inability of an insurer to produce timely financial statements and returns is a red flag for a regulator. When an insurer cannot produce its financial statements on time, it may be indicative of several potential issues and warrant increased oversight or other regulatory action:

1. Financial Health and Stability: The inability to produce timely financial statements may indicate underlying financial problems. Regulators become concerned about the insurer's solvency and ability to meet its obligations to policyholders.
2. Management and Operational Issues: Delays in financial reporting can suggest internal management problems, such as inadequate internal controls, poor record-keeping, or ineffective governance.
3. Compliance and Regulatory Adherence: Failure to comply with regulatory reporting deadlines can indicate broader compliance issues and a lack of adherence to regulatory standards.
4. Risk of Fraud or Mismanagement: Delays in financial reporting can sometimes be a red flag for fraud, mismanagement, or attempts to conceal financial irregularities. Regulators need to consider the possibility of intentional manipulation or other forms of financial misconduct.
5. Market Confidence and Stability: The insurer's inability to produce financial statements on time can erode market confidence. Policyholders, investors, and other stakeholders may lose trust in the insurer's ability to manage its financial affairs effectively, potentially leading to a loss of business and further financial strain.
6. Impact on Policyholders: The primary concern for regulators is the protection of policyholders. If an insurer is facing financial difficulties, there could be implications for claims payment and policyholder services. Regulators need to ensure that policyholder interests are safeguarded.
7. Liquidity Issues: Delays in financial reporting could indicate liquidity problems.
8. Capital Adequacy: Regulators need to evaluate whether the insurer has adequate capital to support its operations and absorb potential losses. Delays in financial reporting could signal capital adequacy issues.
9. Reinsurance Arrangements: Inadequate financial reporting might affect the insurer's reinsurance arrangements. Reinsurers rely on timely and accurate financial information to assess their risk exposure.

APPENDIX 4

The following table provides the steps taken to consult on the required amendments including recalibration of the 2020 CapAd formula based on IFRS 17.

	Date, CBTT REF and Subject	Summary of Contents	How referenced in letter and Appendices	Required to be filed or re-filed with respect to the periods:
1.	**2019-August-13, CB-IOFI-2202/2019**	i) Announcement of consultative process to facilitate timely IFRS 17 implementation through a newly established committee including representatives from the industry and audit and actuarial professions ii) Issuance of a questionnaire on implementation progress to be submitted quarterly	-	-
2.	**2021-May-14, CB-OIFI-973 /2021** **International Financial Reporting Standard 17, Insurance Contracts**	i) Issuance of an updated questionnaire ii) Acknowledgement of the new effective date of IFRS 17 of January 01, 2023	-	-
3.	**2022-July-14 CB-OIFI-1680/2022** **Industry consultation:**	To be completed and submitted on or before September 8, 2022 i) Responses to consultation on the draft amendments to the Insurance (Capital	"Draft IFRS 17 Capital Adequacy Regulations v1"	-

	Date, CBTT REF and Subject	Summary of Contents	How referenced in letter and Appendices	Required to be filed or re-filed with respect to the periods:
	Draft Insurance (Capital Adequacy) Regulations 202x; Quantitative Impact Study (QIS) - IFRS 17; and IFRS 9 and qualitative questions	Adequacy) Regulations, 2020 ii) Quantitative Impact Study (QIS) as at December 31, 2021 on amended Capital Adequacy Regulations and forms iii)Pro-forma IFRS 17/IFRS 9 financial information as at December 31, 2021, with comparisons to the data in the actual regulatory returns filed for December 31, 2021	"QIS 1 CapAd forms" "QIS 1 Financial forms"	
4.	**2022-Sep to 2023-Mar**	Central Bank met with the implementation team of each individual insurer to understand their progress with IFRS17 implementation including the action plan, training of staff and directors, challenges faced and expected timelines for completion.	-	-
5.	**2022-Dec-02 CB-OIFI: 3145/2022** **Annual Returns – IFRS 17 Compliant**	Issuance, testing and consultation on IFRS 17 compliant annual returns excluding Capital Adequacy Returns. To be completed and submitted **on or before January 23, 2023**	"Draft IFRS 17 Annual Returns"	-

	Date, CBTT REF and Subject	Summary of Contents	How referenced in letter and Appendices	Required to be filed or re-filed with respect to the periods:
6.	**2023-Sep-23 CB-OIFI-3141/2023** **INDUSTRY CONSULTATION** **Draft Insurance (Policy Liabilities) Regulations, Draft Guidelines for Appointed Actuaries, Draft Insurance (Financial Condition Report) (Amendment) Regulations**	Comments to be submitted **by October 31, 2023 on:** i) Draft Insurance (Policy Liabilities) Regulations to replace Insurance (Caribbean Premium Policy Method) Regulations, 2020 (CPPM Regulations) ii) Draft of more comprehensive Instructions for Appointed Actuaries (AA) in the context of IFRS 17 and replacing previous instructions related to the AA Report iii) Draft Insurance (Financial Condition Report) (Amendment) Regulations – amended to address conflicts with IFRS	-	-
7.	**2024-Jan-31 CB-OIFI: 345/2024** **Regulatory Reporting requirements for Insurance Companies registered in Trinidad and Tobago**	i) Issuance of IFRS 17 compliant Annual Returns and instructions. To be filed for financial year ends on or after December 31, 2023. ii) Existing Capital Adequacy formula and forms retained until new formula recalibrated. Information to be populated with IFRS 17 values and instructions provided in CB-OIFI: 663/2024 dated March 5, 2024 Due date for submission of Annual returns and financial statements extended from March 31, 2024 to June 30, 2024.	"IFRS 17 Annual Returns" "Existing Capital Adequacy Returns"	Audited December 31, 2023 Audited December 31, 2023, Unaudited March 31, 2024, Unaudited June 30, 2024

	Date, CBTT REF and Subject	Summary of Contents	How referenced in letter and Appendices	Required to be filed or re-filed with respect to the periods:
8.	**2024-Mar-05 CB-OIFI: 663/2024** **Integrating IFRS 17 into the Capital Framework and Financial Condition assessment**	Final documents issued, applicable for filings with respect to financial year ends on or after December 31, 2023: i) Instructions to the AA in the context of IFRS 17 ii) Instructions about use of the Current CapAd Forms in the context of IFRS 17 Issued for parallel runs: iii) Updated Draft amendments to the Insurance (Capital Adequacy) Regulations, 2020 iv) Parallel run as at transition date and parallel runs as at December 31, 2023 and quarterly thereafter on Draft IFRS 17 CapAd Regulations v2 and corresponding forms	"Draft IFRS 17 Capital Adequacy Regulations v2" "Parallel run Return"	Audited December 31, 2023, Unaudited March 31, 2024, Unaudited June 30, 2024
9.	**2024-June-25 CB-OIFI: 1877/2024** **Implementing International Financial Reporting Standard 17, Insurance Contracts (IFRS17) for regulatory purposes**	Concessions granted to alleviate challenges experienced by certain insurers in meeting the reporting deadline. Further allowance for the submission of annual returns by one additional month. Clarification provided on issued raised by ICATT on the audit opinion.	"audited annual returns, audited financial statements, Appointed Actuary's Report, Financial Condition Report"	Audited December 31, 2023, insurers' audited 2024 year end (where an additional period of three months was previously permitted)