

CB-OIFI: 1975/2024 APPENDIX 2: CENTRAL BANK OF TRINIDAD AND TOBAGO (CENTRAL BANK)'S

RESPONSES TO INDUSTRY COMMENTS RECEIVED ON IMPLEMENTING IFRS 17 FOR REGULATORY PURPOSES

Response #	Responder	Responder's Comment	Document	Reference	Central Bank's Response
1	ATTIC	<p>In the proposed CAR CSM is added to retained earnings and then reclassified from Tier 1 Capital to Tier 2 Capital. This is at odds with the approach we have seen in other markets where the CSM is treated at Tier 1 Capital with no reclassification. Additionally, we note the reclassification of negative reserves from Tier 1 Capital into Tier 2 Capital under the existing CAR has been removed. This in our view equates the CSM to the negative reserve, which we do not believe, is appropriate. The CSM will largely depend on the transition methodologies used and insurers may be impacted by the difference between the two.</p> <p><b>ATTIC's Recommendation:</b> We would recommend the CSM be added to Tier 1 capital with no reclassification in Tier 2, and that negative reserves be addressed in a similar manner to the existing CAR.</p>	Draft IFRS 17 Capital Adequacy Regulations v2	Reg 7(3)(c)	<p>Capital resources protect the interests of policyholders by meeting the following two objectives. They:</p> <ul style="list-style-type: none"> <li>• reduce the probability of insolvency by absorbing losses on a going concern basis or in run-off; and/or,</li> <li>• reduce the loss to policyholders in the event of insolvency or winding-up.</li> </ul> <p>The CSM does not meet the desired characteristics of Tier 1 Capital. Tier 1 Capital is to be the highest quality of permanent capital available to achieve both objectives. However, the CSM is an intangible and the value may be uncertain. Also, corporate insolvency is governed by IFRS where the CSM is treated as a liability. Accordingly, its value can be realized only in more severe financial distress situations e.g. sale of a portfolio or wind-up.</p> <p>The deduction of negative reserves is a relic of the existing capital formula. The change to deduct the CSM from Tier 1 rather than negative reserves was in order to simplify the computation of the capital filing and reduce the scope of additional audit work needed to verify the capital filing. The relationship between the CSM and the negative reserves will depend on the profile of an insurer's business and the transition method used.</p> <p>Accordingly, the new treatment may reduce Tier 1 capital for some insurers and may increase it for others. The Financial Services Commission of Jamaica has taken a hybrid approach where the amount deducted from Tier 1 and added to Tier 2 is the Minimum (CSM, (1-T)x(NEG))</p> <p>Where:  CSM = contractual service margin  NEG = total negative reserves calculated policy by policy on best estimate assumptions (i.e. excluding risk adjustment) and net of reinsurance. The net amount is subject to a minimum of zero.  T = corporate tax rate for life insurers in decimals.</p> <p>The final approach and calibration and any transition arrangements will be informed by the information gleaned from the parallel runs and consider the approach used in other jurisdictions.</p>

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2	ATTIC	<p>Exclusion of any percentage of CSM from Tier 1 Capital. It is inconsistent to the treatment of Risk Adjustment for which 70% is included in Tier 1 Capital. CSM inherently has a high likelihood of realization than Risk Adjustment, yet the latter is provided more preferential treatment through Tier 1 Capital inclusion.</p> <p><b>ATTIC's Recommendation:</b> The CAPAD model should allow for the inclusion of CSM in Tier 1 capital</p>	Parallel run Return	40.011	See Response #1. The CSM can be subject to significant fluctuations due to deteriorating experience, more so than the risk adjustment, which can be considered to be more permanent in nature, hence, the treatment of the CSM versus the risk adjustment.
3	ATTIC	<p>Benchmarking to the minimum regulatory ratio. As the capital required under the IFRS 17 framework is not equivalent to that under the IFRS 4, companies' capital ratios may significantly reduce primarily due to this change.</p> <p><b>ATTIC's Recommendation:</b> Amending the regulatory ratio under the circulated framework.</p>	Parallel run Return	40.011	<p>The lack of equivalence highlighted was articulated in the Circular Letter Ref: CB-OIFI-1680/2022 dated July 14, 2022 and its attachment entitled "Policy rationale for recommended changes to Trinidad and Tobago's Insurance (Capital Adequacy) Regulations, 2020 " as precisely why recalibration is required. The required regulatory minimum Net Tier 1 ratio, the required minimum regulatory capital ratio and the portion of risk adjustment added to net tier 1 capital may need to be adjusted as part of the recalibration being tested via the Parallel run Return.</p> <p>Appendix 1 of circular letter CB-OIFI 1975/2024 dated June 28, 2024 addresses the purpose of the Existing Capital Adequacy Returns (paragraph 19), the goals of the recalibration and provides additional context. Note that the impact of the transition to IFRS 17 experienced by Canadian insurers may not be the same for insurers in Trinidad and Tobago. Unaudited, parallel run filings submitted in 2023 and recently indicate that for certain insurers the regulatory capital ratio went up and not down. This could be an indication that IFRS 17 best estimate liabilities plus risk adjustments may be significantly lower than policy liabilities under CPPM. The lower the best estimate liabilities and risk adjustments, the higher the CSM. Audited numbers may be very different from the unaudited. The Central Bank looks forward to the audited returns and AA reports to properly assess the industry trend and assumptions and other aspects driving the trend.</p>

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4	ATTIC	<p>CSM line not included on the Capital Adequacy Form, thus significantly reducing the solvency ratio. Negative reserves are no longer permitted but included on the Capital Adequacy tab 40.011</p> <p><b>ATTIC's Recommendation:</b> Amend form to include CSM line</p>	Existing Capital Adequacy Returns	40.011	See Response #3 and Appendix 1 of circular letter CB-OIFI 1975/2024 dated June 28, 2024.

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5	ATTIC	<p>CBTT had previously communicated that the CSM would be included in available capital. It is currently excluded in available capital. The CSM balance is a critical value in assessing the solvency of an insurer under IFRS17. Excluding it from available capital could result in the appearance of an undercapitalized insurer even if they were well capitalized under IFRS4.</p> <p>The IFRS 17 CSM generally increases reserves and reduces retained earnings. Canadian life insurer experience is that IFRS 17 reduces retained earnings by 20-30%. To allow for this, the IFRS 17 regulatory systems in Canada and Jamaica adjust for the CSM. So did the CBTT's draft IFRS 17 capital regulations exposed for comment in November 2022.</p> <p><b>ATTIC's Recommendation:</b> Explicitly add a row under Tier 1 – Core Capital to add the Contractual Service Margin to Tier 1 Capital</p>	Existing Capital Adequacy Returns	40.011	See Response #3 and Appendix 1 of circular letter CB-OIFI 1975/2024 dated June 28, 2024.

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6	ATTIC	<p>CSV deficiency guidance asks that it be calculated on a net basis. There was no mention of how to treat with negative reserves. Under the previous regulations, because negative reserves were distinctly reported under a separate line item, then CSV deficiency calculation did not double count the negative reserves. Now it is unclear how to treat with the calculation.</p> <p>Additionally, there would be an issue on reporting in the annual returns by product line/IFRS 17 portfolio. Under IFRS 17, the direct business is captured separate from reinsurance business. Clarification on how to handle Reinsurance, if total reinsurance can be applied as an adjustment or treated differently. Draft regulations mentioned the calc is on a net basis so clarification is needed.</p> <p><b>ATTIC's Recommendation:</b> Use IFRS 17 portfolios as designed so direct business will be gross and reinsurance held portfolios will be separate. Combination will give net position. Negative reserves are implicitly included in the CSM, this should not be double counted as a Tier 1 exclusion.</p>	Draft IFRS 17 Capital Adequacy Regulations v2	40.011	There is no intention to double count. The Central Bank expects that insurers would use generally accepted actuarial practice and will issue further guidance on the computation of CSV deficiencies including the treatment of negative amounts and gross versus reinsurance.

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7	ATTIC	<p>Compared to the November 2022 draft, the CBTT appears to have replaced the negative reserve deduction with a CSM deduction. This creates uncertainty in the calculation of CSV Deficiencies. Negative reserves continue to exist under IFRS 17. It is only at policy issue that negative reserves are eliminated by creating an equivalent CSM. After that, negative reserves are in fact common.</p> <p>Currently, where negative reserves are a deduction, the CSV Deficiency is calculated as the surrender value less the actuarial reserves, with negative reserves set to 0. If there is no deduction, then logically the CSV Deficiency should be surrender values less actuarial reserves without a 0 floor. However, this should be discussed and clarified, as it was in Jamaica when they faced a similar issue. The differences are material.</p>	Draft IFRS 17 Capital Adequacy Regulations v2		See Response #6.
8	ATTIC	<p>Material variability and reductions in capital ratios likely from replacing deductions for negative reserves with CSM. Other technical inconsistencies noted.</p> <p>CBTT's instructions in Jan &amp; Mar 2024 are materially different to the IFRS 17 CapAd proposed by CBTT in Nov 2022. As such, companies did not have any opportunity to prepare for this new capital regime. While stated to be consultative / for calibration, being used to assess solvency for dividend paying purposes.</p> <p><b>ATTIC's Recommendation:</b> CPPM for Solvency Calcs until IFRS 17 based solvency system is calibrated.</p>	Draft IFRS 17 Capital Adequacy Regulations v2		<p>The issues of (i) the process for dividend payment purposes; and (ii) the goals of the recalibration are addressed in Circular letter CB-OIFI-663/2024 dated March 5, 2024 and in Appendix 1 of circular letter CB-OIFI 1975/2024 dated June 28, 2024. It should be noted that the goals of the calibration do not only relate to the ratios. In keeping with the total balance sheet approach of the ICPs (ICP 17 and ICP 14), the goals of the calibration are linked to required assets (i.e. liabilities plus required capital) to meet regulatory minimum requirements.</p> <p>As stated in Response #3, it is not immediately obvious that the ratios will deteriorate. The Central Bank looks forward to the audited returns and AA reports to properly assess the industry trend and assumptions and other aspects driving the trend.</p>

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9	ATTIC	<p>The CSM for reinsurance contracts held is calculated based on reinsurance contract itself, not the underlying direct business that attaches to the reinsurance contract. Therefore, if a reinsurance contract covers both par whole life and non-par whole life, for example, the CSM and CSM amortization for the reinsurance contract would only be reflected in the term non-par LOB (if the reinsurance contract was a non-participating, yearly renewable term contract in this example). This is a change from the IFRS4 presentation where reinsurance effects would be netted against the direct business that is covered by the reinsurance contract.</p> <p><b>ATTIC's Recommendation:</b> We recommend reflecting the CSM and CSM amortization in the LOB that aligns with the reinsurance contract and not the LOB of the direct business covered by the reinsurance contract.</p>	IFRS 17 Annual Returns	45.033, 30.010, 30.012	Comment noted. Further guidance will be given.
10	ATTIC	<p>The first row shows "Total Assets". Total assets used to include items like premiums receivable and policy loans, items that are now folded into the insurance contract liabilities.</p> <p><b>ATTIC's Recommendation:</b> We recommend that Capital adequacy tests should take this into consideration.</p>	Parallel run Return	40.060	Comment noted. Assets for reinsurance contracts held may offset. With that said, these differences in treatment will be considered in the recalibration and any updates to the excel returns.

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11	ATTIC	<p>Given the numerous technical details to be updated for IFRS17 and to allow time be given for calibration of market impact, we believe IFRS17's effective date should be deferred until data on impact can be collected and properly analyzed. This recommendation aligns with deferrals implemented in other Caribbean and Latin American countries.</p> <p><b>ATTIC's Recommendation:</b> Defer the effective date for IFRS17 to at least 1/1/24.</p>	General Comment		The accompanying cover letter to this Appendix addresses key reporting timelines.



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12	ATTIC	<p>There are numerous technical details to be discussed on the use of an IFRS 17 balance sheet on the existing CapAd forms, as well as the Parallel Run forms. The latter are stated to be for calibration purposes. If uncalibrated, then they should not be used to assess solvency for decisions such as dividends. There are also several apparent inconsistencies and unintended consequences.</p> <p>The Parallel Run is being used to assess dividend paying capacity. Specifically, if an entity fails the current CapAd forms because of IFRS 17, they can still pay a dividend, if they pass the Parallel Run ratios. There is also the requirement to do Financial Condition Reports on the Parallel Run basis. The Parallel Run is therefore part of the capital regime in force.</p> <p><b>ATTIC's Recommendations:</b> During transition period, allow insurers who were compliant on the old CapAd basis, to continue to make decisions such as Dividend declarations.</p>	General Comment		See Response #8.

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13	ATTIC	Companies did not have any opportunity to prepare for this new capital regime. While stated to be consultative / for calibration, being used to assess solvency for dividend paying purposes	General Comment		The Central Bank first issued proposed changes including rationale for consultation and QIS run in July 2022 and has been engaging with the industry and individual insurers since then, precisely to encourage insurers to assess the impact in advance and to prepare. A second QIS was issued by way of Circular letter CB-OIFI-663/2024 dated March 5, 2024. The recalibration could not be completed without comprehensive data from the QISs. Insurers had ample time to prepare and the opportunity to work with the Central Bank to finalize the calibration in advance of the effective date using the results of the QISs. However many insurers did not submit and many of the submissions were of poor quality. Appendix 1 of circular letter CB-OIFI 1975/2024 dated June 28, 2024 discusses the issue of targets for dividend payment.
14	ATTIC	<p>The CBTT should clarify its plans to propose these changes through negative resolution or affirmative resolution. While regulations may be subject to negative resolution, any regulation that may affect the constitutional rights (which these changes have the potential to do as it relates to the prevention of dividends or shareholders potentially being diluted or forced to sell) must be laid in Parliament by affirmative resolution.</p> <p>The Insurance Act provides:  <i>279.(1) The Minister may, upon recommendation by the Central Bank, make Regulations for generally giving effect to the provisions of this Act.  (2) Regulations made under this Act shall be subject to negative resolution of Parliament, unless the Regulations affect constitutional rights in which case, they shall be subject to affirmative resolution of Parliament. (3)The Minister may, by</i></p>	General Comment		<p>The changes to the regulations are to address inconsistencies between the Act and the regulations and to continue to maintain a robust legislative framework needed to protect the interest of policyholders.</p> <p>For edification of ATTIC and its members, section 279 was amended by the Insurance (Amendment) Act, 2020, and subsection (2) currently states that "Regulations made under subsection (1) shall be subject to a negative resolution of Parliament.</p>

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		<i>Order, upon recommendation by the Central Bank, amend the Schedules.</i>			
15	ATTIC	<p>In general, all of the risk charges on the liability side of the balance sheet have been significantly increased. The assets liability mismatch risk charge has increased from 10% to 100%. The factors for mortality, morbidity and lapse risk have all been doubled, while the interest rate price risk factors have increased by 20%. These all amount to significant changes in risk capital and by extension the regulatory capital required.</p> <p><b>ATTIC's Recommendation:</b> We would recommend the proposed changes in factors be calibrated to largely aligned with the capital required under the existing regulatory framework.</p>	Draft IFRS 17 Capital Adequacy Regulations v2	Schedule 9	<p>These are countervailing adjustments to be calibrated since</p> <ul style="list-style-type: none"> <li>• Available capital has also increased due to the addition of the risk adjustment.</li> <li>• Feedback from the Caribbean Actuarial Association (CAA) (see comment #42), confirmed that the interest rate risk provision is no longer included in the insurance contract liabilities under IFRS17.</li> </ul> <p>The Bank has always accepted the validity of ATTIC's recommendation as it is in line with the total balance sheet approach (ICP 14.0.4, ICP 14.0.5 and ICP 17.1), the goals of the recalibration first articulated in the Circular Letter Ref: CB-OIFI-1680/2022 dated July 14, 2022 and its attachment entitled "Policy rationale for recommended changes to Trinidad and Tobago's Insurance (Capital Adequacy) Regulations, 2020 ". This means of course that the target for the recalibration will not be to match "required capital" or the "regulatory capital ratio" under the existing regulatory framework. Adjustments to take into account aspects such as the two bullets above will also be made.</p>

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16	ATTIC	<p>We note the draft regulations amends the conditions required for relief from various risk charges for investment linked insurance business, being 'separate from other business' and valued 'on at least a daily basis'. The term 'separate' is not specifically defined and so it is unclear whether this is a legal separation or an internal/notional separation. With respect to a daily valuation, we believe this should be linked to the withdrawal terms of the contract. If withdrawals are not payable on demand, the need for daily valuation seems</p> <p><b>ATTIC's Recommendation:</b> We would recommend the requirement for daily valuation be removed or language introduced to link the requirement to the withdrawal terms of the contract</p>	Draft IFRS 17 Capital Adequacy Regulations v2	Subsection 12 (a), Schedule 9, 3 (a)	Comment and recommendation are noted. The Bank will revisit the wording.
17	ATTIC	<p>Under the previous regulations, the lapse risk was a shock on the margin versus now the shock is on the lapse assumption itself. While this is fine, note that it is typical for the assumption to impact the reserve either positively or adversely depending on the type of business. However, a margin can be defined on actuarial software to always be an adverse</p> <p><b>ATTIC's Recommendation:</b> Wording should state an adverse impact (leave it to the company to calculate this) versus a shock on the lapse assumption.</p>	Draft IFRS 17 Capital Adequacy Regulations v2		The wording will be reviewed to ensure it is clear that the shock must have an adverse impact.
18	ATTIC	<p>Ambiguity of standard to be used between forms (IFRS 4 vs IFRS 17) Old forms being used for IFRS 17 updates. Parallel included crossed wordings with amendment for IFRS 17 for some IFRS 4 terminology but not all.</p> <p><b>ATTIC's Recommendation:</b> Revise fully for</p>	General Comment		Comment and recommendation are noted. The Bank will revisit the wording and the excel returns updated if needed.

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		IFRS 17 and state clearly which standard is required			
19	ATTIC	<p>Insurers, auditors and actuaries are required to follow Regulations, Guidelines and directions of the CBTT, with significant fines and penalties. Under the new Insurance Act, they are also required to certify such compliance. Inconsistencies and “best efforts” requirements expose stakeholders to significant penalties under the Act.</p> <p><b>ATTIC's Recommendation:</b> Formal Forbearance to Industry Stakeholders during the transition period regarding areas of conflict, and/or where best efforts are being sought vs legal requirement for certification of full compliance</p>	General Comment		This issue has been addressed in the circular letter CB-OIFI:1975/2024 dated June 28, 2024 to this Appendix.

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20	ATTIC	<p>There is disparity between the existing law and the circular letter which complicates the preparation and audit of the annual regulatory returns. Additionally, the proposal to combine IFRS 17 and the existing CAR is likely to have a negative impact on insurers regulatory capital and may leave insurers in regulatory limbo until the new CAR is put in place</p> <p><b>ATTIC's Recommendation:</b> Allow the annual return for the year ended Dec 2023 to continue under the existing law, utilising Caribbean PPM (CPPM) and the existing CAR. A further extension beyond 30 June 2024 may be warranted as some insurers may have already started down the road of using IFRS 17 and the existing CAR as per the circular letter.</p> <p>Additionally allow CPPM and the existing CAR to continue until the new frameworks has been agreed and rolled out</p>	General Comment	Circular letter dated 5th March 2024	This issue has been addressed in the cover letter to this Appendix and in Appendix 1 of circular letter CB-OIFI 1975/2024 dated June 28, 2024.

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21	ATTIC	Cash surrender value deficiencies and negative reserves are not IFRS17 concepts.  <b>ATTIC's Recommendation:</b> Remove rows 27, 28, 63, 64	Parallel run Return	40.011	Noted. They are however actuarial concepts. This suggestion and the need for alternative countervailing adjustments to achieve the goals of the calibration will be considered for the next update of the capital return to be used for future parallel runs.
22	ATTIC	Outstanding premiums and policy loans are not IFRS17 concepts.  <b>ATTIC's Recommendation:</b> Remove rows 91, 92, 93, 95	Parallel run Return	40.020	Noted. They are however features of insurance business and create credit risk and other risks for the insurer. Although the value is not separately disclosed or valued because they are non-distinct components under IFRS 17, the values are incorporated into the value of insurance contract liabilities. Furthermore, the insurer must administer these policy features. The balances are available from its administration systems and the insurer would need to monitor these amounts/exposures as part of its credit risk management. This suggestion and the need for alternative countervailing adjustments to achieve the goals of the calibration will be considered for the next update of the capital return.

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23	ATTIC	Earned premium is not an IFRS17 concept  <b>ATTIC's Recommendation:</b> We recommend amending to use an appropriate concept.	Parallel run Return	40.032	Noted. This will be addressed in the next update to the parallel run template.
24	ATTIC	Gross written premium is not an IFRS17 concept  <b>ATTIC's Recommendation:</b> Adjust to reflect either collected premiums or insurance revenue	IFRS 17 Annual Returns	45.020	Gross written premium is a volume metric and it is entirely valid for an insurer and the regulator to track this amount.
25	ATTIC	These ratios are viewed/used for several reasons, not limited to the following: <ul style="list-style-type: none"> <li>• AM Best and other rating agencies</li> <li>• Stock Exchanges (for listed entities)</li> <li>• Debt covenants</li> <li>• Regulators outside of T&amp;T for entities with foreign operations</li> <li>• Reinsurers</li> <li>• Investors, banks, etc.</li> </ul> Sudden movements in ratios will raise alarming circumstances.  <b>ATTIC's Recommendations:</b> Ensure whatever ratios are in use for any reporting purposes does not lead to a drastic increase or decrease in capital ratios.	General Comment		Based on the unaudited parallel run filings to date and the objectives of the recalibration of the regulatory capital framework for IFRS 17, 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.  Also, disclosure of capital ratios is voluntary. In any case, an insurer who discloses ratios without transparently disclosing the context of the calculation (i.e. that they are being used for calibration purposes and not definitive) and how or whether or not used by management for capital management purposes (e.g. how regulatory ratios relate to internal economic and model-based metrics as per the financial condition analysis) would not be considered to be meeting its duty of transparency to stakeholders. As an aside, insurers should consider the benefits of early adopting IFRS 18.  Also, see Response #8.
26	ATTIC	Many of the fundamental technical issues in the circulars were not seen in previous drafts circulated by the CBTT. For example, there was no CSM deduction from Tier 1 capital in the draft IFRS 17 CapAd forms issued by the CBTT in Nov 2022. Canadian and Jamaican legislation give credit for CSM. Companies would did not have this in contemplation prior to the Circular Letters.	General Comment		The CSM deduction replaced the Negative reserve deduction. See Response #1.



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		<b>ATTIC's Recommendations:</b> Allow sufficient time for industry dialogue before official adoption of new technical concepts			
27	ATTIC	Material variability and reductions in capital ratios likely from including CSM in actuarial liabilities and not available capital. Other technical inconsistencies noted.  <b>ATTIC's Recommendation:</b> Use CPPM for Solvency Calcs until IFRS 17 based solvency system is calibrated.	General Comment		See Response #8, the cover letter to this Appendix and Appendix 1 of circular letter CB-OIFI 1975/2024 dated June 28, 2024.
28	ATTIC	CBTT's instructions in Jan & Mar 2024 are materially different to the IFRS 17 CapAd proposed by CBTT in Nov 2022. As such, companies did not have any opportunity to prepare for this new capital regime. Renders capital budgeting for 2024 invalid and creates uncertainty in business planning and risk management. Renders all audit work done during 2023 and early 2024 for CPPM filings invalid. Affects limits for connected party and large credit exposure reporting based on "regulatory capital". Ratios are reported to rating agencies, reinsurers, other regulators. Also SEC etc for companies that are part of listed groups. Significant falls in reported solvency will cause unacceptable and inappropriate market instability, especially since the local insurance market is generally considered adequately capitalised.	General Comment		See Responses #13 and #25.

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29	ATTIC	<p>Timeline insufficient for the level of data requested. Additional model runs are required to provide some of the requested reports. For example, the impact of changes of non-financial assumptions is required at a product level whereas this detail could have been originally produced at a portfolio level.</p> <p><b>ATTIC's Recommendations:</b> An extension of the deadline be provided.</p>	Instructions for AA	CB-OIFI-663/2024	<p>This issue was raised before and already addressed by the Bank. Circular letter CB-OIFI-663/2024 dated March 5, 2024 stated, "For the first submission of the Appointed Actuary's Report (AAR) required under the AAR Instructions, the AA should comply with the instructions on a best-efforts basis while bearing in mind the objectives of the AA's valuation set out in Section 2.1.1 of the AAR Instructions. The AA is however required at a minimum, to comply with standards of accepted actuarial practice and conform to the form of certification set out in the finalized Appendices to the AAR Instructions." Also, the Bank considers it reasonable to expect that the AA would be able to draw on the comprehensive information and schedules already needed to be developed and provided to auditors to allow the auditors to properly assess such a material aspect of the financial statements. This would be a high-risk audit area, particularly in the first year of application of IFRS 17.</p>
30	ATTIC	<p>CBTT sent these circular letters in Jan and March, and the final position is not yet known. This provides insufficient time for a June 30, 2024 deadline, particularly when the two approaches Current Forms + IFRS 17 and Parallel Run IFRS 17 are producing inconsistent results with IFRS 4+CPPM.</p> <p>Additional challenge: 1). Model run times due to IFRS 17 have increased by more than 250% up to 500+% for longer projection periods. FCR with multiple scenarios and several years of projections needed, will take considerable time to run.</p> <p><b>ATTIC's Recommendation:</b> Further extended deadline (+2 months i.e. Aug 30, 2024) for regulatory submissions or staggered timeline for certain deliverables with FCR being granted the latest possible deadline.</p>	General Comment		<p>Concessions were granted in circular letter CB-OIFI: 1877/2024 dated June 25, 2024.</p>

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Response #	Responder	Responder's Comment	Document	Reference	Central Bank's Response
31	ATTIC	<p>Significant falls in regulatory capital ratios, using requirements not previously circulated, is destabilizing to the market. It would be fine for this to be part of a consultative process, but these measurements are being used to measure solvency with retroactive effect to year end 2023. This invalidates existing risk management, capital planning and budgeting processes.</p> <p><b>It also potentially triggers unwelcome and unnecessary reporting to Stock Exchanges and policyholders of an adverse capital situation when none existed before.</b></p>	General comment		See Response #8. The Central Bank also agrees that solvency/capital adequacy/financial condition assessment is not to be backward looking. This is why the Financial Condition/Capital Adequacy Assessment required by ICP 9 is not a backward looking concept. This is why it is also a fundamental principle that underpins the approach referenced in Response #8.
32	ATTIC	How was the 70% of risk adjustment contribution to the Net Tier 1 ratio calibrated? Is this also being calibrated for the industry?	Draft IFRS 17 Capital Adequacy Regulations v2		It is the ratio of the current minimum tier 1 ratio and the current minimum required capital ratio i.e. 105/150.

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Response #	Responder	Responder's Comment	Document	Reference	Central Bank's Response
33	ATTIC	<p>The CBTT proposed capital framework for use with IFRS 17 is a factor-based approach. There are limitations of this approach in reflecting the intrinsic risks of the insurer. Studies conducted in Jamaica and Canada have shown that factor-based approaches, do not produce comparable ratios to shock</p> <p><b>ATTIC Recommendation:</b> CBTT undertake an analysis as to whether the adoption of a shock-based approach to solvency assessment, in the long term, would better align with risk-based supervision ideals.</p>	General Comment		<p>When the capital regime was designed (almost 20 years ago), a factor based approach was thought to be proportionate given inter alia (i) the low level of sophistication of the models at some insurers at the time; and, (ii) the characteristics of the market.</p> <p>It was felt that the goals of the regime could be met by moving to a relatively simple factor-based formula. As stated in the attachment to Circular Letter Ref: CB-OIFI-1680/2022 dated July 14, 2022 entitled "Policy rationale for recommended changes to Trinidad and Tobago's Insurance (Capital Adequacy) Regulations, 2020", the Bank's pragmatic goals, given the short timeframe, for the revision and recalibration of the regime due to IFRS 17 are simply to:</p> <ul style="list-style-type: none"> <li>• adapt the capital regulation for IFRS 17 while maintaining compliance with fundamental elements of ICP 14, Valuation and ICP 17, Capital Adequacy;</li> <li>• minimize potential industry-wide regulatory capital impacts in the short and medium term; and,</li> <li>• minimize implementation burden by the industry.</li> </ul> <p>The Financial Services Commission of Jamaica (FSC-JA) started earlier and were able to take a different approach. The FSC-JA updated their factor-based approach to a shock-based approach at the same time as adopting IFRS 17. It did not take them 20 years to design and consult with their industry. They started the process many years ago and carried out multiple quantitative impact studies (QISs). The final framework is currently in use.</p> <p>Section 82 of the Act requires insurers to maintain adequate capital and liquidity on both an un-consolidated and consolidated basis. The current regime is based on an insurer's solo/un-consolidated position. The Central Bank proposes to implement a more modern shock-based approach in due course as part of one of its strategic initiatives to implement a consolidated regulatory capital regime. The un-consolidated regime is proposed to be amended in tandem.</p>

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Response #	Responder	Responder's Comment	Document	Reference	Central Bank's Response
34	ATTIC	<p>What is supposed to be populated in the columns titled "Policy Liability or Mortality Component"? Is it just the present value of expected future benefits (claims, surrenders, lapses etc)? Is it the entire BEL? The entire insurance contract liability? If it is the entire insurance contract liability, we do not have the CSM for term broken down by term remaining.</p> <p><b>ATTIC Recommendation:</b> Provide guidance on column definition</p>	Parallel run Return	40.031	The Policy Liabilities should be populated in the column.
35	ATTIC	<p>Is the "Face Amount of In Force Insurance" column to be populated with the face amount that is reinsured or with the face amount of the direct policy?</p> <p><b>ATTIC Recommendation:</b> Provide guidance on column definition</p>	IFRS 17 Annual Returns	45.036	Comment noted. Further guidance will be given.
36	ATTIC	<p>Should the columns titled "Premiums" and "Benefits" agree to "Net Expenses from Reinsurance Contracts Held" on the P&amp;L?</p> <p><b>ATTIC's Recommendation:</b> Provide guidance on column definition</p>	IFRS 17 Annual Returns	45.036	Comment noted. Further guidance will be given.
37	ATTIC	<p>Previously, Policyholders' Equity was divided between Participating and Non-Participating accounts. Now Policyholders' Equity only reflects Participating Accounts. Where should we reflect Non-Participating Policyholders' Equity?</p> <p><b>ATTIC's Recommendation:</b> We recommend folding Non-Participating Policyholders' Equity into Retained Earnings unless instructed otherwise.</p>	IFRS 17 Annual Returns	20.011 40.011	There is no requirement under the Act whereby Non-Participating Policyholders' Equity would need to be tracked. The proper accounting treatment would be based on IFRS rules and depend on the nature of the equity and policyholders' rights versus shareholders' rights. Policyholders' rights would be derived from the policy contract and policyholders reasonable expectations. Depending on those considerations, non-participating policyholders' equity could be required under IFRS rules to be treated as part of the liabilities rather than as part of retained earnings. This determination would need to be made by the insurer.

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Response #	Responder	Responder's Comment	Document	Reference	Central Bank's Response
38	Insurer	Risk Adjustment column O is this for GMM? There was separate column for RA under PAA, so the assumption is that is for RA relating to GMM.	Parallel run Return	IFRS 17 Summary	Query noted. Further guidance will be given.
39	Insurer	Should formula in column M be column G subtract column L as opposed to adding both columns?	Parallel run Return	40.031	<p>The "Annual Returns Instructions Manual" states: <i>"Generally, entries should be made as positive integers.</i></p> <p><i>Notwithstanding the above, an integer must be entered as a negative amount when:</i></p> <ul style="list-style-type: none"> <li><i>i. specifically stated in the instructions; or</i></li> <li><i>ii. when the color of the font appears red.</i></li> </ul> <p><i>Where a value is the opposite of what would normally occur, the opposite of the above should be entered. Negative integers must be displayed by using the minus sign or parentheses."</i></p> <p>The formula in column M is correct. Columns H and I in Tab 40.031 indicate that negative values are to be entered.</p>
40	Insurer	Can rationale be given on the doubling of rates on this form from the old form?	Parallel run Return	40.031	As a starting point for the recalibration. Please also see response #15.

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Response #	Responder	Responder's Comment	Document	Reference	Central Bank's Response
41	CAA	<p>The application of the current forms with IFRS 17 financials will not yield solvency assessments that are consistent with what was used under IFRS 4.</p> <ul style="list-style-type: none"> <li>- Using existing methods to calculate ratios will likely give an incorrect assessment of solvency. This was observed in other developed markets' assessment.</li> <li>- The solvency ratios are used by rating agencies, reinsurers, lenders, shareholders and other stakeholders. The interim ratio will be held to the same level of scrutiny and interest as it was before.</li> <li>- Whilst we acknowledge that not all insurers are adversely impacted by IFRS17, there is a risk that immediately changing the methodology without market calibration could result in an overall industry wide deterioration in capital ratios. Should this take place, this could have negative implications for public confidence in the insurance sector.</li> <li>- The immediate change in methodology without calibration for the market will likely lead to the impression that solvency levels have deteriorated in Trinidad &amp; Tobago. This could have negative implications for public confidence in the insurance sector. Albeit not all insurers will be impacted adversely.</li> <li>- Capital solvency is a significant component in the assessment of insurers and reinsurers. Drastic changes to solvency threaten business operations and have financial implications stemming from non-performance risk.</li> </ul>	Mar 5, 2024 PR Cir Ltr & Attachments	Section 2 of the Ltr	See Response #8. Also as discussed in Responses # 3 and #25 above, certain insurers ratios may increase, thus potentially conveying a false sense of security.

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Response #	Responder	Responder's Comment	Document	Reference	Central Bank's Response
42	CAA	<p><b>CSM is excluded from Available Capital in existing capital forms.</b></p> <ul style="list-style-type: none"> <li>- It is reasonable to expect that the CSM could become a critical component of a company's balance sheet. Therefore, excluding the CSM from available capital is a significant impediment to the assessment of solvency.</li> <li>- In reference to other jurisdictions who have updated their capital frameworks for IFRS 17, we note that both Canada and Jamaica include CSM in Gross Tier 1 capital.</li> <li>- The significance of the CSM to the solvency of a life insurance company is illustrated in research done on Canadian life insurers as at December 2022; the exclusion of the CSM reduced the industry's LICAT capital ratio from 129% to 96% (below the 100% minimum). Please see the appendix attached.</li> <li>- There is a risk that insurers who were above the minimum capital ratio in the Trinidad &amp; Tobago Insurance Act under IFRS 4 reporting could breach the minimum under IFRS17 if the CSM were excluded from the regulatory capital available.</li> <li>- It is in the best interest of the industry to ensure that resources are directed to regulating the entities which pose true risk to the financial system.</li> <li>- We note that there are other components of IFRS17 liability that can have an offsetting impact on insurers' capital position e.g. the interest rate risk provision is no longer included in IFRS17</li> </ul>	Mar 5, 2024 PR Cir Ltr & Attachments	Section 2 of the Ltr	The comments are noted. See responses in Appendix 1 of circular letter CB-OIFI 1975/2024 dated June 28, 2024.



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Response #	Responder	Responder's Comment	Document	Reference	Central Bank's Response
43	CAA	<p>We observed that the proposed capital framework for use with IFRS17 is a factor-based approach.</p> <ul style="list-style-type: none"> <li>- There are limitations of this approach in reflecting the intrinsic risks of the insurer.</li> <li>- Studies conducted in Jamaica and Canada have shown that factor-based approaches, do not produce comparable ratios to shock-based approaches, which are better suited for assessing intrinsic risks.</li> <li>- We agree that in effect the CBTT has created a consultation period which would be beneficial to the calibration of the proposed framework.</li> </ul>	Mar 5, 2024 PR Cir Ltr & Attachments	Section 3 of the Ltr	See Response #33.
44	CAA	<p><b>The full amount of the CSM is deducted from Tier 1 and treated as Tier 2 capital. We note that this is the equivalent treatment of the negative reserves in the current framework. We would like to highlight the drawbacks we see with this approach:</b></p> <ul style="list-style-type: none"> <li>- The calculated CSM is dependent on the transition approach chosen as well as the measurement model used. Treatment of CSM as Tier 2 capital without market calibration may unfairly penalise companies.</li> <li>- The CSM is expected to persist for a longer period of time than the negative reserve. This means that over time, companies writing increasing volumes of profitable business will accumulate CSM balances that are expected to be much higher than negative reserves under an IFRS 4 framework. As such, this proposal will unduly restrict the available capital of these insurers.</li> </ul>	Mar 5, 2024 PR Cir Ltr & Attachments	Tab 40.011	See Response #1. It is not necessarily true to say that the proposal will unduly restrict the available capital of all insurers as the relationship between the CSM and the negative reserves will depend on the profile of an insurer's business and the transition method used. For some insurers, deducting the CSM rather than negative reserves may result in higher available capital whereas for others deducting the CSM rather than negative reserves may result in lower available capital. The Central Bank looks forward to the audited returns and AA reports to assess the industry trend and assumptions driving the trend.
45	CAA	<p>Under the existing submission and for the interim, we propose the inclusion of the net CSM as a Tier 1 capital. In conjunction, we recommend no changes to the treatment of negative reserves and cash surrender value deficiencies as a Tier 2 capital.</p>	Mar 5, 2024 PR Cir Ltr & Attachments	Section 2 of Ltr	See Response #1.

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Response #	Responder	Responder's Comment	Document	Reference	Central Bank's Response
46	CAA	Several of our members have recommended that the Central Bank considers the adoption of a shock-based approach to solvency assessment, in the long term, as this would better align with risk-based supervision ideals.	Mar 5, 2024 PR Cir Ltr & Attachments	General Comment	See Response #33.
47	CAA	Given that there are numerous technical details to be updated for IFRS17, we believe an extension to September 30, 2024 for the submission of the 2023 AAR and financial schedules is necessary.	Mar 5, 2024 PR Cir Ltr & Attachments	General Comment	See Response #30.
48	CAA	<b>During the interim reporting period where the IFRS17 capital regime is being finalised:</b> - We propose that the Central Bank allows insurers who have their own risk-based capital models to submit their internal models for review and use the same in supporting dividend recommendations. - We propose that insurers be allowed to use CPPM for capital adequacy purposes only.	Mar 5, 2024 PR Cir Ltr & Attachments	Section 2 of Ltr	See Response #8. The first recommendation that insurers should be allowed to submit the results based on their own internal models is essentially the approach referenced in Response #8. The approach does not require submission of internal models for review at this time. However, the Central Bank retains its rights to request submission or independent per Section 11 of the Act. Insurers and AAs are reminded of the requirements of Regulation 10 of the Insurance (Financial Condition Report) Regulations, 2020 and of its power to request an Independent review.
49	CAA	Given the changes to the proposed regulations, we request that adequate time be given for calibration of market impact. This is to stave off significant deviations in the market's solvency and to maintain consistent assessments of risk year to year.	Mar 5, 2024 PR Cir Ltr & Attachments	Section 3 & 4 of the Ltr	Noted.
50	CAA	<b>We request an additional 20 business days for the submissions of the parallel capital runs for IFRS17.</b> - Note that during the interim period there is a duplication of effort required to submit capital forms under two bases and currently there is no consideration in the 20-business day deadline.	Mar 5, 2024 PR Cir Ltr & Attachments	Section 4 of the Ltr	Requests for extensions of time for the quarterly parallel runs will be considered on a case-by-case basis.

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Response #	Responder	Responder's Comment	Document	Reference	Central Bank's Response
51	CAA	<b>Is there a defined timeline for the interim period?</b> - This will allow companies to plan and execute necessary capital decisions in anticipation of the proposed regulations.	Mar 5, 2024 PR Cir Ltr & Attachments	Section 2 of Ltr	The timeline is discussed in the cover circular letter to this Appendix.
52	CAA	Given the possibility that insurers who were above the minimum required capital ratio, may suddenly fall below under the interim calculation, will there be penalties or regulatory actions for such companies?	Mar 5, 2024 PR Cir Ltr & Attachments	Section 2 of Ltr	The issue of the Central Bank's latitude to take supervisory action, including imposition of penalties is discussed in the cover circular letter to this Appendix.
53	CAA	For dividend paying companies, we perceive an uncertainty in the guidance for management's approval on "compliance with the regulations", wherein the regulations have not yet been finalised and the Cirlet proposes different bases.	Mar 5, 2024 PR Cir Ltr & Attachments	Section 7 of Ltr	See Response #12.
54	CAA	Capital base is referred to in the Insurance Act in setting connected party limits. Will the Central Bank extend forbearance to insurers who were not in breach under the existing capital framework but who are in breach as a result of the interim proposal?	Mar 5, 2024 PR Cir Ltr & Attachments	Section 2 of Ltr	The request for a guarantee of forbearance is discussed in the cover letter to this Appendix.

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Response #	Responder	Responder's Comment	Document	Reference	Central Bank's Response
55	Insurer	<p>With reporting under IFRS 17, Insurance Receivables no longer exist as a separate asset as it now forms part of the 'Liability for Remaining Coverage'.</p> <p>Considering this, would we still be required to report in form 40.011 the balances for aged Direct and Brokers balances, which in turn reduces the capital base.</p> <p>These balance also does not form part of 'Total Assets' on form 40.060 as they are not recorded as Liability on our IFRS 17 Balance sheet, hence they would not contribute to the 'Asset Default Risk'.</p>	Parallel run Return	40.011, 40.060	Query noted. Further guidance will be given.
56	Insurer	The definition speak to net written premiums received. Please clarify if this should net premiums received in line with forms. We noted that this section attracts capital charges on the net premiums collected. The company is seeking clarification on the rationale for this.	Draft IFRS 17 Capital Adequacy Regulations v2	Section 21	Query is noted. The usage of net written premiums received in the Draft IFRS 17 Capital Adequacy Regulations v2 was an error. The Regulations will be amended to reflect 'net premiums received' and further guidance will be given as necessary.
57	Insurer	The cells to enter the factor percentage is locked resulting in a nil regulatory capital required.	Parallel run Return	40.021	Feedback is noted. The excel return will be amended as necessary.
58	Insurer	The cells referenced are uneditable and does not allow for a risk factor to be entered.	Parallel run Return	40.020	Feedback is noted. The excel return will be amended as necessary.

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Response #	Responder	Responder's Comment	Document	Reference	Central Bank's Response
59	Insurer	We agree with CBTT's assertion (from the Circular letter dated January 31st, 2024) that the current CapAd remains an appropriate tool for assessing solvency. We filed our Q4 2023 unaudited CapAd forms under IFRS 4 and CPPM. These forms, together with subsequent adjustments, show the ratios in the table below. We meet and exceed the minimum capital requirements as at Q4 2023. In addition, we are considered to be adequately capitalised by the Board, Appointed Actuary, and our auditors.	Mar 5, 2024 PR Cir Ltr & Attachments	General Comment	<p>See Response #8.</p> <p>Also, the Circular letter dated January 31st, 2024 did not state that the Existing Capital Adequacy Returns remains an appropriate tool for assessing solvency. On the contrary, it was clear that the framework was to be changed to use IFRS 17 and that IFRS 17 provides a consistent and reliable economic valuation basis for regulatory capital requirements calculations at this time. The letter also stated, "Furthermore, IFRS 17 is compatible with the total balance sheet approach to capital adequacy required by the ICPs. The goals of the Central Bank's capital adequacy framework can be met through judicious use of prudential filters and careful design and calibration of required capital and/or solvency control levels." and that shortly would be issued "Supplementary forms to inform the calibration of the changes to the capital adequacy framework previously rolled out for consultation on July 14, 2022. This is needed as the responses to the Quantitative Impact Study requested at that time were very limited".</p> <p>The issue of the process for dividend payment purposes is addressed in Circular letter CB-OIFI-663/2024 dated March 5, 2024 and in the cover letter to this Appendix. The Central Bank believes that the process established 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 Bank to be a breach of the director's duties under inter alia Sections 82, 84, 67(1) and 69 of the Act.</p>

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Response #	Responder	Responder's Comment	Document	Reference	Central Bank's Response
60	Insurer	<p>"best estimate policy liabilities" as defined excludes risk adjustment and contractual service margin but is the intent to include the Liability for Incurred Claims (LIC) or is it meant to be Liability for Remaining Coverage only (LRC)?</p> <p>a) Does not state liability for remaining coverage only anywhere, however;</p> <p>b) Does state liability for remaining coverage (but that is the PAA only section) Including LIC on areas such as mortality risk component is a bit strange.</p>	Draft IFRS 17 Capital Adequacy Regulations v2	Section 2	Query noted. Further guidance will be given.
61	Insurer	<p>CSV deficiency guidance asks that it be calculated on a net basis. Under IFRS 17 the portfolios of business captures direct business separate from reinsurance business and our portfolio construct does not easily align to allow the two portfolios to be combined to give a net position. Clarification on how to handle Reinsurance, if total reinsurance can be applied as an adjustment, would be welcomed. This similarly would impact other areas where net is requested but direct and reinsurance business is not separated. It is also unclear how to treat with negative reserves in the CSV deficiency calculation.</p>	Draft IFRS 17 Capital Adequacy Regulations v2	Schedule 18	See Response #6.
62	Insurer	<p>Just a question, how was the 70% of risk adjustment contribution to the Net Tier 1 ratio calibrated? Any chance of being recalibrated?</p>	Parallel run Return	40.010	See Response #32.

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Response #	Responder	Responder's Comment	Document	Reference	Central Bank's Response
63	Insurer	<p>The current CapAd forms were developed based on an IFRS 4 balance sheet and CPPM reserves. As discussed, the Current CapAd forms make no allowance for CSM in the Available Capital. This can have the effect of significantly reducing regulatory capital ratios. These ratios have to be reported to:</p> <ul style="list-style-type: none"> <li>• Rating Agencies</li> <li>• Reinsurers</li> <li>• Stock Exchanges (for listed entities)</li> <li>• Regulators outside of T&amp;T for entities with foreign operations</li> <li>• Investors, banks, etc.</li> </ul> <p>At our last meeting, the CBTT had indicated a willingness to consider the interim use of the previous IFRS 4, CPPM based solvency system for CapAd purposes and dividend payment assessment only. We strongly endorse this position. To do otherwise will expose the industry to significant uncertainty. Parallel to this, IFRS 17 calibrated capital adequacy systems can be finalised.</p>	Mar 5, 2024 PR Cir Ltr & Attachments	General Comment	See Response #8 and #25.
64	Insurer	<p>One-to-one replacement of negative reserves (from old forms) with CSM (on new forms) is causing significant issues:</p> <ol style="list-style-type: none"> <li>1) Deduction of full CSM from Tier 1 capital is materially different from the negative reserve deduction under the previous regulations.</li> <li>2) Tier 2 capital is also constrained, causing adverse impacts on available capital</li> <li>3) Uncertainty around whether to include negative reserves on the CSV deficiency calculation as negative reserves is not a separate explicit line anymore</li> </ol>	Parallel run Return	40.011	See Response #1.

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Response #	Responder	Responder's Comment	Document	Reference	Central Bank's Response
65	Insurer	Lack of clarity on "Investment Linked policy liabilities" – is this Net Best Estimate Policy Liabilities (excluding LIC, RA and CSM) or Total Liabilities (incl of LIC and all components of LRC)	Parallel run Return	40.035	Query noted. Excel will be amended to provide the needed clarity and to align with the regulation.
66	Insurer	Our IFRS 17 portfolios are grouped by territory (but not by currency) and combine multiple currencies in one portfolio. The foreign currency risk component can still be correctly calculated but the reporting lines will mean dissecting IFRS 17 portfolios.	Draft IFRS 17 Capital Adequacy Regulations v2	Schedule 14, Schedule 8	The Central Bank would have expected that for management of currency mismatch risk and to set appropriate discount rates depending on the currency that the insurer would have the capability to comply with the requirement.
67	Insurer	Under the previous regulations, the lapse risk was a shock on the margin versus now the shock is on the lapse assumption itself. While this is fine, note that it is typical for the assumption to impact the reserve either positively or adversely depending on the type of business. However, a margin can be defined on actuarial software to always be an adverse impact.	Draft IFRS 17 Capital Adequacy Regulations v2	Section 17, Schedule 11	See Response #17.
68	Insurer	Insufficient columns for the various types of Individual Non-Par lines of business, e.g. investment linked is not included.	Parallel run Return	Discount rate Bottom up	Comment is noted. The Bank will revise the excel.
72	Insurer	Column B, Rows 124-125 is protected and does not allow us to enter a Risk Factor, also it does not allow you enter additional rows	Parallel run Return	40.02	Comment is noted. The Bank will revise the excel.
73	Insurer	Volatility Risk - Column B, Rows 39 - 48 is protected and does not allow us to enter a Risk Factor	Parallel run Return	40.021	Comment is noted. The Bank will revise the excel.



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Response #	Responder	Responder's Comment	Document	Reference	Central Bank's Response
76	Insurer	<p>Section 40.030 of the Capital Adequacy Form, Asset Liability Mismatch Risk, requests for recalculated net best estimate policy liabilities by grading the discount rate used in year 15 to 4.5% in year 20 and beyond. While we note that the request is for information gathering purposes, we have concerns regarding the relevance of the results gathered from the request.</p> <p>Generally speaking, the observable period for the GoTT yield curve extends up to a tenor of 30 years. Ultimate discount rates are generally set by examining long term historical averages or by specifying a long-term economic view. It is generally acceptable practice that the ultimate rate should be achieved a significant period after the end of the observable period. The interpolation period should be sufficiently long so as to ensure a reasonable grading between the observable discount rate and the ultimate. This is commonly accepted to be at least 30 years and as long as 50 years.</p> <p>As such, the application of the 4.5% rate at year 20 and beyond seems to be at odds with approaches generally utilized in setting discount rates, as discussed above.</p> <p>We would recommend that CBTT reconsider the application of the test (of grading the discount rate used in year 15 to 4.5% in year 20 and beyond). We would also recommend a change to the calibration approach to more broadly align with the discount rate techniques employed in the industry and other markets.</p>	Parallel run Return	40.030	Comments are noted. The Bank looks forward to the parallel run filings to gain further insights into the impact of this issue and the range of practice and will determine what adjustments to make and whether or not guidance is needed.

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**RESPONSES TO INDUSTRY COMMENTS RECEIVED ON IMPLEMENTING IFRS 17 FOR REGULATORY PURPOSES**

<b>Response #</b>	<b>Responder</b>	<b>Responder's Comment</b>	<b>Document</b>	<b>Reference</b>	<b>Central Bank's Response</b>
77	Insurer	Cell B39-B48 needs to be unlocked so that the appropriate risk factor can be included	Parallel run Return	40.020	Feedback is noted. The excel return will be amended as necessary.
78	Insurer	Cell B124-B128 needs to be unlocked so that the appropriate risk factor can be included	Parallel run Return	40.021	Feedback is noted. The excel return will be amended as necessary.
74	Insurer	<p>In the proposed CAR CSM is added to retained earnings and then reclassified from Tier 1 Capital to Tier 2 Capital. This is at odds with the approach we have seen in other markets where the CSM is treated at Tier 1 Capital with no reclassification. Additionally, we note the reclassification of negative reserves from Tier 1 Capital into Teir 2 Capital under the existing CAR has been removed. This in our view equates the CSM to the negative reserve which we do not believe is appropriate. The CSM will largely depend on the transition methodologies used and insurers may be impacted by the difference between the two.</p> <p>We would recommend the CSM be added to Tier 1 capital with no reclassification in Tier 2, and that negative reserves be addressed in a similar manner to the existing CAR.</p>	Draft IFRS 17 Capital Adequacy Regulations v2	Reg 7(3)(c)	See Response #1.

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75	Insurer	<p>In general, all of the risk charges on the liability side of the balance sheet have been significantly increased. The assets liability mismatch risk charge has increased from 10% to 100%. The factors for mortality, morbidity and lapse risk have all been doubled, while the interest rate price risk factors have increased by 20%. These all amount to significant changes in risk capital and by extension the regulatory capital required. We estimate the combined effect of this as at December 2023 is an increase in required capital of TT\$X million, or a X% increase.</p> <p>We would recommend the proposed changes in factors be calibrated to largely aligned with the capital required under the existing regulatory framework.</p>	Draft IFRS 17 Capital Adequacy Regulations v2	12 (a), Schedule 9, 3 (a)	See Response #15.
79	Insurer	The ALM factor is 100% compared to 10% in the proposed Capital Adequacy Return. Is this meant for calibration?	Parallel run Return	40.030	See Response #15.
80	Insurer	<p>Accumulated other comprehensive income (AOCI) includes net after-tax unrealized gains on securities.</p> <p>The Form indicates that AOCI should be added to Tier 1 capital (row 20). In addition, after-tax unrealized gains on securities are added to Tier 2 capital (row 46). This seems to be double counting unless the intention is to have unrealized gains on securities deducted from Tier 1 capital. If this is the intention, it is unclear where this deduction should be.</p>	Parallel run Return	40.011	Feedback is noted. The excel return will be amended if necessary.

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82	Insurer	<p>The Section for Mortality Risk includes an Information Gathering table. It is unclear how this should be filled out as the rows do not contain labels.</p> <p>Is the intention for all liabilities and risk adjustments to be included here (even though this tab is intended for mortality risks only)?</p> <p>What level of detail is required for this section? (e.g. Detail akin to the Mortality Risks section?)</p>	Parallel run Return	40.031	Feedback is noted. The excel return will be amended and further guidance given as necessary.
83	Insurer	This section requires that we disclose the liquidity premium for different types of business (e.g. Individual Non-Par business). This format may not be appropriate where the products in each category have different liquidity premiums. Please clarify or allow for further breakdown.	Parallel run Return	Disc rate Bottom Up/ Top Down	Feedback is noted. The excel return will be amended and further guidance given as necessary.
84	Insurer	How is the liability for remaining coverage to be addressed in the IFRS 17 excel workbook?	Parallel run Return	40.010	The margin for unexpired coverage is to be computed based on premiums received and not on the liability for remaining coverage.
81	Insurer	The Mortality Risk NAR uses Best Estimate Policy Liability. In general, this will be less than the equivalent liability under IFRS4 as it excludes the Risk Adjustment and interest PAD that existed under IFRS4. In conjunction the Factor is now twice what it was before. Is this intentional or are the factors meant for calibration?	Parallel run Return	40.031	See Response #15.
85	Insurer	On the basis that cashflow is what is required on this tab, instances where premiums ceded exceeds gross written premiums received, the resulting NWP received is a negative figure. How should a negative risk charge be dealt with?	Parallel run Return	40.040	If net premiums received are negative, the amount should be floored at zero for the purposes of calculating the risk charge. A note can be included in the NOTES tab for reconciliation purposes.

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<b>86</b>	Insurer	To clarify whether net written premiums received requires the actual net cashflow from premiums written and reinsurance ceded at year end.	Parallel run Return	40.040	Query is noted. The usage of net written premiums received in the Draft IFRS 17 Capital Adequacy Regulations v2 was an error. The Regulations will be amended to reflect 'net premiums received' and further guidance will be given as necessary.