

Financial Institutions Supervision Department
Comments on the Format of the Appointed Actuary's Report (AAR) for Long-Term Insurance Business
November 2021

#	Issue	Comment/ Question	CBTT's Response
1	Source of Earnings	SOE should be optional until Jan 1 2023. The concern is that there will be work to develop and automate the process to provide the details for the tables and some of these tables will no longer be automated or consistent under IFRS17 in 2 years. In particular, for Source of Earnings, where there is a breakdown of the various sources of profit. This is informative and there is merit but there will be another effort required to provide the SOE table for IFRS17, which makes it a bit pointless. IFRS17 lends itself very well to SOE. So we are proposing if the CBTT can wait 2 years on this SOE, they will get a lot more useful info from the IFRS 17, which is where everyone's effort SHOULD be right now. Not in implementing a tool for an accounting framework that has 2 years left.	The Source of Earnings will be deferred until further notice.
2	Source of Earnings	New requirement in Table 6.0 Recommend: This is a management tool and should not be part of the AAR.	The Source of Earnings will be deferred until further notice.
3	Source of Earnings	Do we put Miscellaneous in "Other"? What is the criteria for Miscellaneous Allowance?	The Source of Earnings will be deferred until further notice. "Other" would have represented the result of any source of earnings not addressed under the previous categories. It would have also captured situations where the insurer is not able to fully identify all components of the Source of Earnings.
4	Source of Earnings	What sort of margin are you looking for? SOE report for internal reports are at a different level compared to that required for a regulatory report	The Source of Earnings will be deferred until further notice. The margin to be applied would however have been similar to that required if the Source of Earnings were included as a disclosure to the financial statements. The format set out in the previous Tab 6. Source of Earnings included the minimum disclosure to be shown. Insurers would have been asked to include any additional disclosures in the Notes tabs.

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5	Historical Data	<p>Go forward basis: When OSFI (the regulator in Canada) imposes a new requirement, they generally state that this is the requirement going forward. If you don't have the historical information they usually say that you don't have to create that, just for the sole purpose of filling out the AAR. Would CBTT be able to do something similar here?</p>	<p>If the historical data is not available when the new template is effected, insurers will not be required to regenerate the data in the new specified format just for the purposes of completing the AAR. Completion is however mandatory for prior financial years which have ended after commencement of the Act.</p> <p>For example:</p> <ul style="list-style-type: none"> i. For an AAR as at December 31, 2022, the appointed actuary will not be required to provide information for the financial year ended 2020, but will be required to provide information for the financial years ended 2021 and 2022. ii. For an AAR as at December 31, 2021, the appointed actuary will not be required to provide information for the financial year ended 2019 and 2020, but will be required to provide information for the financial year ended 2021.
6	Historical Data	<p>Requiring 3 years' historical data is onerous as the data is not available/ not presently on file. Even 2020 information was not done in accordance with the Act.</p>	<p>If the historical data is not available when the new template is effected, insurers will not be required to regenerate the data in the new specified format just for the purposes of completing the AAR. Completion is however mandatory for prior financial years which have ended after commencement of the Act.</p> <p>For example:</p> <ul style="list-style-type: none"> i. For an AAR as at December 31, 2022, the appointed actuary will not be required to provide information for the financial year ended 2020, but will be required to provide information for the financial years ended 2021 and 2022. ii. For an AAR as at December 31, 2021, the appointed actuary will not be required to provide information for

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			the financial year ended 2019 and 2020, but will be required to provide information for the financial year ended 2021.
7	Audit disclosures	Auditor disclosures: Regarding audit correspondence, in Canadian AAR's, there is simply a 1 paragraph reference to relying on the auditors for data quality review. But this is made possible by a joint agreement between the CIA and the Canadian Accounting Standards Board, that the actuaries and accountants will place reliance on each other. There is a formal process, exchange of letters, and the auditor "knows" that the actuary is counting on certain things to be done. There was need to be an agreement with the auditors to allow us to rely on them and in the past this was not possible with CLICO's auditor for e.g. on the data.	Please note that the existence of any joint agreement between the actuaries and auditors does not remove the requirement that standards of accepted actuarial practice must be applied in performing actuarial work. The Caribbean Actuarial Association (CAA) and the Institute of Chartered Accountants of Trinidad & Tobago (ICATT) are however free to pursue the facilitation of an agreement/ statement for work in Trinidad & Tobago.
8	Submission of AAR	AAR submission to be within 60 business days of ML YE. Recommend: For the YE 2021 submission, to accommodate transition for additional disclosure and new format, we suggest deadline to be 90 business days after YE and 60 business days after YE for subsequent submissions.	Consideration was given to the increased disclosure requirements for the Proposed Format of the AAR for Long-Term Insurance Business. As noted in our circular letter dated April 12, 2021 which accompanied the proposed report template, the new format will be required for appointed actuary's reports produced for the reporting period as at December 31, 2021 and later. In accordance with Section 158(b) of the Insurance Act, 2018, the submission date for the Appointed Actuary's report continues to be within 60 business days after the end of each financial year.
9	Submission of AAR	60 day limit impacts many things and is over ambitious, particularly for insurers with many regulators.	Your comment is noted

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10	IFRS 17 considerations	Systems will have to be coded and they would have to readjust them. The rigidity of the reporting lines will impact the amount of work needed given IFRS 17 groupings and it will result in double work	<p>Given the recent passing of the Insurance Act, 2018 and its corresponding Regulations, the existing Form I and Form II, which was the basis used to develop the LT Schedules, were updated in line with the Annual Returns.</p> <p>Also, the information to be inputted in Table 2.1 and Table 2.3a was already being reported in some form or fashion in the existing Form I and Form II. The information required for Table 2.4b and Table 2.5 is usually tracked and analysed by the actuary, and sometimes summarised in current actuarial reports.</p>
11	Tab 2.1 - CSVs	CSV Deficiencies in capital adequacy are based on groupings. Will the groupings will now be based on these groupings?	Yes, the cash surrender value deficiencies will be based on the groupings in the LT Schedules and/ the Appointed Actuary's Report.
12	Definitions	<p>Clarification needed on what is meant by the following terms:</p> <ul style="list-style-type: none"> • Interest sensitive • Investment linked • Universal Life - Many of them are actually investment linked per the capital adequacy definition <p>Could have one thing for Universal Life and a separate pull out for Investment Linked?</p>	<p>A policy must be reported in the most appropriate grouping based on either its definition, where applicable, or the generally accepted term. A policy must not be reported in multiple groupings.</p> <p>For the purposes of the AAR and the associated Schedules to the AAR-LT the following definitions apply:</p> <p>A. An “investment linked policy” is 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,</p> <p style="padding-left: 40px;">(i) the assets are identifiable and valued at market value;</p>

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			<p>(ii) transfers into and out of the portfolio of assets occur at market value; and,</p> <p>(iii) there is full pass through of investment returns due on the policies and credited returns are not based on the insurer's discretion.</p> <p>B. A “universal life policy” is a policy, the principle object of which by its policy terms is to provide flexible premium payment options, flexible life insurance benefits, and separately identified charges for mortality and expenses. However, there may not be a full pass through of the investment returns due on the policies and the credited returns are at the insurer’s discretion.</p> <p>C. An “interest sensitive deferred annuity” is a deferred annuity, the principal object of which by its policy terms is to provide flexible annuity benefits. However, there may not be a full pass through of the investment returns due on the policies and the credited returns are at the insurer’s discretion.</p>
13	Definitions	Definitions of T&T and non-T&T business needed	<ol style="list-style-type: none"> 1. Business in Trinidad and Tobago refers to policies issued or effected in Trinidad and Tobago, that is, Trinidad and Tobago policies, as defined by the Insurance Act, 2018. 2. Business outside of Trinidad and Tobago refers to policies that are not Trinidad and Tobago policies, that is, Foreign policies, as defined by the Insurance Act, 2018.
14	Tab 3.1 Yield Rate	Yield Rate - Specify how it should be calculated	Tab 3.1 Asset Segment has been amended to only require reporting of the specified assets' values.



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15	Tab 3.1	Some of the figures reported here are not generated or valued by the actuary. Not comfortable reporting on such numbers. Why not calculate from the auditor's report? Comfortable with reporting just the asset values, not the gains and/ losses etc.	Tab 3.1 Asset Segment has been amended to only require reporting of the specified assets' values.