Legal Notice No.

REPUBLIC OF TRINIDAD AND TOBAGO

THE INSURANCE ACT, 2015

REGULATIONS

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

THE INSURANCE (CAPITAL ADEQUACY) REGULATIONS, 2015

Citation

1. These Regulations may be cited as the Insurance (Capital Adequacy) Regulations, 2015.

Interpretation
Act No. of 2015

2. In these Regulations –

"Act" means the Insurance Act, 2015;

"asset backed security" has the meaning assigned to it in the Securities Act;

"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;

"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;

"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 cash, cash equivalents and other evidences of indebtedness that have a remaining term to maturity of not more than one year;

"net tier 1 ratio" means the net tier 1 capital determined under regulation 8 divided by the regulatory capital required determined under regulation 11;

"non-permissible value" means

(a) the aggregate value of assets in excess of the limits prescribed in Schedule 12;

(b) the aggregate value of assets which do not comply with the criteria set out in Schedule 15;

(c) the aggregate value of assets, credit exposures and reduction or shortfall 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;

"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;

"regulatory capital available" means an amount of capital available determined under regulation 7;

"regulatory capital ratio" means the regulatory capital available determined under regulation 7, divided by the regulatory capital required, determined under regulation 11;

"regulatory capital required" means an amount of capital required determined under regulation 11;

"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; and

"segregated fund policy" is an investment linked policy where by its policy terms, the portfolio of assets is held in a separate and distinct fund from the funds of the insurer, such fund is established and maintained under trust and the fund's property and income are considered to be the property and income of the trust and "segregated fund business" shall be construed accordingly.

Application

3. These Regulations apply to an insurer in respect of business both in and outside of Trinidad and Tobago and to non-financial entities controlled by the insurer.

4. The risk charges on investments in and debts due from non-financial subsidiaries, other non-financial entities controlled by the insurer and affiliates and associates of the insurer shall be determined using a look through approach whereby underlying assets, including assets held as security for debts due, liabilities, contingent liabilities and guarantees, are treated as directly held or made.

5. The directors of an insurer shall establish and the insurer shall adhere to investment and lending policies, standards and procedures that a reasonable and prudent person would apply in respect of a portfolio of investments and loans to avoid undue risk of loss and obtain a reasonable return. In addition, each insurer must comply with the investment limits prescribed under sections 85, 89 and 90 of the Act and with these Regulations.

6. Every insurer shall maintain

(a) adequate capital;
(b) a net tier 1 ratio of not less than one hundred and five percent;
(c) a regulatory capital ratio of not less than one hundred and fifty per cent; and

shall comply with sections 22, 82 and 83 of the Act.

Regulatory capital available

7. Regulatory capital available shall be the sum of Net Tier 1 and Tier 2 Capital, as calculated in accordance with regulations 8 and 9, minus the deductions stated in regulation 10.

Tier 1 Capital

8. (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 subregulation (3) and subregulation (4).

(2) Gross Tier 1 Capital shall be determined as follows:

(a) in the case of an insurer carrying on long- term insurance business, the accumulation of its -
(i) ordinary shares and retained earnings;
(ii) preference shares that meet the requirements of subregulation (5); and

(iii) appropriated surplus on participating and nonparticipating business and other reserves included in net equity;

(b) in the case of an insurer carrying on general insurance business, the accumulation of its –

(i) ordinary shares and retained earnings;

(ii) preference shares that meet the requirements of subregulation (5);

(iii) Catastrophe Reserve Fund; and

(iv) other reserves included in net equity; and

(c) in the case of an insurer that is carrying on both long-term and general insurance business, as prescribed in paragraphs (a) and (b).

(3) The amount to be deducted from Gross Tier 1 Capital shall be the accumulation of:

(a) goodwill and other intangibles;

(b) in the case of an insurer carrying on long- term insurance business –

(i) the cash surrender value deficiencies calculated on an aggregate basis for each group of policies separately; and

(ii) the negative reserves calculated on a policy-by-policy basis; and

(c) unrealized after-tax gains on real estate and unquoted equity included in Gross Tier 1 Capital.

(4) In addition to the deductions in subregulation (3), any non-permissible value shall be deducted from Gross Tier 1 Capital.

(5) Preference shares shall be included in Tier 1 Capital only where –

(a) they are permanent and of perpetual duration;

(b) there is no option for redemption at the request of the holder;

(c) they are fully subordinated to the interests of policyholders and other creditors;

(d) dividends are not cumulative in the event of non-payment; and

(e) the amount does not exceed thirty-three per cent of Net Tier 1 Capital excluding preference shares.

Tier 2 Capital

9. (1) Tier 2 Capital is divided into Tiers 2A, 2B and 2C and shall not exceed one hundred per cent of Net Tier 1 Capital.

(2) Tier 2A Capital includes the following:

(a) preference shares that would have been included in Tier 1 Capital but for the limit under regulation 8(5)(e);

(b) hybrid capital instruments that meet the requirements under subregulation (4); and

(c) unrealized after-tax gains excluded from Tier 1 Capital under regulation 8(3)(c).

(3) Unrealized after-tax gains on real estate included under subregulation (2)(c) shall not exceed twenty per cent of Net Tier 1 Capital.

(4) Hybrid capital instruments shall be included in Tier 2A Capital only where -

(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 fully subordinated to the interests of policyholders and other creditors;

(d) dividends or interest are able to be deferred where the profitability of the company would not support payment; and

(e) 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 insurer.

(5) Tier 2B Capital shall include limited life instruments that meet the following criteria:

(a) the initial minimum term is greater than five years;

(b) they are fully paid up in cash or, with the approval of the Central Bank, in property; and

(c) they are fully subordinated to the interests of policyholders and other creditors.

(6) Where the remaining term of the instrument referred to in subregulation (5) is less than five years, the amount of the instrument included in Tier 2B Capital shall be amortized in the manner prescribed in Schedule 1.

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

(8) Tier 2C Capital instruments shall include –

(a) seventy-five per cent of the amount deducted under regulation 8(3)(b)(i); and

(b) the amount deducted under regulation 8(3)(b)(ii).

Deductions

10. (1) The sum of Net Tier 1 and Tier 2 Capital shall be reduced by the following:

(a) new capital issues between two or more companies that represent either directly or indirectly, back-to-back placements;

(b) deferred acquisition costs;

(c) deferred tax assets;

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

(e) regional and international asset backed securities rated CCC+ and below;

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

(g) outstanding premiums and agent or broker balances aged more than sixty business days;

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

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

(j) investments in financial subsidiaries.

(2) The minimum value of each of the amounts required to be deducted in subsection (1) shall be zero.

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

Regulatory capital required

11. (1) The regulatory capital required shall be the sum of the –

(i) asset default risk charge;
(ii) investment volatility risk charge;
(iii) off balance sheet risk charge;
(iv) foreign currency mismatch risk charge;
(v) asset liability mismatch risk charge;
(vi) mortality risk charge;
(vii) morbidity risk charge;
(viii) lapse risk charge;
(ix) interest margin pricing risk charge;
(x) premium adequacy risk charge;
(xi) outstanding claims risk charge;
(xii) catastrophe risk charge;
(xiii) liquidity and operational risk charge; and
(xiv) risk charge for guarantees.

(2) In calculating the regulatory capital required –

(a) subregulation 1(i) to (iv) shall apply to all insurers;

(b) subregulation 1(v) to (ix), (xiii) and (xiv) shall apply to all insurers carrying on long term insurance business; and

(c) subregulation 1(x) to (xii) shall apply to insurers carrying on general insurance business.

Asset default risk charge

12. (1) 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 as indicated in Schedule 2 or Schedule 13 if applicable.

(2) In the case of subrogation from a third party, the number of business days outstanding shall be measured from the date that the request for payment with supporting evidence was first sent by the insurer to the third party, but in any event not later than sixty business days from the date the insurer became aware of the incident that gave rise to the subrogation.

(3) The credit ratings shown in Schedule 2 and Schedule 13 shall be based on the Standard and Poor's or equivalent ratings set out in Schedule 3.

(4) Schedule 3 provides the equivalence ratings for credit rating agencies that are recognized by the Central Bank.

(5) The Central Bank may, from time to time, establish criteria and procedures to be used by an insurer in determining credit ratings, by publication of a notice in the *Gazette* or through directions to a particular insurer.

(6) The value of assets 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.

(7) In the case of an insurer writing investment linked insurance business, the asset default risk charge in respect of assets backing such business may be reduced by one hundred per cent where –

(a) the assets are genuinely identifiable and valued at market value;

(b) investment returns are tracked;

(c) transfers into and out of the portfolio of assets occur at market value; and there is full pass through of investment returns to the policies and credited returns are not based on company discretion.

(8) 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 that relevant to the securities to be repurchased or sold or the counterparty; or

(b) if there is no exposure to counterparty risk, the risk factor shall be that relevant to the securities to be repurchased or sold.

(c) "counterparty" for the purpose of this sub-regulation means the party with whom the contract is made.

(9) In the case of leases -

(a) where an insurer is the lessee under-

(i) an operating lease, no risk charge shall apply;

(ii) a finance lease, the risk factor for the underlying leased property shall apply;

(b) where an insurer is the lessor of a finance lease the risk factor for the counterparty shall apply unless the lease is in arrears when a risk factor of twenty per cent shall apply; or

(c) where an insurer is the lessor of an operating lease, the risk factor for the leased property shall apply.

(d) "counterparty" for the purpose of this sub-regulation means the lessee in the case of a finance lease.

(10) Except in the case of mortgages, the risk factor applicable to non-performing assets which are overdue by more than sixty business days, shall be the risk factor for those assets if they were not overdue and an additional risk factor of twenty per cent.

(11) The risk factor for a counterparty shall be based on the credit rating of the counterparty in accordance with Schedule 13.

(12) Qualifying unrated asset backed securities shall meet the criteria of Schedule 14.

Investment volatility risk charge

13. (1) 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 as shown in Schedule 4.

(2) The 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. The 4% test 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). The income amount used in the 4% test includes cash income only, and does not include amortization of the value of the property. The factor for income-producing real estate may not be used for properties currently under development and for which imputed interest is capitalized for financial reporting purposes.

(3) In the case of an insurer writing investment linked insurance business, the investment volatility risk charge in respect of assets backing such business may be reduced by one hundred per cent where –

(a) the assets are genuinely identifiable and valued at market value;
(b) investment returns are tracked;
(c) transfers into and out of the portfolio of assets occur at market value and
(d) there is full pass through of investment returns to the policies and credited returns are not based on company's discretion

Off balance sheet risk charge

14. (1) Off balance sheet activities encompass guarantees, commitments, derivatives and similar contractual arrangements whose full notional principal amount may not be reflected on the balance sheet.

(2) The off balance sheet risk charge shall be the sum of the exposure to risk with each counterparty multiplied by the risk factor for the counterparty as indicated in Schedule 13.

(3) "counterparty" for the purpose of this sub-regulation 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.

Foreign currency mismatch risk charge

15. (1) 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 rated 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 rated BBB minus and below, expressed in Trinidad and Tobago dollars.

(2) The credit ratings referred to in subregulation (1) shall be the Standard and Poor's ratings.

(3) 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 at the valuation date as determined by the Central Bank.

(4) 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.

(5) The foreign currency mismatch risk charge does not apply to the assets and liabilities backing an insurer's investment linked insurance business if -

(a) the assets are genuinely identifiable and valued at market value;
(b) investment returns are tracked;
(c) transfers into and out of the portfolio of assets occur at market value; and
(d) there is full pass through of investment returns to the policies and credited returns are not based on company's discretion.

Asset liability mismatch risk charge

16. (1) The asset liability mismatch risk charge shall be ten per cent of the absolute change in the liabilities resulting from a one per cent parallel shift in the valuation interest rate.

(2) Where the insurer has an asset liability management approach in

place and has the ability to stress test the assets supporting the liability segment, a one per cent parallel shift in the yield curve shall be determined and the asset liability mismatch risk charge shall be the lesser of –

(a) the absolute change in the liabilities minus the absolute change in the assets, when a one per cent parallel shift is applied; and

(b) the charge calculated under subregulation (1).

(3) The asset liability mismatch risk charge does not apply to the assets and liabilities backing an insurer's investment linked insurance business if -

(a) the assets are genuinely identifiable and valued at market value;

(b) investment returns are tracked;

(c) transfers into and out of the portfolio of assets occur at market value; and

(d) there is full pass through of investment returns to the policies and credited returns are not based on company's discretion.

Mortality and Morbidity risk charge

17. (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 as shown in Schedule 5.

(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 appropriate risk factor as shown in Schedule 6

(3) Where current premium rates are significantly less than the maximum guaranteed premium rates, the term of the current rates shall be the guaranteed term.

(4) Where disability income and premium waiver benefits are attached to group life policies, the factors for individual coverage shall apply to these riders.

Lapse risk charge

18. (1) The lapse risk charge shall be calculated for all individual life business and includes participating and adjustable premium policies and all other product lines.

(2) Determination of the lapse risk charge shall require that –

(a) the total net policy liabilities are determined in accordance with the Insurance (Caribbean Policy Premium Method) Regulations, 2015;

(b) the total net policy liabilities be recalculated using increased lapse margins for adverse deviation in accordance with the following principles:

(i) for participating and adjustable premium policies, the lapse rate margin assumption shall be adjusted by seven point five per cent of the underlying lapse rate assumption;

(ii) for other policies, the lapse rate margin assumption shall be adjusted by fifteen per cent of the underlying lapse rate assumption;

(iii) where at a particular duration a lower lapse rate assumption results in a higher reserve, the lapse rate assumption shall be adjusted by reducing the rate, or where at a particular duration a higher lapse rate assumption results in a higher reserve, the lapse rate assumption is adjusted by increasing the rate; and

(c) the lapse risk charge shall be the reserve calculated in paragraph (b) subtracted from the reserve calculated in paragraph (a).

Interest margin pricing risk charge

19. (1) The interest margin pricing risk charge shall be the sum of the policy liabilities net of reinsurance multiplied by the appropriate risk factor for the type of policy as shown in Schedule 7.

(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 company may recoup at least half of any unexpected losses due to disintermediation risk.

Premium adequacy risk charge

20. For each class of general insurance business, the premium adequacy risk charge shall be the net written premium in the previous twelve months, multiplied by the appropriate risk factor for the class as shown in Schedule 8.

Outstanding claims risk charge

21. For each class of general insurance business, the outstanding claims risk charge shall be the outstanding claims, net of reinsurance recoveries, multiplied by the appropriate risk factor for the class as shown in Schedule 9.

Catastrophe risk charge

22. (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) This cost 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 these Regulations, the minimum acceptable upper limit is an event which is expected to occur once in every two hundred and fifty years.

Liquidity and operational risk charge

23. The liquidity and operational risk charge shall be value of the assets held by the insurer backing investment linked insurance business multiplied by the risk factor indicated in Schedule 16.

Risk charge for Guarantees

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

(2) Capital required to be held under subregulation (1) shall be no less than 5% of the reserves held for the guarantees and shall apply as at the insurer's first financial year end following commencement of the Regulations.

Returns, audits and declarations

25. (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 of the Act.

(2) In addition to the capital adequacy returns required to be submitted under the Act and these Regulations, an insurer shall provide a declaration by the chief financial officer and the appointed actuary of the insurer in the form prescribed in Schedule 10.

(3) Notwithstanding subregulation (2), within three years of the commencement of the Act, where an appointed actuary has not yet been appointed by a General Insurer, a director shall provide the declaration in the form prescribed in Schedule 10.

Grandfathering

26. (1) Unrealised after-tax gains on real estate 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 8(3)(c), 9(2)(c) and 9(3).

(2) The risk factors for unrated bonds and quoted common shares acquired prior to the commencement of these Regulations shall be:

(a) ten per cent for unrated bonds; and

(b) fifteen percent for quoted common shares.

Capital adequacy returns

27. (1) Unaudited capital adequacy returns shall be submitted quarterly.

(2) The first unaudited capital adequacy return shall be submitted

within three months from the commencement of these Regulations for the end of the financial quarter immediately preceding the commencement of the Act.

Transitional regulatory capital ratios

28. (1) Upon the commencement of these Regulations, where an insurer does not satisfy the requirements under regulation 6, the insurer shall –

(a) within two months from the submission of the first capital adequacy return referred to in regulation 27, submit a plan acceptable to the Central Bank, for attaining the regulatory capital ratios referred to in paragraph (b); and

(b) attain the transitional regulatory capital ratios as specified in Schedule 11.

(2) For the avoidance of doubt, if at any time during the transitional period referred to in Schedule 11 an insurer has satisfied the requirements under regulation 6, the insurer is required to continue to satisfy those requirements from that period onward.

29. The Minister may, by Order, upon recommendation by the Central Bank, amend the Schedules to this Regulation.

30. The Inspector may require an insurer to vary the amounts in respect of reinsurance or other risk transfer arrangements in its capital adequacy return. Variations may be required in the asset default risk charge, the premium adequacy risk charge, the outstanding claims risk charge and other risk charges or in the regulatory capital available.

SCHEDULE 1

Amortization Schedule

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	Nil

SCHEDULE 2

Asset Default Risk Factors

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 indebtednesss (Ratings refer to the rating of the instrument. In the event that the security is not rated, the rating of the Issuer applies.)	
Issued by Government of Trinidad and Tobago	0.00%
Issued by Multilateral Agencies	0.00%
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	0.5%
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	15.00%
Qualifying Unrated Asset Backed Securities	2.00%
Non-Qualifying Unrated Asset Backed Securities	20.00%

Assets	Factor
Receivables	
Agents’ debit balances aged less than 60 business days	0.00%
Outstanding premiums aged less than 60 business days	0.00%
Subrogation aged less than 120 business days	0.00%
Policy Loans	0.00%
Other receivables	0.50%
Reinsurance Recoverables from Reinsurers Rated “AA-” or higher	0.50%
Reinsurance Recoverables from Reinsurers Rated “A-” to “A+”	2.00%
Reinsurance Recoverables from Reinsurers Rated “BBB-” to “BBB+”	3.00%
Reinsurance Recoverables from Reinsurers Rated “BB-” to “BB+”	10.00%
Reinsurance Recoverables from Reinsurers Rated “B-” to “B+”	15.00%
Reinsurance Recoverables from Reinsurers Rated “CCC+” and below	15.00%
Reinsurance Recoverables from Unrated Reinsurers	20.00%
Mortgages	
First mortgage on residential units 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 2 or Schedule 4 and not required to be deducted	20.00%

SCHEDULE 3

Equivalence Ratings for Credit Rating Agencies

An insurer must use the latest rating assigned to the instrument or issuer of the instrument, by a credit rating agency recognised for this purpose by the Central Bank. The mapping of ratings between rating agencies is as follows:

S&P's	Moody's	AM Best	AM Best - Insurers	Fitch	DBRS - Assets	DBRS - Insurers	CariCRIS
AAA to AA-	Aaa to Aa3	aaa to aa-	A++ to A-	AAA to AA-	AAA to AAL	IC-1	
A+ to A-	A1 to A3	a+ to a-	B++ to B+	A+ to A-	AH to AL	IC-2	*Cari*AAA
BBB+ to BBB-	Baa1 to Baa3	bbb+ to bbb-	B and B-	BBB+ to BBB-	BBBH to BBBL	IC-3	*Cari*AA+ to AA-
BB+ to BB-	Ba1 to Ba3	bb+ to bb-	C++ and C+	BB+ to BB-	BBH to BBL	IC-4	*Cari*A+ to A-
B+ to B-	B1 to B3	b+ to b-	C and C-	B+ to B-	BH to BL	IC-5	*Cari* BBB+ to BBB-
CCC+ and Below	Caa1 and below	ccc+ and below	D	CCC+ and Below	CCCH and below		*Cari*BB+ and below
Unrated	Unrated	Unrated	Unrated	Unrated	Unrated	Unrated	Unrated

SCHEDULE 4

Investment Volatility Risk Factors

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%
Mutual Funds, Units and other Collective Investment Schemes	
Equity funds	20%
Other including exchange traded funds	12%

SCHEDULE 5

Mortality Risk Factors

Type of policy	Measure of exposure	Factors
Individual life and Group life	Net amount at risk	.0005 (Less than 1 year guaranteed term remaining) .0010 (1-5 years guaranteed term remaining) .0020 (Over 5 years guaranteed term remaining)
Participating adjustable life & universal life where mortality costs are reasonably flexible	Net amount at risk	.0010 Where mortality costs are not reasonably flexible, use the factors for "All other policies"
Accidental death and dismemberment: Participating adjustable life & universal life	Net amount at risk	.0003
Accidental death and dismemberment: Individual life and Group life	Net amount at risk	.00015 (Less than 1 year guaranteed term remaining) .0003 (1-5 years guaranteed term remaining) .0006 (Over 5 years guaranteed term remaining)
All annuities involving life contingencies	Total policy liabilities	.01
All other policies	Net amount at risk	.0005 (Less than 1 year guaranteed term remaining) .0010 (1-5 years guaranteed term remaining) .0020 (Over 5 years guaranteed term remaining)

SCHEDULE 6

Morbidity Risk Factors

<table>
<tr><th>Type of Policy</th><th>Measure of exposure</th><th>Factors</th></tr>
<tr><td>Disability income and premium waiver with guaranteed terms:
Individual –
New claims</td><td>Annual net earned premium</td><td>.12 (Less than 1 year guaranteed term remaining)
.20 (1-5 years guaranteed term remaining)
.30 (over 5 years guaranteed term remaining)</td></tr>
<tr><td>Continuing claims</td><td>Reported and open claim reserves related to prior year claims incurred</td><td>
<table>
<tr><td colspan="3">Duration of disability (years)</td><td>Benefit period remaining (years)</td></tr>
<tr><td>2</td><td>>2≤5</td><td>>5</td><td></td></tr>
<tr><td>.04</td><td>.03</td><td>.02</td><td>≤ 1</td></tr>
<tr><td>.06</td><td>.045</td><td>.03</td><td>>1 ≤2</td></tr>
<tr><td>.08</td><td>.06</td><td>.04</td><td>> 2</td></tr>
</table>
</td></tr>
<tr><td>Disability Income and premium waiver with guaranteed terms:
Group -
New claims</td><td>Annual net earned premium</td><td>.12 (Less than 1 year guaranteed term remaining)
.25 (1-5 years guaranteed term remaining)
.40 (over 5 years guaranteed term remaining)</td></tr>
</table>

<table>
<tr><th>Type of Policy</th><th>Measure of exposure</th><th>Factors</th></tr>
<tr><td>Continuing claims</td><td>Reported and open claim reserves related to prior year claims incurred</td><td><table>
<tr><td colspan="3">Duration of disability (years)</td><td>Benefit period remaining (years)</td></tr>
<tr><td>≤ 2</td><td>>2≤5</td><td>>5</td><td></td></tr>
<tr><td>.04</td><td>.03</td><td>.02</td><td>≤ 1</td></tr>
<tr><td>.06</td><td>.045</td><td>.03</td><td>>1 ≤2</td></tr>
<tr><td>.08</td><td>.06</td><td>.04</td><td>> 2</td></tr>
</table></td></tr>
<tr><td>Other accident and sickness excluding accidental death and dismemberment –
New claims

Continuing claims</td><td>

Annual net earned premium
Reported and open claim reserves related to claims incurred</td><td>

.12

.10</td></tr>
<tr><td>Health insurance Individual and Group –
New claims

Continuing claims</td><td>

Annual net earned premium
Unreported and reported and open claim reserves related to claims incurred</td><td>

.20

.10</td></tr>
</table>

SCHEDULE 7

Interest Margin Pricing Risk Factors

Type of Policy	Factor
Deferred annuities that are renewable at new business rates; policies with no repricing risk; policy liabilities that are not discounted for interest	0
Adjustable premiums/adjustable interest credits; Universal life where the crediting rates are reasonably flexible	.005
All other policies	.010

SCHEDULE 8

Premium Adequacy Risk Factors

Class of Insurance Business	Factor
Property	.15
Motor Vehicle	.10
Marine, Aviation and Transport	.12
Workers Compensation	.20
Liability	.25
Pecuniary Loss	.15
Personal Accident	.18

SCHEDULE 9

Outstanding Claims Risk Factors

Class of Insurance Business	Factor
Property	.10
Motor Vehicle	.10
Marine, Aviation and Transport	.12
Workers Compensation	.15
Liability	.15
Pecuniary Loss	.12
Personal Accident	.12

SCHEDULE 10

Declarations by Officers

Declaration by the Chief Financial Officer

I, (Name), Chief Financial Officer of (Company Name), (Address of Company) have reviewed the calculation of the regulatory capital ratio of (Company Name), as at (Date). In my opinion, the calculation has been determined in accordance with the Insurance (Capital Adequacy) Regulations, 2015 and any applicable instructions of the Inspector.

………………………………………… ………………

Signature of the Chief Financial Officer *Date*

Declaration by the Appointed Actuary

I, (Actuary Name), Appointed Actuary of (Company Name), (Address of Company) have reviewed the calculation of the regulatory capital ratio of (Company Name), as at (Date). In my opinion, the calculation has been determined in accordance with the Insurance (Capital Adequacy) Regulations, 2015 and any applicable instructions of the Inspector.

…………………………………………….. ………………….

Signature of the Appointed Actuary *Date*

Declaration by a Director of the Company

I, (Director Name), Director of (Company Name), (Address of Company) have reviewed the calculation of the regulatory capital ratio of (Company Name), as at (Date). In my opinion, the calculation has been determined in accordance with the Insurance (Capital Adequacy) Regulations, 2015 and any applicable instructions of the Inspector.

………………………… ………………

Signature of a Director *Date*

SCHEDULE 11

Transitional Capital ratios

During a transition period no later than the insurer's fifth financial year end following commencement of the Regulations, the following transitional regulatory capital ratios shall be attained by the dates specified

Date	Minimum Regulatory Capital ratio	Minimum Net Tier 1 Ratio
As at the insurer's first financial year end following commencement of the Regulations	110%	77%
As at the insurer's second financial year end following commencement of the Regulations	120%	84%
As at the insurer's third financial year end following commencement of the Regulations	130%	91%
As at the insurer's fourth financial year end following commencement of the Regulations	140%	98%
As at the insurer's fifth financial year end following commencement of the Regulations	150%	105%

SCHEDULE 12

Asset Limits

The total value of assets held in excess of the limits shown 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 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 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 (S&P rating BB and lower)	5% of Adjusted Assets

These requirements shall apply to an insurer on an individual basis and on a consolidated basis. For the purpose of this Schedule:

(1) Adjusted Assets in respect of an insurer or financial holding company, at a particular time, means the amount determined by the formula A – B, where

(a) A is the total value of assets reported on the returns submitted pursuant to section 145 and;

(b) B is the total of all amounts included in the value of A that are required to be deducted under regulation 8 (4) and regulation 10.

(2) 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
(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 accounting principles and specifications of the Inspector referred to in section 145 of the Act

SCHEDULE 13

Counterparty Risk Factors

Counterparty Rating	**Risk 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 and fully collateralized	10.0%
Unrated	15.0%

SCHEDULE 14

Qualifying unrated asset backed securities shall meet the following criteria:

(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.

SCHEDULE 15

The total value of investments made in contravention of the following shall be included in the non-permissible value:

(1) A company may not grant mortgages or other titles for repayment of loan secured by real estate or leaseholds for a term of years or other estate or interest in real estate unless the amount of the loan together with the amount of indebtedness under any mortgage or other charge on the real estate or interest therein ranking equally with or superior to the loan does not exceed eighty per cent of the value of the real estate or interest therein, at the time of origination of the mortgage or other title for repayment of loan, subject to the exception that a company —

   (a) may upon the sale of real estate in which its funds are invested, accept a mortgage or other title for repayment on such real estate, as part payment and secured thereon for more than eighty per cent of the sale price of such real estate; or

   (b) may invest in a mortgage or other title for repayment on real estate where the amount of indebtedness under any mortgage or other charge on such real estate or interest therein ranking equally with or superior to the loan does not exceed ninety per cent of the value of the real estate as long as that portion of the indebtedness in excess of eighty per cent of the value of the real estate is guaranteed by the National Housing Authority or by a company registered under this Act to carry on that class of insurance business;

(2) Notwithstanding (1), the amount of the loan together with the amount of indebtedness under any mortgage or other charge on the real estate or interest therein ranking equally with or superior to the loan may exceed eighty per cent of the value of the real estate or interest therein, if the excess is guaranteed or insured by the Government or through an agency of the Government of Trinidad and Tobago;

(3) An insurer may not grant mortgages or other titles for repayment of loan secured by ground rents, mortgages or hypothecs on real estate or leaseholds unless the amount of the mortgage or hypothec together with the amount of indebtedness under any mortgage or hypothec on the real estate or leasehold ranking equally with or superior to the mortgage or hypothec which is invested in does not exceed eighty per cent of the value of the real estate or leasehold covered thereby.

SCHEDULE 16

Liquidity and Operational Risk Factor

1. The liquidity and operational risk factor applicable to investment linked insurance business shall be one percent.

Dated this day of , 2015.

Minister of Finance and the Economy