BANCASSURANCE CARIBBEAN LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2022

(Expressed in Trinidad and Tobago Dollars)

BANCASSURANCE CARIBBEAN LIMITED
FINANCIAL STATEMENTS

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BANCASSURANCE CARIBBEAN LIMITED

Statement of Management's Responsibilities

Management is responsible for the following:

- Preparing and fairly presenting the accompanying financial statements of Bancassurance Caribbean Limited (the Company) which comprise the statement of financial position as at 31 December 2022, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information;
- Ensuring that the Company keeps proper accounting records;
- Selecting appropriate accounting policies and applying them in a consistent manner;
- Implementing, monitoring and evaluating the system of internal control that assures security of the Company's assets, detection/prevention of fraud, and the achievement of the Company's operational efficiencies;
- Ensuring that the system of internal control operated effectively during the reporting period;
- Producing reliable financial reporting that comply with laws and regulations, including the Companies Act and Insurance Act; and
- Using reasonable and prudent judgement in the determination of estimates.

In preparing these audited financial statements, management utilised International Financial Reporting Standards, as issued by the International Accounting Standards Board and adopted by the Institute of Chartered Accountants of Trinidad and Tobago. Where International Financial Reporting Standards presented alternative accounting treatments, management chose those considered most appropriate in the circumstances.

Nothing has come to the attention of management to indicate that the Company will not remain a going concern for the next twelve months from the reporting date; or up to the date the accompanying financial statements have been authorised for issue, if later.

Management affirms that it has carried out its responsibilities as outlined above.

Mr. Anand Pascal
President
24-Feb-23

Mr. Marcos Rehberg
Vice President Finance
24-Feb-23

Independent auditor's report

To the shareholder of Bancassurance Caribbean Limited

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Bancassurance Caribbean Limited (the Company) as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2022;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

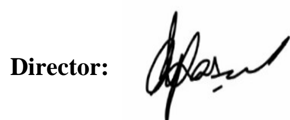
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

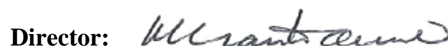
Port of Spain
Trinidad, West Indies
23 March 2023

BANCASSURANCE CARIBBEAN LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022
Expressed in Trinidad and Tobago Dollars

	Notes	2022 $'000	2021 $'000
Assets			
Investment properties	**5**	27,796	27,705
Investment securities	**6**	237,086	236,427
Loans and receivables	**7**	11,323	12,015
Reinsurance assets	**8**	22	30
Taxation recoverable		5,846	5,837
Deferred tax assets	**13**	228	76
Cash and cash equivalents	**9**	43,137	39,160
Total assets		325,438	321,250
Equity and liabilities			
Share capital	**11**	9,163	9,163
Retained earnings		30,815	29,934
Total equity		39,978	39,097
Liabilities			
Insurance contracts	**12**	259,120	263,354
Deferred tax liabilities	**13**	3,376	3,393
Provision for taxation		6,773	3,109
Other liabilities	**14**	1,034	1,136
Due to intercompany	**10**	15,157	11,161
Total liabilities		285,460	282,153
Total equity and liabilities		325,438	321,250

The accompanying notes form an integral part of these financial statements. On 24th February 2023, the Board of Directors of Bancassurance Caribbean Limited authorised these financial statements for issue.

Director: 

Director: 

BANCASSURANCE CARIBBEAN LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022
Expressed in Trinidad and Tobago Dollars

	Notes	2022 $'000	2021 $'000
Insurance activities			
Gross premiums written	**15 (a)**	1,903	1,897
Outward reinsurance premiums	**15 (b)**	(300)	(351)
Net insurance premiums written		1,603	1,546
Investing activities			
Investment income from financial assets measured at amortised cost	**16**	5,753	5,704
Other investment income	**16**	929	19
Net fair value gains on financial and other assets	**17**	5,121	8,417
Other losses	**18**	(603)	(486)
Total revenue		12,803	15,200
Net impairment losses on financial assets	**19**	(172)	(110)
Net insurance benefits and claims	**20**	2,205	(3,971)
Net operating expenses	**21**	(3,836)	(3,890)
Profit before taxation		11,000	7,229
Taxation	**22**	(3,944)	(3,351)
Profit after taxation		7,056	3,878
Profit attributable to participating policyholders	**12 (b)**	(6,175)	(8,223)
Profit/(loss) for the year		**881**	**(4,345)**
Other comprehensive income/(loss)		-	-
Total comprehensive income/(loss) for the year		**881**	**(4,345)**

The accompanying notes form an integral part of these financial statements.

BANCASSURANCE CARIBBEAN LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022
Expressed in Trinidad and Tobago Dollars

	Share capital $'000	**Retained earnings $'000**	**Total equity $'000**
Balance at 1 January 2022	9,163	29,934	39,097
Total comprehensive income	–	881	881
Balance at 31 December 2022	9,163	30,815	39,978
At 1 January 2021	9,163	34,279	43,442
Total comprehensive loss	–	(4,345)	(4,345)
Balance at 31 December 2021	9,163	29,934	39,097

The accompanying notes form an integral part of these financial statements.

BANCASSURANCE CARIBBEAN LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022
Expressed in Trinidad and Tobago Dollars

	Notes	2022 $'000	2021 $'000
Cash flows from operating activities			
Profit before taxation		11,000	7,229
Adjustment for specific items included on the accruals basis:			
- Investment income		(6,687)	(5,736)
Adjustment for non-cash items	**23**	(4,869)	(8,314)
Interest received		5,790	5,696
Dividends received	**16**	929	19
Cash flows from operating activities before changes in operating assets/liabilities		6,163	(1,106)
Net (decrease)/increase in insurance contracts		(4,235)	6,668
Net increase/(decrease) in reinsurance assets		8	(4)
Net increase/(decrease) in loans and receivables		381	(863)
Purchase of additions to investment property	**5**	(34)	(1)
Purchase of investment securities		(232)	(1,703)
Proceeds from sale of investment securities		4,617	8,098
Net increase/(decrease) in due to intercompany		3,996	(2,964)
Net decrease in operating liabilities		(6,274)	(8,229)
Cash provided by / (used in) operating activities		4,390	(104)
Net taxation paid		(458)	(468)
Net cash provided by / (used in) operating activities		3,932	(572)
Net increase / (decrease) in cash and cash equivalents	**9**	3,932	(572)

The accompanying notes form an integral part of these financial statements.

1. Incorporation and principal activities of the Company

Bancassurance Caribbean Limited ("the Company") was incorporated in the Republic of Trinidad and Tobago on 18 January 1999 and operates under the provisions of the Insurance Act of 2018 which came into effect on January 1st 2021. Prior to the commencement of the new legislation, the company operated under the provisions of the Insurance Act 1980. The Company is engaged in the underwriting of all classes of long-term insurance business as defined in the Insurance Act 1980 of Trinidad and Tobago and associated investment activities. The Company is wholly owned by Guardian Insurance Limited, a company also incorporated in the Republic of Trinidad and Tobago.

The address of the registered office is 1 Guardian Drive, Westmoorings S.E., Trinidad and Tobago.

Guardian Holdings Limited is 61.77% (2021 61.77%) owned by NCB Global Holdings Limited (NCBGH), a limited liability holding company, which was incorporated in Trinidad and Tobago in December 2017. NCBGH is 100% owned by NCB Financial Group Limited (‘NCBFG’). NCBFG was incorporated in Jamaica in April 2016 and is the financial holding company for the NCB Group. NCBFG is 52.67% (2021: 52.67%) owned by AIC (Barbados) Limited and the ultimate parent company is Portland Holdings Inc., incorporated in Canada. Portland Holdings Inc. is controlled by Hon. Michael A. Lee-Chin, O.J., a director of the Company. The NCB Financial Group provides a diversified range of financial services through its subsidiaries and associates.

2. Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, except as described below.

2.1 Basis of preparation

These financial statements are prepared in accordance with International Financial Reporting Standards ('IFRS'). They have been prepared under the historical cost convention, except for the following classes of assets which are stated at fair value in compliance with the relevant IFRS: investment properties and financial assets at fair value through profit or loss or other comprehensive income.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

(a) New standards and amendments/revisions to published standards and interpretations effective in 2022

The following amendment to published standards took effect for the Company's accounting periods beginning on or after 1 January 2022:

IFRS 3 Business Combinations - Amendments - Reference to the Conceptual Framework

Amendments were made to IFRS 3 to update the references to the 2018 Conceptual Framework for Financial Reporting and to add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

The amendments also clarify that contingent assets, as defined by IAS 37, do not qualify for recognition at the acquisition date. These amendments had no impact on the financial statements of the Company as there were no contingent assets, liabilities and contingent liabilities within the scope of these amendments during the year.

(a) New standards and amendments/revisions to published standards and interpretations effective in 2022

IFRS 16 Leases - Amendments - Covid-19-Related Rent Concessions beyond 30 June 2021

In May 2020, the IASB published an amendment to IFRS 16 that provided lessees with relief in the form of an optional practical expedient from assessing whether a rent concession related to Covid-19 is a lease modification. Lessees could elect to account for qualifying rent concessions in the same way as they would if they were not lease modifications.
The practical expedient applied only to rent concessions occurring as a direct consequence of the Covid-19 pandemic and only if all of the conditions were met:

a. the change in lease payments resulted in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

b. any reduction in lease payments affected only payments originally due on or before 30 June 2021; and

c. there was no substantive change to the other terms and conditions of the lease.

The amendment to IFRS 16, issued on 31 March 2021, extends the date from 30 June 2021 to 30 June 2022.

The amendment had no material impact on the financial statements of the Company.

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

IAS 16 Property, Plant and Equipment - Amendments - Proceeds before intended use

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds received from sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendments also clarify that contingent assets, as defined by IAS 37, do not qualify for recognition at the acquisition date.

The amendments had no impact on the financial statements of the Company.

IAS 37 Provisions, Contingent Liabilities and Contingent Assets - Amendments - Onerous contract - Cost of fulfilling a contract

An onerous contract is a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. Unavoidable costs are the lower of the net cost of exiting the contract and the costs to fulfil the contract.

The amendments clarify that the direct cost of fulfilling a contract consists of both:

• The incremental costs of fulfilling the contract (e.g., the costs of direct labour and materials); and
• An allocation of other costs that relate directly fulfilling contracts (e.g., an allocation of the depreciation charge on property, plant and equipment used in fulfilling the contract).

The amendments also clarify that, before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.

These amendments had no material impact on the financial statements of the Company.

Annual Improvements to IFRSs 2018 - 2020 Cycle:

IFRS 9 Financial Instruments - Amendments - Fees in the '10 per cent' test for derecognition of financial liabilities

This amendment clarifies which fees an entity includes when it applies the '10 per cent' test in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender including fees paid or received by either entity or lender on the other's behalf.

The amendment had no impact on the financial statements of the Company.

IFRS 16 Leases - Amendments - Illustrative examples

The amendment removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

(b) New standards and amendments/revisions to published standards and interpretations effective in 2022 but not applicable to the Company

The following new IFRS amendments that have been issued do not apply to the activities of the Company:

► Annual Improvements to IFRSs 2018 - 2020 Cycle:
  ► IFRS 1 First-time Adoption of International Financial Reporting Standards - Amendments - Subsidiary as a first-time adopter
  ► IAS 41 Agriculture - Amendments - Taxation in fair value measurements

(c) New standards, interpretations and revised or amended standards that are not yet effective and have not been early adopted by the Company

The following is a list of new IFRS standards, interpretations and amendments issued that are not yet effective as at 31 December 2022 and have not been early adopted by the Company. The Company expects to implement these standards when they become effective.

Effective 1 January 2023:

► IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 - Amendments - Disclosure of accounting policies
► IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Amendments - Definition of accounting estimates
► IAS 12 Income Taxes - Amendments - Deferred tax related to assets and liabilities arising from a single transaction
► IFRS 17 Insurance Contracts

IFRS 17 will materially change the recognition and measurement of insurance contracts and the corresponding presentation and disclosures in the Company's financial statements (See Note (d) below for additional details). All other amendments, effective 1 January 2023, are not expected to have a material impact on the Company's financial statements.

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

c) New standards, interpretations and revised or amended standards that are not yet effective and have not been early adopted by the Company (continued)

Effective 1 January 2024:

- IAS 1 Presentation of Financial Statements - Amendments - Classification of liabilities as current or non-current

Amendments Postponed:

- IFRS 10 and IAS 28 - Amendments - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - In December 2015, the IASB deferred the effective date of the amendments until such time it has finalised any amendments that result from its research project on the equity method of accounting.

(d) IFRS 17 Insurance Contracts

Effective 1 January 2023:

IFRS 17, 'Insurance Contracts' was issued in May 2017 with an original effective date of 1 January 2021. Amendments to IFRS 17 "Insurance Contracts" were issued in June 2020 and included a two-year deferral of the effective date to 1 January 2023. IFRS 17 will replace IFRS 4, 'Insurance Contracts' and will materially change the recognition and measurement of insurance contracts and the corresponding presentation and disclosures in the Company's financial statements. The Company will implement IFRS 17 effective 1 January 2023.

Transition Approach

IFRS 17 must be applied retrospectively. However, if full retrospective application to a group of contracts is impractical, the modified retrospective or fair value methods may be used. The drivers for impracticability for retrospective application relate to a lack of required data and the use of hindsight, consistent with the principles of IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors. The transition approach can have a significant impact on the contractual service margin ("CSM"), and relatedly, on both shareholders' equity and profits on in-force business in future reporting periods. On transition, the Company will apply the fair value approach and the full retrospective approach according to the data that is available for the various groups of contracts, and the date from which it is available.

The fair value approach will be applied only to portfolios within the Life and Pensions businesses. Within this approach, the CSM is determined to be the difference between the fair value of a group of insurance contracts measured in accordance with IFRS 13 and its free fulfillment cash flows at the transition date. Judgements will be made in estimating the fair value of groups of insurance contracts. IFRS 13 requires fair values to be determined using recent market transactions, however this is not available, therefore a valuation approach under IFRS 13 will be applied, with consideration to information from a market participant's perspective.

Redesignation of Finance Assets

The Company, having previously applied IFRS 9, is permitted to change its classification and designation of financial assets. This reassessment is relevant only to eligible financial assets held in connection with insurance contracts under the scope of IFRS 17. Any redesignation will be based on facts and circumstances that exist at the date of initial application of IFRS 17 and will be applied on that date. When applying the IFRS 9 transition requirements, the date of initial application is considered the date of initial application of IFRS 17. Some financial assets will be reclassified upon implementation of IFRS 17.

Level of Aggregation

For measurement purposes, IFRS 17 requires contracts to be grouped together into contracts that are managed together and have similar risk and profitability profiles, all within the same issue year. The resulting portfolios are roughly similar to that which existed under IFRS 4 for internal management reporting purposes, although the profitability and cohort grouping requirements are new. With respect to cohort grouping, the Company decided to apply annual cohorts to all portfolios where the Premium Allocation Approach ("PAA") is applied, and quarterly cohorts to all other portfolios.

Scope, Definition, and Classification

All contracts classified as insurance products under IFRS 4 will continue to be defined as such under IFRS 17, and similarly, all contracts that meet the definition of an insurance contract under IFRS 17 also had done so under IFRS 4. The definition of insurance risk will also be maintained, except to add that benefits payable is determined on a present value basis. Further, there was no significant impact on the recognition and derecognition of insurance contracts under IFRS 4 as compared with IFRS 17.

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

(d) IFRS 17 Insurance Contracts (continued)

Measurement Models

The standard requires that insurance liabilities be measured using the General Measurement Model ("GMM"), with modifications to this approach available for certain types of contracts. For contracts with participating features (where a substantial share of the fair value of the related investments and other underlying items is paid to policyholders), the CSM reflects the variable fee to shareholders, and therefore the Variable Fee Approach ("VFA") will be utilised. For these contracts, the CSM is adjusted to reflect the changes in economic experience and assumptions. The Premium Allocation Approach ("PAA") will be automatically applied to short-term contracts where the profit is realised within twelve months, but also to contracts with durations of up to 2 years, where the PAA eligibility criteria were successfully applied. For all other contracts where the CSM is only adjusted for non-economic assumptions, the GMM will be applied.

Onerous contracts

IFRS 17 requires the identification of groups of onerous contracts. When these groups are identified, the Company is required to recognise a loss immediately in profit or loss along with an increase in the insurance contract liability known as a loss component. where the Company has reasonable and supportable information to conclude that a set of contracts will all be in the same profitability group for IFRS 17, these contracts are evaluated together based on aggregate expected profitability to determine if the insurance contracts are onerous in the reporting period in which they are first effective.

Reinsurance contracts held

Reinsurance contracts held will apply GMM or PAA, adapted to reflect the characteristics of a reinsurance contract held. For contracts applying the GMM model, the CSM reflects the expected net cost or net gain rather than unearned profit. If certain criteria are met, a loss recovery component can be recognised to offset a portion of the lossess recognised on the underlying insurance contracts.

Contractual Service Margin

CSM is a new concept in IFRS 17. The contractual service margin is a component of the asset or liability for a group of insurance contracts that represents the unearned profit the entity will recognise as it provides services in the future. An entity is required to determine the contractual service margin on initial recognition of a group of insurance contracts as follows:

- For profitable business, expected profits must not be recognised on day one but instead be captured within the CSM to be released as the service is provided over the life of that business.
- For onerous contracts, expected losses must not be deferred in a negative CSM, but instead recognised in full on day one.

Major Accounting Policies

Discount Rates

As allowed by IFRS 17.B80, the Company developed discount rates using the bottom-up approach.
For PAA business, no discounting will be applied to the Liability for Remaining Coverage ("LRC") or to claims and other cash flows that are expected to occur within 1 year of the reporting period.

Risk Adjustment

The Company will use a risk margin approach for the risk adjustment within the Life and Pensions business units.
For the Life companies, the risk adjustment is based on the Margins for Adverse Deviation (MfADs) already used within IFRS 4, except with the financial assumption margins excluded. MfADs meet the criteria within IFRS 17 B.91 which requires a confidence interval to be attached to the level of each margin. In Curacao and Trinidad and Tobago, guidance provided by the insurance regulators, and in Jamaica, best practice, as outlined by the Canadian Institute of Actuaries , define the MfAD range to which the Company must adhere.

Insurance acquisition costs

The Company has elected not to apply the option allowed under IFRS 17.59(a) for contracts measured under the PAA to recognise insurance acquisition cash flows as an expense when incurred. Instead, these costs will be captured within the insurance contract liability and then amortised over the life of the insurance contract. Additionally, cost related to the starting, selling or underwriting of insurance contracts which are directly attributable to a portfolio are eligible to be capitalised on the statement of financial position within insurance acquisition cost as insurance acquisition cash flows are amortised over the life of the related group of insurance contracts to which they are allocated. The Company expects that this will result in addition cost being eligible to be capitalised and amortised as compared to IFRS 4.

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

(d) IFRS 17 Insurance Contracts (continued)

Presentation and Disclosure
The Company has made the following presentation and disclosure decisions:
● As allowed by IFRS 17.81, the entire change in the risk adjustment for non-financial risk will be included as part of the insurance service result.
● As allowed by IFRS 17.86, income and expenses from reinsurance contracts held will be presented on a net basis in the statement of comprehensive income.
● As allowed by IFRS 17.89, the Company will disaggregate insurance finance income or expenses between amounts allocated to profit or loss to eliminate accounting mismatches with income and expenses in profit or loss on the underlying items held, and to other amounts allocated to other comprehensive income.
● As allowed by IFRS 17.96(a), the Company will aggregate insurance contracts by type of contract or major product line for disclosure purposes. The categories will be as follows:

• Traditional life & Interest Sensitive without Guarantees
• Annuities
• Short-term Group Life

Impact on Insurance Contract Balances and Profitability
IFRS 17 introduces many new measurement criteria that will have an impact on the Company's results, including the following:

●Insurance Revenue
IFRS 17 measures revenue based on the delivery of services to policyholders and, importantly, excludes any premiums related to the investment elements of policies. The determination of what constitutes an investment component is an area of judgement significantly affecting amounts of recognised insurance revenue and insurance service expenses as investment components should be excluded from those. An investment component exists where the contract requires the Company to pay the policyholder even if the insured event does not occur either upon the surrender of the policy or at the request of the policyholder. The impact of this is a reduction of insurance revenue.
Applying considerations from IFRS 17 and IFRS 15, 'Contracts with Customers', the Company now combines fronting contracts with the related insurance policies if certain conditions are met, eliminating the premium income against the reinsurance premium expense. This adjustment will reduce insurance revenue and reinsurance expenses by a commensurate amount and therefore has no net impact to profitability.

●Insurance Service Expenses
IFRS 17 requires the identification of all fulfilment cash flows including operating expenses and overheads that are directly attributable to the acquisition and management of insurance contracts. Such expenses have been classified within operating expenses under IFRS 4. A systematic and rational method to identify and allocate such overheads to insurance and reinsurance contracts has been implemented. These expenses will be reallocated – either directly to insurance service expenses, or initially as a reduction in the insurance contract liability, where they are then amortised to the insurance service expense over the contract duration. The result is a reduction in operating expenses, and a commensurate increase in insurance service expenses and decrease in the insurance contract liability.

●Insurance Contract Liability
The establishment of a CSM on in-force business is expected to lead to an increase in insurance contract liabilities and a corresponding decrease in equity upon transition. The CSM represents unearned profits that are expected to amortise into income as services are provided.

Further, the principles underlying IFRS 17 differ from the Caribbean Premium Policy Method (CPPM) that is permitted by IFRS 4. These differences include, but are not limited to:

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

(d) IFRS 17 Insurance Contracts (continued)

Discount Rates
Under IFRS 17 the discount rate used to estimate the present value of insurance contract liabilities is based on the characteristics of the liability, whereas under CPPM, the Company uses the rates of returns for current and projected assets supporting insurance contract liabilities to value the liabilities. The difference in the discount rate approach also impacts the timing of investment-related experience earnings emergence. Under CPPM, investment-related experience includes the impact of investing activities. The impact of investing activities is directly related to the CPPM methodology. Under IFRS 17, the impact of investing activities will emerge over the life of the asset and is independent of the liability measurement.

Under IFRS 17, the discount rate used to present future value cashflows is disconnected from the assets the Company holds to support its insurance contract liabilities. As a result, the Company is considering electing the other comprehensive income option under IFRS 17 for insurance contract liabilities and the fair value through other comprehensive income option under IFRS 9 for fixed income assets.

The Timing of Recognition of Losses and Gains
Under IFRS 17, new business gains are recorded on the statement of financial position (in the CSM component of the insurance contract liability) and amortized into income as services are provided. New business losses are recorded into income immediately. Under CPPM, both new business gains and new business losses are recognized in income immediately.

Note that the above changes, while impacting the insurance contract liability, may also have consequential impacts on revenue recognition, insurance service expenses, finance expenses, and other items in the statement of comprehensive income.

Overall, IFRS 17 will have a significant impact on the Company's financial statements, tax and regulatory capital positions and other financial metrics that are dependent upon IFRS accounting values. Despite these changes in recognition criteria, IFRS 17 does not impact the cash flows generated by the business, and hence, does not impact the economics of the Company's business.

Implementation Project Structure and Status
There is a Group-wide IFRS 17 implementation programme, led by an Executive Project Sponsor, which involves significant enhancements to the Company's IT, actuarial, and finance systems. These three (3) elements were organised into three (3) separate but highly collaborative project streams to ensure attention to detail while achieving the cohesiveness required of the programme. Key tasks within the programme included:

• Identifying data requirements
This is one of the most significant aspects of the IFRS 17 implementation. This new standard requires a higher level of granularity in cash flow and other data to appropriately measure insurance contracts and make the necessary disclosures for reporting purposes.

• Identifying and implementing changes to systems and processes
As a result of the IFRS 17 implementation, new systems were acquired, and functionality of existing systems were expanded. The new systems centre around the appropriate calculation and allocation of CSM and directly attributable expenses. Functionality was expanded for accounting and reporting systems.

• Modifying actuarial models
Changes to actuarial models centred around discount rates and how policies were grouped.

• Determining the appropriate accounting policies and formulating disclosures
There are many accounting policy options with IFRS 17, but also many ways in which a required policy or disclosure can be formulated. Various approaches were carefully considered before the Company arrived at its final result.

An IFRS 17 Executive and Technical Committee, which includes the Company's President, provides oversight and strategic direction to the implementation programme. A Finance sub-committee was also in place to provide governance over the technical interpretation and accounting policies selected, design and delivery of the programme. During 2022, the Company finalised the build and testing of new actuarial and finance systems and transitioned the new elements of the financial statement close process into its day-to-day operations. IFRS 17 will be implemented effective 1 January 2023, with further refinement and consideration of estimates and areas of judgement ongoing.

2. Significant accounting policies (continued)

2.2 Foreign currency translation

(a) Translation of transactions in foreign currencies

The financial statements are presented in thousands of Trinidad and Tobago dollars, which is the Company's functional currency.

Transactions occurring in currencies other than the functional currency, are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

(b) Transactions and balances in the financial statements

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

2. Significant accounting policies (continued)

2.3 Investment properties

Freehold or leasehold properties held for long-term rental yields that are not occupied by the Company are classified as investment properties. Investment properties comprise freehold land and buildings. They are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Fair value is based on active market prices, adjusted as necessary, for any difference in the nature, location or condition of the specified asset. Fair value is determined annually by external independent appraisers. Investment properties are not subject to depreciation. Any appreciation or diminution in value is recognised in the statement of comprehensive income.

If investment properties become owner-occupied, they are reclassified as property, plant and equipment, and their fair value at the date of reclassification becomes its cost for subsequent accounting periods. Alternatively, where properties classified as held for use become investment properties because of a change in use, these properties are accounted for as investment properties and any differences arising between the carrying amount and the fair value of these items at the date of transfer are recognised in the statement of comprehensive income. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the statement of comprehensive income.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Upon disposal, any surplus previously recorded in the property revaluation reserve in equity is transferred to retained earnings.

2.4 Financial assets

(a) Initial recognition and measurement

Financial assets are recognised when Company become a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade date, the date on which the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

At initial recognition, the Company measures financial assets at its fair value plus, in the case of financial assets not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of financial assets. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

The Company's financial assets include cash and short-term deposits, investment in debt and equity securities, interest receivable, receivables arising from insurance contracts and reinsurance contracts and other loans and receivables.

(b) Classification and subsequent measurement

Debt instruments

Subsequent to initial recognition, the Company's debt instruments are measured in accordance with the business models determined by the Company’s respective business units for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classified its debt instruments:

(i) Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. The carrying amounts of these assets are adjusted by any expected credit loss allowance recognised. In addition to certain debt securities, the Company's loans and receivables are carried at amortised cost.

(ii) Fair value through other comprehensive income: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets’ cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss.

2. Significant accounting policies (continued)

2.4 Financial assets
(b) Classification and subsequent measurement (continued)

Debt instruments (continued)

(iii) Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss is recognised in the statement of comprehensive income in the period in which it arises. The Company may, on initial recognition, irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or fair value through other comprehensive income as fair value through profit or loss, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. Financial assets held for trading, or are managed and whose performance is evaluated on a fair value basis, are measured at fair value through profit or loss.

The Company reclassifies debt instruments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be infrequent.

Business model assessment

The Company's business units determine their business models at the level that best reflects how it manages groups of financial assets to achieve its business objective. Factors considered by the business units in determining the business model for a group of assets include:

► the stated policies and objectives for the group of assets and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets with the duration of any related liabilities or expected cash outflows or realising cash flows through sale of the assets;

► how performance of the group of assets is evaluated and reported to management;

► the risks that affect the performance of the business model (and the financial assets held within that business model) and those risks are managed;

► how managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected);

► the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

If cash flows after initial recognition are realised in a way that is different from original expectations, the business units do not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets.

The solely payment of principal and interest (SPPI) test

‘Principal’ for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount). 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and other basic lending risks and costs, as well as a profit margin.

Where the business model is to hold assets and collect contractual cash flows or to collect contractual cash flows and sell, the Company's business units assesses whether the financial assets' cash flows represent solely payments of principal and interest. In making this assessment, the business units considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. the definition of interest. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

2. Significant accounting policies (continued)

2.4 Financial assets

Equity instruments

Subsequent to initial recognition, the Company measures all equity investments at fair value, and changes in the fair value of equity instruments are recognised in the statement of comprehensive income.

(c) Derecognition of financial assets

A financial asset (or when applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- ► The rights to receive cash flows from the asset have expired.
- ► The Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement.
- ► The Company has transferred its rights to receive cash flows from the asset and either:
  - ► has transferred substantially all the risk and rewards of the asset, or
  - ► has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received is recognised in the statement of comprehensive income. In addition, on derecognition of an investment in a debt instrument classified as at fair value through statement of comprehensive income, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified to the statement of comprehensive income.

(d) Modifications of financial assets

If the terms of a financial asset are modified, the Company evaluates whether the cash flows of the modified asset are substantially different from that of the original asset. If the terms are substantially different, the Company derecognises the original financial asset and recognises a new financial asset at fair value. The date of modification is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. The Company also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the modification was driven by the debtor being unable to make the originally agreed payments.

If the cash flows of the modified asset are not substantially different, the modification does not result in derecognition of the financial asset. The Company recalculates the gross carrying amount of the financial asset based on revised cash flows, discounted at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets), and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the statement of comprehensive income.

2.5 Impairment of assets

(a) Financial assets

At each reporting date, the Company assesses, on a forward-looking basis, the expected credit losses (ECL) associated with its financial assets measured at amortised cost and fair value through other comprehensive income (excluding equity instruments).

2. Significant accounting policies (continued)

2.5 Impairment of assets (continued)

(a) Financial assets (continued)

The Company measures loss allowances on its debt instruments at an amount equal to lifetime ECL, except in the following cases, for which the amount recognised is 12-month ECL:

- Debt securities that are determined to have low credit risk at the reporting date; and
- Other financial instruments for which credit risk has not increased significantly since initial recognition.

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial asset, whereas 12-month ECL are the portion of ECL that results from default events that are possible within the 12 months after the reporting date.

For receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Loss allowances for ECL are presented in the financial statements as follows:

- Financial assets measured at amortised cost: the loss allowance is deducted from the gross carrying amount of the assets in the statement of financial position. Movement in ECL is recognised in the statement of comprehensive income.
- Debt instruments measured at fair value through other comprehensive income: the loss allowance is recognised in the profit or loss with the corresponding entry recognised in other comprehensive income.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring as at the reporting date with the risk of default occurring as at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

The quantitative assessment to identify whether a significant increase in credit risk has occurred for an exposure is performed by comparing:

- the remaining lifetime probability of default as at the reporting date; with
- the remaining lifetime probability of default for this point in time that was estimated at the time of initial recognition of the exposure.

The qualitative assessment to identify whether credit risk has increased significantly since initial recognition takes into account the following:

- Actual or expected significant deterioration in the financial instrument’s external (if available) or internal credit rating;
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor’s ability to meet its obligations;
- Actual or expected significant changes in the operating results of the debtor;
- Significant increases in credit risk on other financial instruments of the debtor;
- Significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtor;
- Actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant change in the debtor's ability to meet its debt obligation.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrated otherwise. In the prior year, the Company offered a deferral in premium payments to support customers during the Covid-19 pandemic. Many of these deferrals have since expired, and customers have been required to either resume monthly payments or fully bring their accounts back up to date.

2. Significant accounting policies (continued)

2.5 Impairment of assets (continued)

Significant increase in credit risks (continued)

Despite the aforementioned, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if the financial instrument has a low risk of default, the debtor has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the debtor to fulfil its contractual cash flow obligations.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt instruments carried at fair value through comprehensive income are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the debtor or issuer;
- A breach of contract, such as a default or past due event;
- The disappearance of an active market for a financial asset because of financial difficulties;
- It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation; or
- Rating agencies' assessments of creditworthiness.

Definition of default

The Company considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the debtor is past due more than 90 days unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

In assessing whether a debtor is in default, the Company considers indicators that are qualitative, quantitative and based on data developed internally and obtained from external sources.

Write-off

The Company writes off financial assets, either partially or in full, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include ceasing enforcement activity and where the Company's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount.

Measurement of expected credit losses

The measurement of expected credit losses is a function of:

(i) Probability of default (PD) - an estimate of the likelihood of default over a given time horizon;

(ii) Loss given default (LGD) - an estimate of the loss arising in the case where a default occurs at a given time; and

(iii) Exposure of default (EAD) - an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise.

The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Forward-looking information considered by the Company includes economic data and forecasts published by governmental bodies and monetary authorities, supranational organisations such as the Organization for Economic Cooperation and Development and the International Monetary Fund, and selected private-sector and academic forecasters.

Expected credit losses are measured as the present value of all cash shortfalls i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive, discounted at the original effective interest rate.

2. Significant accounting policies (continued)

2.5 Impairment of assets (continued)

The mechanics of the expected credit losses method are summarised below:

- ► A financial instrument that is not credit-impaired on initial recognition, a 12-month ECL allowance is calculated. The Company calculates the 12-month ECL allowance based on the expectation of a default occurring in the twelve months following the reporting date. The expected 12-month default probability is applied to a forecast exposure at default and multiplied by the expected loss given default, and discounted by the original effective interest rate.
- ► When a financial instrument has shown a significant increase in credit risk since initial recognition, the Company records an allowance for life-time ECL. The mechanics are similar to 12-month ECL calculation on a financial instrument that is not credit-impaired on initial recognition, but default probability and loss given default are estimated over the life of the instrument.
- ► A financial instrument that is credit-impaired, but is not a purchased or originated credit-impaired financial instrument, the Company records an allowance for lifetime ECL calculated similar to lifetime ECL on a financial instrument that has shown a significant increase in credit risk since initial recognition.
- ► Purchased or credit-impaired financial assets are assets that are credit-impaired on initial recognition. ECL on these assets are always measured on a lifetime basis, discounted by a credit adjusted effective interest rate.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the basis of shared risk characteristics that include: instrument type; credit risk ratings; nature, size and industry of debtors; collateral type; and geographic location of the debtor.

If the Company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Company measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

(b) Non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. The recoverable amount is determined on an individual asset basis, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset or CGU is considered impaired and written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculations on detailed budgets and forecast calculations, which are prepared separately for each of the Company’s CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of three years. For longer periods, a long-term growth rate is applied to project future cash flows after the third year.

Impairment losses of continuing operations are recognised in the statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the Company makes an estimate of the recoverable amount. A previous impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of comprehensive income unless the asset is carried at the revalued amount, in which case the reversal is treated as a revaluation increase.

2. Significant accounting policies (continued)

2.6 Fair value measurement

The Company measures financial instruments and non-financial assets at fair value at each statement of financial position date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- ► In the principal market for the asset or liability, or
- ► In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in either its highest and best use, or by selling it to another market participant that would use the asset in its highest and best use.

When one is available, the Company measures the fair value of an instrument using the quoted price in an active market. If there is no quoted price in an active market, the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis making maximum use of market inputs and relying as little as possible on entity-specific inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- ► Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- ► Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- ► Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable. This level mainly comprise investment properties and various unquoted equity securities. Investment properties are fair valued by professional external valuators. Unquoted equity securities are held at fair value based on market value ratios such as book value per share.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External valuers are involved for valuation of certain assets such as investment properties. Involvement of external valuers is decided annually and selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

2.7 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the assets and settle the liabilities simultaneously.

2.8 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, money market placements and other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts, when they arise, are shown within borrowings in current financial liabilities on the statement of financial position. Cash and cash equivalents are carried at amortised cost on the statement of financial position.

2.9 Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds.

2. Significant accounting policies (continued)

2.10 Insurance contracts

(a) Classification

The Company issues contracts that transfer insurance risk or financial risk or both. Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. As a general guideline, the Company defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

(b) Recognition and measurement

Insurance contracts are classified into two main categories, depending on the duration of risk and whether or not the terms and conditions are fixed.

(i) Short-term insurance contracts

These contracts are principally group life insurance contracts. Group life contracts protect the Company's customers from the consequences of events (such as death or critical illness) that would affect the ability of the customer or his/her dependants to maintain their current level of income. On these contracts, the benefits paid on occurrence of the specified insurance event are either fixed or linked to the extent of the economic loss suffered by the policyholder. There are no maturity or surrender benefits.

For all these contracts, premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. The portion of premiums received on in-force contracts that relate to unexpired risks at the statement of financial position date is reported as an unearned premium liability. Premiums are shown before deduction of commissions payable to agents and brokers and exclude any taxes or duties levied on such premiums. Premium income includes premiums collected by agents and brokers not yet received by the Company.

Claims are charged to income as incurred based on the estimated liability for compensation owed to contract holders. They arise from events that have occurred up to the statement of financial position date.The Company does not discount its liabilities for unpaid claims other than for disability claims.

(ii) Long-term insurance contracts with fixed and guaranteed terms and without DPF

These contracts insure events associated with human life over a long duration. Premiums are recognised as revenue when they become payable by the policyholder. Premiums are shown before deduction of commission. Benefits are recorded as an expense when incurred.
A liability for policyholders' benefits that are expected to be incurred in the future is established on acceptance of the insurance risk. The liability is based on the present value of estimated amounts for projected future premiums, claims, benefits, investment income and policy maintenance expenses. The liability is based on key assumptions made with respect to variables such as mortality, persistency, investment returns and expense inflation.

The liabilities are actuarially recalculated at each statement of financial position date and the change in the liability is recognised as an expense in the statement of comprehensive income.

Actuarial liabilities are calculated using the Caribbean Policyholder Premium Method (CPPM) outlined in regulations issued by the Central Bank of Trinidad and Tobago. The calculations use current best estimates of future cash flows arising from the insurance contracts in force, with additional margins for adverse deviation for each material assumption. As experience unfolds, the resulting provisions for adverse deviations will be included in future income to the extent they are no longer required to cover adverse experience.

The change in the liability arising from the insurance risk is recognised as an expense in the statement of comprehensive income.

(c) Outstanding claims

Provision for outstanding claims and the related costs of settlement are based on incidents reported before the end of the financial year and include appropriate provisions for claims incurred but not yet reported. Estimates are continually revised as more information becomes available and for the effects of anticipated inflation. Adjustments arising on these revisions are included with claims expense in the current year.

2. Significant accounting policies (continued)

2.10 Insurance contracts (continued)

(d) Policyholders' benefits

Maturities and annuities are accounted for when due.

Death and disability claims and surrenders are recognised in the financial statements in the year in which they have been notified.

Differences between the estimated claims and subsequent settlements are recognised in the statement of comprehensive income in year of settlement.

(e) Reinsurance contracts held

Contracts entered into by the company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held.

Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Company under which the contract holder is another insurer (inward reinsurance) are included with insurance contracts.

The benefits to which the Company is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and amounts advanced by reinsurers to settle claims arising from catastrophic events.

The Company assesses its reinsurance assets for impairment on a quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the statement of comprehensive income.

(f) Receivables and payables related to insurance contracts

Receivables and payables are recognised when due. These include amounts due to insurance contract holders. If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the statement of comprehensive income.

2.11 Taxation

Taxation in the statement of comprehensive income comprises current and deferred income tax.

Current income tax charges are based on taxable profits for the year, which differ from the profit before tax reported because it excludes items that are taxable or deductible in other years, and items that are never taxable or deductible. The Company's liability for current tax is calculated at tax rates that have been enacted or substantively enacted at the date of the statement of financial position.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that the tax authority will accept an uncertain tax treatment. The Company measures its tax balance either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted or substantively enacted tax rates are used in the determination of deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is charged or credited to the profit or loss, except where it relates to items charged or credited to the statement of comprehensive income, in which case, deferred tax is also dealt with in the statement of comprehensive income.

2. Significant accounting policies (continued)

2.12 Provisions

Provisions are made when the Company has a present legal or constructive obligation as a result of past events, for which it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations is small.

2.13 Revenue recognition

Revenue is recognised as follows:

(a) Premium income

Premium income is recognised on the accrual basis in accordance with the terms of the underlying contracts as outlined in Note 2.10.

(b) Investment income

Interest income is recognised using the effective interest method. Interest income is calculated by applying the effective interest rate method to the gross carrying amount of financial assets, except for:

- ► Purchased or originated credit-impaired financial assets, for which the credit-adjusted effective interest rate is applied to the amortised cost of the financial asset.
- ► Financial assets that are not purchased or originated credit-impaired but have subsequently become credit-impaired, for which interest revenue is calculated by applying the effective interest rate to their amortised cost i.e. net of the expected credit loss provision.

Dividend income is recognised when the right to receive payment is established.

(c) Rental Income

Rental income is recognised on an accrual basis.

(d) Realised and unrealised investment gains and losses

Realised and unrealised gains and losses on investments measured at amortised cost or fair value through profit or loss are recognised in the statement of comprehensive income in the period in which they arise.

Unrealised gains and losses on investment securities measured at fair value through other comprehensive income are recognised in statement of other comprehensive income. On derecognition, debt securities gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

(e) Commission income

Commissions are recognised on the accrual basis.

(f) Fee income

Fees are earned from the management of the assets of the segregated funds and deposit administration funds and from general policy administration and surrenders. Fees are recognised in the period in which the services are rendered.

2.14 Dividend distributions

Dividend distributions to the Company's shareholders are recognised as an appropriation in the Company's financial statements in the period in which the dividends are approved by the Company's Board of Directors.

2.15 Comparative information

Where necessary, comparative data have been adjusted to conform to the presentation in the current year.

3. Critical accounting estimates and judgments in applying accounting policies

The Company makes estimates and assumptions that may affect the reported amounts of assets and liabilities during the succeeding financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Covid-19 Pandemic

A source of estimation uncertainty that originated in 2020 was the COVID-19 pandemic. While the worst of the health and economic effects of the pandemic have abated, some uncertainty remains about the shape of the ongoing economic recovery and many aspects of the economy have not yet recovered to 2019 levels. The Company has made forward-looking projections using the macroeconomic indicators, such as real GDP, unemployment, and inflation, which were available as at the end of the reporting period. The residual uncertainty means an increased likelihood that actual economic outcomes will vary from estimates used, resulting in differences between the current accounting estimates and the actual future results of the Company. These uncertainties predominantly affected the measurement of expected credit losses on financial assets (see Note 3(d)).

(a) The ultimate liability arising from claims made under short-term insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is an important accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims, in particular, for claims arising from group life insurance contracts. At 31 December 2022, the carrying amount of short-term insurance contracts (claims) for group life was $15,700 (2021 -$97,700).

(b) Estimate of future benefit payments and premiums arising from long-term insurance contracts

The determination of the liabilities under long-term insurance contracts is dependent on estimates made by the Company. Uncertainty in the estimation of future benefit payments and premium receipts for long-term insurance contracts arises from the unpredictability of long-term changes in overall levels of future mortality, morbidity, administrative expenses, investment income and the variability in contract holder behaviour. Estimates are made as to the expected number of deaths, voluntary terminations and other events giving rise to cash flows for each of the years in which the Company is exposed to risk. The Company bases these estimates on standard actuarial tables adjusted where appropriate to reflect the Company’s own experience or expectations. Although the pattern of future cash flows may be close to that indicated by past experience, some deviation in that pattern is probable.

The estimated number of deaths determines the value of the benefit payments. The main source of uncertainty is that epidemics and wide-ranging lifestyle changes, such as in eating, smoking and exercise habits, could result in future mortality being significantly worse than in the past for the age groups in which the Company has significant exposure to mortality risk. However, continuing improvements in medical care and social conditions may result in improvements in longevity in excess of those allowed for in the estimates used to determine the liability for contracts where the Company is exposed to longevity risk.

Estimates are also made as to future investment income arising from the assets backing long-term insurance contracts. These estimates are based on historic yield patterns and current market returns as well as expectations about future economic and financial developments. See Note 4.1.2(d) for the sensitivity of the value of insurance liabilities to changes in assumptions used to value these liabilities.

The carrying amount of long-term insurance contracts as at 31 December 2022 was $259 million (2021: $263 million).

(c) Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model tests. The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Company monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Company’s continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. Factors considered by the Company's business units in determining the business model for a Company of assets are disclosed in Note 2.4(b).

3. Critical accounting estimates and judgments in applying accounting policies (continued)

(d) Impairment losses on financial assets

The measurement of expected credit loss allowance for financial assets measured at amortised cost and fair value through other comprehensive income requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Company's expected credit loss calculations are outputs of models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the expected credit loss models that are considered accounting judgements and estimates include:

- ► The Company's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime expected credit loss basis and the qualitative assessment
- ► The segmentation of financial assets when their ECL is assessed on a collective basis
- ► Development of ECL models, including the various formulas and the choice of inputs
- ► Use of macroeconomic data for internal credit ratings and outlooks, to derive associated probabilities of default as prescribed by external rating agencies such as Standard & Poor's and Moody's
- ► Development of forward-looking scenarios probability weighted based on macroeconomic trends and expectations
- ► Determination of associations between macroeconomic scenarios and, economic inputs and the effect on probabilities of default, exposure at default and loss given default

The Company regularly reviews its internal models in the context of actual loss experience and adjusts when necessary. The carrying amounts of expected credit loss allowance on financial assets are disclosed in Note 4.2.3(e).

Forward-looking macroeconomic variables

The estimation and application of forward-looking information requires significant judgment. PD and LGD inputs used to estimate Stage 1 and Stage 2 credit loss allowances are modelled based on the macroeconomic variables (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio. The estimation of ECL on 12-month ECL and Lifetime ECL is a discounted probability-weighted estimate that considers three future macroeconomic scenarios, with macroeconomic projections varying by territory. The base case scenario assumes that a stable economic environment where current conditions, based on available macroeconomic data, will largely continue. Upside and downside scenarios are set relative to the base case scenario based on reasonably possible alternative macroeconomic conditions, considering macroeconomic forecasts and trends.

Scenarios are reassessed on at least an annual basis and more frequently if conditions warrant. Scenarios are probability-weighted separately for each territory modeled according to the best estimate of their relative likelihood based on historical frequency and current trends and conditions. Probability weights are updated on an annual basis or more frequently as warranted.

3. Critical accounting estimates and judgments in applying accounting policies (continued)

(d) Impairment losses on financial assets (continued)

Covid-19 Pandemic

For the two previous financial years, to incorporate the economic impact of the COVID-19 pandemic, the Company made adjustments to its ECL models such as increasing the likelihood of pessimistic scenarios and overlaying a further pessimistic scenario that explicitly accounts for acute negative economic fallout. For the year ended 31 December 2022, the overlay for the acute negative scenario remains; however, the likelihood attributed to this and other pessimistic scenarios have been further reduced given the improvements in the current and expected economic environment. The resulting probability of default and losses given default were applied to all financial assets with credit risk.

Management also maintains the position that the lifetime default risk of assets with several years remaining to maturity has not significantly changed since the onset of the COVID-19 pandemic, an important factor given that IFRS 9 requires that entities assess the risk of default over the life of expected assets. Such assets account for a significant portion of the Company's investment portfolio.

(e) Taxation

Estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

For uncertain tax positions where there is uncertainty over the tax treatment in the financial statements, management considered whether it is probable that the tax authority will accept the uncertain tax treatment. The Company measured the tax balance that is applicable for the uncertain tax position using an expected value basis.

There has been a change in the estimate for the tax obligation on future distributions in the current year. This estimate has been updated to consider more experience obtained over the year by the inclusion of additional scenarios being incorporated into the estimate and the application of appropriate probabilities to the scenarios. The impact of this change is a debit of $3.6M to the statement of profit or loss for the year ended 31 December 2022. As this estimate is based on retained earnings at the point in time, it would be impracticable to estimate the likely impact of this change on future periods. In addition, there was a reclassification of this tax liability on the Statement of Financial Position between deferred taxes and current taxes which are both presented in the liability section of the Statement of Financial Position.

4. Management of Insurance and Financial Risk

The Company issues contracts that transfer insurance risk or financial risk or both. This section summarises these risks and the way the Company manages them.

4.1 Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

4.1.1 Short duration life insurance contracts

(a) Frequency and severity of claims

Short-duration life insurance contracts are contracts that are typically of a short tenure, with the tenure being often determined by the length of an individual's time in employment. These contracts are mainly issued to employers to insure their commitments to their employees. The risk is affected by the nature of the industry in which the employer operates. The risk of death and disability will vary by industry.

The Company attempts to manage this risk through its underwriting and claims handling. Additionally, there is reinsurance on short-duration life insurance contracts.

b) Sources of uncertainty in the estimation of future claim payments

There is no need to estimate mortality rates or morbidity rates for future years because these contracts have short duration. However, for incurred disability income claims, it is necessary to estimate the rates of recovery from disability for future years. The Company currently does so using reasonable assumptions.

(c) Changes in assumptions

The Company's assumptions in respect of short duration life insurance contracts have not significantly changed from the prior year.

For contracts where death is the insured risk, the most significant factors that could increase the overall frequency of claims are epidemics or widespread changes in lifestyle, such as in eating, smoking and exercise habits, resulting in earlier or more claims than expected. For contracts where survival is the insured risk, the most significant factor is continued improvement in medical science and social conditions that would increase longevity.

At present, these risks do not vary significantly in relation to the location of the risk insured by the Company. However, undue concentration could have an impact on the severity of benefit payments on a portfolio basis.

For contracts with fixed and guaranteed terms, there are no mitigating terms and conditions that reduce the insurance risk accepted. For contracts without fixed terms, a significant portion of the insurance risk is shared with the insured party. The Company charges for mortality risk on a monthly basis for most life and critical insurance contracts without fixed terms. It has the right to alter these charges based on its mortality experience and hence minimise its exposure to mortality risk.

The Company manages these risks through its underwriting strategy and reinsurance arrangements. Medical selection is included in the Company’s underwriting procedures with premiums varied to reflect the health condition and family medical history of the applicants. The Company uses excess of loss reinsurance contracts with retention limits that vary by product.

The table below presents the concentration of insured benefits across five bands per individual life assured. The benefit insured figures are shown gross and net of the reinsurance contracts described above. These tables do not include annuity contracts, for which a separate analysis is reported further below.

4. Management of Insurance and Financial Risk (continued)

4.1 Insurance risk (continued)

4.1.2 Long-term insurance contracts

(a) Frequency and severity of claims

	2022 - Total benefits insured			
	Before reinsurance		After reinsurance	
Benefits assured per life $'000	**TT$'000**	**%**	**TT$'000**	**%**
0 - 250	83,855	20.8%	80,422	20.1%
251 - 500	114,400	28.3%	114,104	28.6%
501 - 1,000	144,000	35.7%	143,583	35.9%
1,001 - 3,000	61,500	15.2%	61,500	15.4%
Total	403,755	100.0%	399,609	100.0%

The concentration risk in the respective bands has not changed from last year.

	2021 - Total benefits insured			
	Before reinsurance		After reinsurance	
Benefits assured per life $'000	**TT$'000**	**%**	**TT$'000**	**%**
0 - 250	99,216	23.5%	93,933	22.6%
251 - 500	115,700	27.4%	115,304	27.7%
501 - 1,000	145,000	34.2%	144,583	34.7%
1,001 - 3,000	63,000	14.9%	63,000	15.0%
Total	422,916	100.0%	416,820	100.0%

Insurance risk for contracts disclosed in this note is also affected by the contract holders' right to pay reduced or no future premiums, to terminate the contract completely, or to exercise a guaranteed annuity option. As a result, the amount of insurance risk is also subject to contract holder behaviour.

	Total annuities payable per annum			
	2022		2021	
	TT$'000	**%**	**TT$'000**	**%**
Annuity payable per annum per life				
0 - 5,000 (TT$)	27,665	24.3%	27,665	24.3%
5,001 - 10,000 (TT$)	33,233	29.2%	33,233	29.2%
10,001 - 20,000 (TT$)	32,137	28.2%	32,137	28.2%
More than 20,000 (TT$)	20,960	18.3%	20,960	18.3%
Total	113,995	100.0%	113,995	100.0%

The greatest concentration remains at the highest band, which is consistent with the prior year.

4. Management of Insurance and Financial Risk (continued)

4.1 Insurance risk (continued)

4.1.2 Long-term insurance contracts (continued)

(b) Process used to decide on assumptions

For long-term insurance contracts, the Company determines assumptions in relation to future deaths and other benefits, voluntary termination, investment returns, administrative expenses and other items that are appropriate to the policies, their location and the local statutory reserving requirements. The assumptions are best estimate assumptions with appropriate provisions for adverse deviations, consistent with the use of a Policy Premium Method valuation.

The nature and method of determining the significant assumptions made by the Company in the computation of policyholders' liabilities are described in the following paragraphs.

- **Mortality & morbidity**
  An appropriate base table of standard mortality or morbidity is chosen depending on the type of contract. Supplemental information, such as reinsurance rates, is used where standard tables are not available. An investigation into the Company's experience in recent years is performed, and the standard actuarial tables are adjusted where appropriate to reflect the Company's own experience or expectations. For contracts that insure the risk of longevity, appropriate but not excessively prudent allowance is made for expected mortality improvements.

- **Voluntary terminations and persistency**
  Estimates of the amounts and timings of future benefit and premium payments are based on Company experience over extended periods. Voluntary termination and variable premium assumptions vary by product type and policy duration.

- **Investment returns**
  The computation of policyholders' liabilities takes into account projected net investment income on assets supporting policyholders' liabilities and income expected to be earned or foregone on reinvestment or financing of mismatched cash flows. In the absence of robust market information, long-term yields are determined using recent asset returns, current market expectations and relevant regulatory guidelines. Other information, such as macro-economic data and projections, is considered where available.

  The following table summarises the rates of return used for the valuation of policyholders' liabilities.

	2022	**2021**
Rate of return	5.5% to 6.6%	5.2%-6.4%

- **Policy maintenance expense and inflation**
  Amounts are included in policyholders' liabilities to provide for the future costs of administering policies in force. The expense base is determined from a review of current, recent and expected Company expense levels and allowance is made for future expense inflation.

  The inflation rates assumed are summarised in the following table.

	2022	**2021**
Rate of inflation	2.0%	3.5%

- **Tax**
  It has been assumed that current tax legislation and rates for long-term insurance companies continue unaltered.

4. Management of Insurance and Financial Risk (continued)

4.1 Insurance risk (continued)

4.1.2 Long-term insurance contracts (continued)

(c) Model refinements

Model refinements have been made in determining the value of long-term insurance liabilities. The following tables present the effect of these refinements:

Long-term insurance contracts with fixed and guaranteed terms and without DPF:	2022 $'000	2021 $'000
Changes in expense assumptions	(4,467)	(337)
Changes in lapse assumptions	(70)	–
Changes in investment returns	(1,447)	(242)
Other assumptions	(3,236)	(2,418)
Decrease in liabilities	(9,220)	(2,997)

(d) Sensitivity analysis

The following tables present the sensitivity of the value of insurance liabilities disclosed in this note to movements in the assumptions used in the estimation of insurance liabilities.

Long-term insurance contracts with fixed and guaranteed terms and without DPF:	Change in Variable	Change in liability 2022 $'000	Change in liability 2021 $'000
Worsening of mortality	+10.0%	287	218
Improvement of annuitant mortality	+0.5%	17	21
Lowering of investment returns	-1.0%	5,848	7,256
Worsening of base renewal expense level	+5.0%	237	469
Worsening of expense inflation rate	+1.0%	442	1,217

The above analyses are based on a change in assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

4. Management of Insurance and Financial Risk (continued)

4.2 Financial risk

The Company is exposed to financial risk through its financial assets, financial liabilities (investment contracts and borrowings), reinsurance assets and insurance liabilities. In particular, the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance and investment contracts. The components of this financial risk are interest rate risk, equity price risk, foreign currency risk, liquidity risk and credit risk. These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements.

Risk management is carried out by Executive Investment Committees and Actuarial departments of operating units under policies approved by the Company's Board of Directors. The Company identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units. The Board provides principles for overall risk management as well as policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

4.2.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk - currency risk, interest rate risk and other price risk, each of which is considered below.

(a) Currency risk

The Company's Executive Investment Committee has oversight for the management of currency risk. The Trinidad and Tobago insurance subsidiaries' exposure to currency risk is also mitigated by the requirements of the Insurance Act 2018, which does not allow more than 30% of the assets supporting policyholder liabilities to be held in currencies other than the currency of the liability.

The tables below summarises the Company’s exposure to foreign currency exchange rate risk as at 31 December 2022. The Company's assets and liabilities at carrying amounts are included in the table categorised by currency positions expressed in TT$ equivalents.

	TT $'000	US $'000	Total $'000
As at 31 December 2022			
Total Assets	258,706	66,732	325,438
Total Liabilities	284,555	905	285,460
	(25,849)	65,827	39,978
As at 31 December 2021			
Total Assets	252,930	68,320	321,250
Total Liabilities	281,246	907	282,153
	(28,316)	67,413	39,097

4. Management of Insurance and Financial Risk (continued)

4.2 Financial risk (continued)

4.2.1 Market risk (continued)

(a) Currency risk (continued)

The analysis below is performed for reasonable possible movements in foreign currency exchange rates with all other variables held constant, showing the impact on the statement of comprehensive income at the reporting date.

Change in variables	**US**
2022	0.6%
2021	0.6%
	US
Impact on statement of comprehensive income	**$'000**
2022	592
2021	404

(b) Interest rate risk

The Company is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The major element of interest rate risk within the Company is the risk that the interest earned on the Company's investments is insufficient to meet the interest rates credited or guaranteed to policyholders. This applies to traditional life insurance policies.

Exposure is managed largely by the use of natural hedges that arise by matching interest-sensitive assets with liabilities of a similar nature. The Company also mitigates the effect of interest rate risk of the investment portfolio through the functioning of an Executive Investment Committee and the pricing of products by the actuarial function. The investment portfolio return is continually monitored by the Investment Committees. The results of these reviews inform the pricing of products and interest rates to be credited to the respective policies and plans.

The sensitivity analysis for interest rate risk illustrates how changes in the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. For the sensitivity analyses, a 1% movement in interest rates was used for 2022 and 2021. The effect of an increase/decrease in the above rates would result in a decrease/increase on the profit or loss of Nil for 2022 (2021: Nil).

(c) Other price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Company is exposed to equity securities price risk because of investments held by the Company and classified on the statement of financial position as fair value through profit or loss. The Company manages its price risk by limiting the amount of its investments in equities and by monitoring movements in equity prices.

The sensitivity analysis for equity risk illustrates how changes in the fair value of equity securities will fluctuate because of changes in market prices at the reporting date. For the sensitivity analysis, a 5% movement in prices of local equities was used for 2022 and 5% for 2021. The effect of a nil increase/decrease in the above rates would result in no increase/decrease in the statement of comprehensive income and equity of Nil for 2022 (2021: Nil).

4. Management of Insurance and Financial Risk (continued)

4.2 Financial risk (continued)
4.2.2 Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due, at a reasonable cost. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities, and the ability to close out market positions.

Certain of the Company's contracts have features that allow them to be terminated at short notice creating a potential liquidity exposure. The Company monitors liquidity on a regular basis. An internally constituted Executive Investment Committee set limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of borrowing facilities that should be in place to cover claims.

There are no individual contracts or policyholders who have the potential to influence the withdrawal of a significant amount of liabilities.

The following tables analyse the insurance and financial liabilities of the Company into relevant maturity groupings based on the remaining period to the contractual or expected maturity date. Financial liabilities are at contractual undiscounted cash flows, and insurance contracts are at expected undiscounted cash flows.

		Contractual/Expected Undiscounted Cash Flows		
Insurance and financial liabilities	**Carrying amount $'000**	**Less than one year $'000**	**One - five years $'000**	**Over five years $'000**
As at 31 December 2022				
Long-term insurance contracts	259,104	12,445	51,763	238,274
Short-term insurance contracts	16	16	–	–
Other liabilities	1,034	1,034	–	–
Total	260,154	13,495	51,763	238,274
As at 31 December 2021				
Long-term insurance contracts	263,256	13,349	51,743	246,218
Short-term insurance contracts	98	98	–	–
Other liabilities	1,136	1,136	–	–
Total	264,490	14,583	51,743	246,218

4.2.3 Credit risk

Credit risk is defined as the potential for loss that can occur as a result of an individual, counterparty or issuer being unable or unwilling to honour its contractual obligations to the Company. The Executive Investment Committee (EIC) sets credit limits and monitors exposure by constraining the magnitude and tenor of the exposure to counterparties and issuers. Some of the credit risk mitigation techniques include, where appropriate, the right to require initial collateral or margin, the right to terminate transactions, and the right to obtain collateral (including guarantees) should unfavourable events occur.

Collateral held as security for mortgage loans and other loans includes physical or tangible residential and commercial edifices as well as legal rights to insurance portfolio and other assets of the respective borrowers. The EIC initiates regular portfolio reviews, monitors counterparty creditworthiness and evaluates potential transaction risks with a view towards early problem identification and protection against unacceptable credit-related losses.

4. Management of Insurance and Financial Risk (continued)

4.2 Financial risk (continued)

4.2.3 Credit risk (continued)

(a) Assets bearing credit risk

The Company actively monitors the financial status of its reinsurers both by reference to publicly available information and the Financial Strength Ratings of A.M. Best. All of the Company's reinsurers are rated superior by A.M. Best. A rating of superior is assigned to reinsurance companies that have, in the opinion of A.M. Best, a superior ability to meet their ongoing obligations to the primary insurer.

Below is an analysis of assets bearing credit risk.

	Gross exposure		Net carrying amount	
	2022	**2021**	**2022**	**2021**
	$'000	**$'000**	**$'000**	**$'000**
Investment securities measured at amortised cost	69,735	71,371	69,695	71,253
Loans and receivables	12,092	12,489	11,323	12,015
Reinsurance assets	22	30	22	30
Cash and cash equivalents	43,245	39,313	43,137	39,160
	125,094	123,203	124,177	122,458

(b) Credit quality of reinsurance and financial assets

The credit quality of financial assets can be assessed by reference to external credit ratings, if available, or to a rating assigned by the investment manager using an approach consistent with that used by Standard and Poor's.

AAA
An obligation rated 'AAA' has the highest rating assigned by Standard & Poor's. The obligor's capacity to meet its financial commitment on the obligation is extremely strong.

AA
An obligation rated 'AA' differs from the highest-rated obligations only to a small degree. The obligor's capacity to meet its financial commitment is very strong.

A
An obligation rated 'A' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor's capacity to meet its financial commitment on the obligation is still strong.

BBB
An obligation rated 'BBB' exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.

4. Management of Insurance and Financial Risk (continued)

4.2 Financial risk (continued)

4.2.3 Credit risk (continued)

(b) Credit quality of reinsurance and financial assets (continued)

Below BBB

Obligations rated 'Below BBB' are regarded as having significant speculative characteristics. While such obligations will likely have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposures to adverse conditions.

Not Rated

This indicates that there is insufficient information on which to base a rating. These balances are current and are monitored regularly for impairment. This classification mainly includes obligations due from individuals and short-term securities.

The following tables set out the credit quality analysis for financial assets measured at amortised cost and fair value through other comprehensive income.

		Lifetime ECL			
	12-month ECL	**Not credit impaired**	**Credit impaired**	**Purchased credit impaired**	**Total**
Investment securities measured at amortised cost					
As at 31 December 2022					
BBB	55,237	–	–	–	55,237
Below BBB	14,498	–	–	–	14,498
Gross carrying amount	69,735	–	–	–	69,735
Loss allowance	(40)	–	–	–	(40)
Net carrying amount	69,695	–	–	–	69,695
As at 31 December 2021					
BBB	55,856	–	–	–	55,856
Below BBB	15,515	–	–	–	15,515
Gross carrying amount	71,371	–	–	–	71,371
Loss allowance	(118)	–	–	–	(118)
Net carrying amount	71,253	–	–	–	71,253

4. Management of Insurance and Financial Risk (continued)

4.2 Financial risk (continued)

4.2.3 Credit risk (continued)

(b) Credit quality of reinsurance and financial assets (continued)

		Lifetime ECL			
Loans and receivables	**Loans 12-month ECL $'000**	**Loans Not credit impaired $'000**	**Loans Credit impaired $'000**	**Permiums and other receivables $'000**	**Total $'000**
As at 31 December 2022					
AA	–	–	–	72	72
Not rated	–	11,397	–	623	12,020
Gross carrying amount	–	11,397	–	695	12,092
Loss allowance	–	(659)	–	(110)	(769)
Net carrying amount	–	10,738	–	585	11,323
As at 31 December 2021					
AA	–	–	–	448	448
Not rated	–	11,457	–	584	12,041
Gross carrying amount	–	11,457	–	1,032	12,489
Loss allowance	–	(297)	–	(177)	(474)
Net carrying amount	–	11,160	–	855	12,015

		Lifetime ECL		
Cash and cash equivalents measured at amortized cost	**12-month ECL $'000**	**Not credit impaired $'000**	**Credit impaired $'000**	**Total $'000**
As at 31 December 2022				
BBB	21,415	–	–	21,415
Below BBB	21,596	–	–	21,596
Not rated	234	–	–	234
Gross carrying amount	43,245	–	–	43,245
Loss allowance	(108)	–	–	(108)
Net carrying amount	43,137	–	–	43,137
As at 31 December 2021				
BBB	21,453	–	–	21,453
Below BBB	17,726	–	–	17,726
Not rated	134	–	–	134
Gross carrying amount	39,313	–	–	39,313
Loss allowance	(153)	–	–	(153)
Net carrying amount	39,160	–	–	39,160

4. Management of Insurance and Financial Risk (continued)

4.2 Financial risk (continued)

4.2.3 Credit risk (continued)

(b) Credit quality of reinsurance and financial assets (continued)

The following table sets out the credit quality analysis for reinsurance assets and financial assets (excluding equity instruments) measured at fair value through profit or loss.

	AAA $'000	AA $'000	A $'000	BBB $'000	Below BBB $'000	Not rated $'000	Total $'000
As at 31 December 2022							
Reinsurance assets	–	–	–	–	–	22	22
	–	–	–	–	–	22	22

	AAA $'000	AA $'000	A $'000	BBB $'000	Below BBB $'000	Not rated $'000	Total $'000
As at 31 December 2021							
Reinsurance assets	–	–	–	–	–	30	30
	–	–	–	–	–	30	30

(c) Credit-impaired reinsurance and financial assets and collateral held

The Company had no credit-impaired assets as at December 2022

(d) Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial asset. Reconciling items include the following:

- New assets originated or purchased, which reflect the allowance related to assets newly recognized during the period.
- Assets derecognised, which reflect the allowance related to assets derecognized during the period without a credit loss being incurred, including those assets that were derecognized following a modification of terms.
- Net transfer to/(from) 12-month ECL and lifetime ECL, which are presumed to occur before any corresponding remeasurement of the allowance.
- Remeasurements, which comprise the impact of changes in model inputs or assumptions, including changes in forward-looking macroeconomic conditions; changes in the measurement following a transfer between 12-month ECL and lifetime ECL; and unwinding of the time value discount due to the passage of time.

4. Management of Insurance and Financial Risk (continued)

4.2 Financial risk (continued)

4.2.3 Credit risk (continued)

(d) Loss allowance (continued)

		Lifetime ECL			
Investment securities measured at amortised cost	**12-month ECL $'000**	**Not credit impaired $'000**	**Credit impaired $'000**	**Purchased credit impaired $'000**	**Total $'000**
Year ended 31 December 2022					
Balance at beginning of year	118	–	–	–	118
Remeasurements	(78)	–	–	–	(78)
Balance at end of year	40	–	–	–	40
Investment securities measured at amortised cost					
Year ended 31 December 2021					
Balance at beginning of year	129	–	–	–	129
Remeasurements	(11)	–	–	–	(11)
Balance at end of year	118	–	–	–	118

		Lifetime ECL			
Loans and receivables	**12-month ECL $'000**	**Not credit impaired $'000**	**Credit impaired $'000**	**Purchased credit impaired $'000**	**Total $'000**
Year ended 31 December 2022					
Balance at beginning of year	–	474	–	–	474
Transfer to lifetime ECL - not credit impaired	–	–	–	–	–
Remeasurements	–	295	–	–	295
Balance at end of year	–	769	–	–	769
Year ended 31 December 2021					
Balance at beginning of year	–	33	–	–	33
Transfer to lifetime ECL - not credit impaired	–	310	–	–	310
Remeasurements	–	131	–	–	131
Balance at end of year	–	474	–	–	474

4. Management of Insurance and Financial Risk (continued)

4.2 Financial risk (continued)

4.2.3 Credit risk (continued)

(d) Loss allowance (continued)

Cash and cash equivalents

Impairment on cash and cash equivalents measured at amortised cost has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Company uses a similar approach for the assessment of expected credit losses for cash and cash equivalents to those used for debt securities.

The impairment allowance on cash and cash equivalents as at 31 December 2022 is $107,875 (2021: $152,791). The Company recognised a net impairment expense of $43,137 for the year ended 31 December 2022 (2021: a net expense of $39,160).

Credit Risk - Economic Variable Assumptions

The most significant period-end assumptions used for the ECL estimate as at 31 December 2022 and 2021 are set out below.

The PDs and LGDs are impacted by long-term changes in the various data sets gathered from external rating agencies such as Moody's. Macroeconomic variables used in the Company's ECL models also include, but are not limited to, gross domestic product growth, inflation rates, national budget deficits, debt to GDP ratios for the various territories. Refer to the tables below for the ranges applied to each scenario for the two most significant assumptions.

	Scenario	**Assumption**
GDP	Base	Stable
	Optimistic	Positive
	Pessimistic	Negative
	Accute Pessimistic	Negative
Inflation	Base	Positive
	Optimistic	Positive
	Pessimistic	Negative
	Accute Pessimistic	Negative

The weightings assigned to each economic scenario as at 31 December 2022 vary by jurisdiction and were as follows:

	Base	**Optimistic**	**Pessimistic**	**Accute Pessimistic**
Scenarios	65% - 70%	5% - 10%	15% - 20%	5% - 10%

Refer to Note 3(d) for descriptions of the scenarios.

Credit Risk - Sensitivity analysis

Set out below are the changes in ECL allowance at the reporting date that would result from a reasonably possible change in the probabilities of default (PDs) used by the Company.

	Actual PDs applied		**Change**	**Impact on ECL**	
	2022	**2021**	**in PD**	**2022**	**2021**
	Low High	**Low High**		**$'000**	**$'000**
Investment securities measured at amortised cost	0.219%-0.409%	0.219%-0.409%	+/- 20%	8	24
Cash and cash equivalents	0.102%-7.537%	0.102%-7.537%	+/- 20%	22	31
				30	55

4. Management of Insurance and Financial Risk (continued)

4.2 Financial risk (continued)

4.2.3 Credit risk (continued)

(e) Financial assets subject to ECL

The following tables show an analysis of changes in the gross carrying amount of financial assets subject to ECL.

		Lifetime ECL			
Investment securities measured at amortised cost	**12-month ECL $'000**	**Not credit impaired $'000**	**Credit impaired $'000**	**Purchased credit impaired $'000**	**Total $'000**
Year ended 31 December 2022					
Balance at beginning of year	71,371	–	–	–	71,371
Assets derecognised (excluding write-offs)	(1,620)	–	–	–	(1,620)
Changes in interest accrual	(16)	–	–	–	(16)
Balance at end of year	69,735	–	–	–	69,735
Year ended 31 December 2021					
Balance at beginning of year	71,984	–	–	–	71,984
Assets derecognised (excluding write-offs)	(608)	–	–	–	(608)
Changes in interest accrual	(5)	–	–	–	(5)
Balance at end of year	71,371	–	–	–	71,371

		Lifetime ECL		
Loans and receivables	**12-month ECL $'000**	**Not credit impaired $'000**	**Purchased Credit impaired $'000**	**Total $'000**
Year ended 31 December 2022				
Balance at beginning of year	–	12,489	–	12,489
Assets derecognised (excluding write-offs)	–	(51)	–	(51)
Transfer to lifetime ECL - not credit impaired	–	–	–	–
Changes in interest accrual	–	(14)	–	(14)
Other movements	–	(332)	–	(332)
Balance at end of year	–	12,092	–	12,092
Year ended 31 December 2021				
Balance at beginning of year	11,060	540	–	11,600
New assets originated or purchased	372	–	–	372
Transfer to lifetime ECL - not credit impaired	(11,432)	11,432	–	–
Changes in interest accrual	–	25	–	25
Other movements	–	492	–	492
Balance at end of year	–	12,489	–	12,489

The Company held no modified financial assets as at 31 December 2022

4. Management of Insurance and Financial Risk (continued)

4.2 Financial risk (continued)

4.2.3 Credit risk (continued)

(g) Concentrations of risks of reinsurance and financial assets with credit risk exposure

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

The following table breaks down the Company's main credit risk exposure as categorised by the industry sectors of its counterparties.

	2022 $'000	2021 $'000
Financial services	47,124	44,210
Public sector	65,706	66,204
Insurance and reinsurance	230	590
Consumers/individuals	10,737	11,161
Other industries	297	293
	124,094	122,458

4.2.4 Capital management

The Company's capital includes share capital, reserves and retained earnings.

The Company's objectives when managing capital are:

- To comply with the capital requirements required by the regulators of the markets where the Company operates;
- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To provide an adequate return to shareholders by pricing insurance and investment contracts commensurately with the level of risk.

The Insurance regulator indicates the required minimum amount and type of capital that must be held in addition to their insurance liabilities. The Company is also subject to insurance solvency regulations as it issues insurance. The minimum required capital must be maintained at all times throughout the year. The Company monitors these requirements throughout the year to ensure compliance.

No changes were made in the objectives, policies or processes for managing capital during the year ended 31 December 2022.

The table below summarises the minimum required capital for the Company . The Company has complied with these minimum capital requirements.

	Minimum regulatory capital	
	2022 $'000	2021 $'000
Minimum regulatory capital	32,820	34,223

5. Investment properties	**2022 $'000**	**2021 $'000**
Balance at beginning of year	27,705	28,464
Additions	34	1
Fair value (loss)/ gain (Note 17)	57	(760)
Balance at end of year	27,796	27,705
Commercial properties	27,796	27,705
	27,796	27,705
Rental income (Note 18)	159	211

Valuations are conducted by external valuators. All valuators are accredited, specializing in the valuation of commercial, residential and a mixed use properties.

Commercial properties are primarily valued using the income and sales comparison approach, the direct capitalisation of income approach, or the profit tests or accounts approach. The income and sales comparison approach involves determining the value of the properties by applying an appropriate valuation model to convert the expected future cash flows into present values. Discount rates applied to this model range from 9.5% to 10.5% (2021: 9.5% to 12%) as deemed most appropriate by the valuators.

The uncertain economic outlook as a result of the Covid-19 pandemic may have a material adverse effect on the marketability of investment properties. This uncertainty is factored into the valuation of investment property, specifically in estimating occupancy rates, expected revenue or revenue growth rates, and discount rates, all of which are significant inputs into the fair value determination.

In the past two financial years, many of the Company's valuations contained a ‘material valuation uncertainty’ clause due to the market disruption caused by the COVID-19 pandemic. This clause has been removed from all valuations given that property markets are now mostly functioning, with transaction volumes and other relevant evidence at levels where enough market evidence exists upon which to base opinions of value.

No Investment property in the Company is subject to any liens or mortgages and the Company has no curtailments with regards to the transfer, resale or other use of its investment properties. The Company is not under any contractual obligation with regard to significant development, enhancement, repair or maintenance of any investment properties.

6. Investment securities

	2022		**2021**	
	Carrying value $'000	**Fair value $'000**	**Carrying value $'000**	**Fair value $'000**
Investment securities	237,086	242,131	236,427	244,538
	237,086	242,131	236,427	244,538
Investment securities mandatorily measured at fair value through profit or loss (FVPL-M)	167,391	167,391	165,174	165,174
Investment securities measured at amortised cost (AC)	69,695	74,739	71,253	79,364
Total investment securities	237,086	242,130	236,427	244,538

6. Investment securities (continued)

	Carrying value		Fair value
	FVPL-M	**AC**	**AC**
	2022	**2022**	**2022**
	$'000	**$'000**	**$'000**
Equity securities:			
- Unlisted	167,391	–	–
	167,391	–	–
Debt securities:			
- Government securities	–	64,406	69,303
- Debentures and corporate bonds	–	4,000	4,108
	–	68,406	73,411
	167,391	68,406	73,411
Interest receivable	–	1,329	1,328
Loss allowance	–	(40)	–
	167,391	69,695	74,739
Current	–	8,034	8,033
Non-current	167,391	61,661	66,706
	167,391	69,695	74,739

	Carrying value		Fair value
	FVPL-M	**AC**	**AC**
	2021	**2021**	**2021**
	$'000	**$'000**	**$'000**
Equity securities:			
- Unlisted	165,174	–	–
	165,174	–	–
Debt securities:			
- Government securities	–	65,027	72,827
- Debentures and corporate bonds	–	5,000	5,193
	–	70,027	78,020
	165,174	70,027	78,020
Interest receivable	–	1,344	1,344
Loss allowance	–	(118)	–
	165,174	71,253	79,364
Current	–	1,344	1,344
Non-current	165,174	69,909	78,020
	165,174	71,253	79,364

There were no investment securities pledged as collateral for liabilities at year end (2021: nil).

7. Loans and receivables

	2022 $'000	2021 $'000
Policy loans	11,397	11,458
Premiums receivable	210	275
Due from reinsurers	72	448
Other loans and receivables	413	308
Loss allowance	(769)	(474)
	11,323	12,015
Current	587	853
Non-current	10,736	11,162
	11,323	12,015

The carrying amounts of loans and receivables are reasonable approximations of their fair values. There were no loans and receivables pledged as collateral for liabilities at year end (2021: nil).

8. Reinsurance assets

	2022 $'000	2021 $'000
This represents the Company's net contractual rights under reinsurance contracts:		
Long-term insurance contracts:		
With fixed and guaranteed terms	22	30

9. Cash and cash equivalents

	2022 $'000	2021 $'000
Cash and cash equivalents	21,808	18,208
Cash and cash equivalents in mutual funds	21,329	20,952
	43,137	39,160
Cash at bank and in hand	21,490	17,877
Short-term deposits (90 days or less)	362	356
Cash and cash equivalents	21,852	18,233
Cash and cash equivalents in mutual funds	21,393	21,080
Loss allowance	(108)	(153)
Net cash and cash equivalents	43,137	39,160
At beginning of year	39,160	39,722
Net movement in loss allowance	45	10
	39,205	39,732
Net increase/(decrease) in cash and cash equivalents	3,932	(572)
At end of year	43,137	39,160

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.

The cash and cash equivalents disclosed above and in the statement of cash flows include $21,328,703 (2021: $20,952,075 which are pledged with regulatory authorities in countries in which the Company is authorised to conduct business as security for its policyholders.

No cash and cash equivalents are pledged as collateral for financial liabilities.

10. Due to/from intercompany

	2022 $'000	2021 $'000
Due to intercompany:		
- Guardian Life of the Caribbean Limited	14,253	10,245
- Guardian Shared Services Limited	–	9
- Fatum Holding N.V.	904	907
	15,157	11,161

11. Share capital

	2022 $'000	2021 $'000
Authorised		
An unlimited number of ordinary shares of no par value		
Issued and fully paid		
4,940,334 shares of no par value	9,163	9,163

12. Insurance contracts

	2022 $'000	2021 $'000
Long-term insurance contracts:		
With fixed and guaranteed terms and without DPF (Note 12(a))	68,803	78,780
	68,803	78,780
Participating policyholders' share of the surplus from long-term insurance business (Note 12(b))	190,142	184,266
	258,945	263,046
Short-term insurance contracts:		
Group life	16	98
	16	98
Total gross insurance liabilities	258,961	263,144
Reinsurance reserve liabilities	159	210
Total insurance liabilities	259,120	263,354
Current	16	98
Non-current	259,104	263,256
	259,120	263,354

(a) Long-term insurance contracts with fixed and guaranteed terms and without DPF

	2022	2021
At beginning of year	78,780	79,917
Cash paid for claims settled in the year	(5,899)	(5,775)
Increase in liabilities	5,142	7,635
Changes in model refinements (Note 4.1.2(c))	(9,220)	(2,997)
At end of year	68,803	78,780

12. Insurance contracts (continued)

(b) Participating policyholders' share of the surplus from long-term insurance business	**2022 $'000**	**2021 $'000**
At beginning of year	184,266	176,467
Surplus arising from operations	6,175	8,223
Other movements	(299)	(424)
At end of year	190,142	184,266

In view of recent regulatory changes, the value ascribed to the accumulated participating surplus is currently subject to actuarial, legal and regulatory review.

13. Deferred taxation

The following amounts are shown in the statement of financial position:

	2022 $'000	**2021 $'000**
Deferred tax assets:		
- To be recovered within 12 months	(228)	(76)
	(228)	(76)
Deferred tax liabilities:		
- Crystallizing after more than 12 months	3,376	3,393
Net deferred tax liability	3,148	3,317

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable.

The movement on the net deferred tax account is as follows:

Balance at beginning of year	3,317	316
Charge for the year (Note 22)	(169)	3,001
Balance at end of year	3,148	3,317

The movement in the net deferred tax assets and liabilities during the year is attributable to the following items:

	Balance at beginning 2022 $'000	**Credit / (charge) income stmt $'000**	**Balance at end 2022 $'000**
Investments at fair value through profit or loss	3,393	(17)	3,376
Allowance for expected credit losses	(76)	(152)	(228)
	3,317	(169)	3,148

	Balance at beginning 2021 $'000	**Credit / (charge) income stmt $'000**	**Balance at end 2021 $'000**
Investments at fair value through profit or loss	–	3,393	3,393
Allowance for expected credit losses	–	(76)	(76)
Balance at end of year	-	3,317	3,317

14. Other liabilities

	2022 $'000	2021 $'000
Deposits and premiums received in advance	556	539
Amount due to reinsurers	60	–
Sundry payables	418	597
	1,034	1,136

15. Net insurance premiums written

	2022 $'000	2021 $'000
(a) Gross premiums written		
Long-term insurance contracts with fixed and guaranteed terms	1,903	1,897
(b) Outward reinsurance premiums		
Long-term insurance contracts with fixed and guaranteed terms	(300)	(351)
Net insurance premiums written	1,603	1,546

16. Investment income

	2022 $'000	2021 $'000
Interest income from:		
- Amortised cost investment securities	4,294	4,340
- Loans and receivables	1,076	987
- Cash and cash equivalents	383	377
Investment income from financial assets measured at amortised cost and fair value through other comprehensive income	5,753	5,704
Dividend income	929	19
Total investment income	6,682	5,723

17. Net realised gains on other assets

	2022 $'000	2021 $'000
Net fair value gains on financial assets measured mandatorily at fair value through profit or loss	5,064	9,177
Fair value gains/(losses) on investment properties (Note 5)	57	(760)
	5,121	8,417

18. Other losses

	2022 $'000	2021 $'000
Rental income (Note 5)	159	211
Foreign exchange losses	(756)	(726)
Other (loss)/income	(6)	29
	(603)	(486)

19. Net impairment losses on financial assets

	2022 $'000	2021 $'000
Investment securities measured at amortised cost	78	11
Loans and receivables	(295)	(131)
Cash and cash equivalents	45	10
	(172)	(110)

20. Net insurance benefits and claims	**2022 $'000**	**2021 $'000**
Insurance benefits - gross	(2,261)	4,545
Insurance benefits - recovered from reinsurers	56	(574)
	(2,205)	3,971

Insurance benefits	**Gross $’000**	**2022 Reinsurance $’000**	**Net $’000**
Long-term insurance contracts with fixed and guaranteed terms and without DPF:			
- death, maturity and surrender benefits	6,958	56	7,014
- decrease in liabilities	(9,219)	–	(9,219)
Total cost of policyholder benefits	(2,261)	56	(2,205)

Insurance benefits	**Gross $’000**	**2021 Reinsurance $’000**	**Net $’000**
Long-term insurance contracts with fixed and guaranteed terms and without DPF:			
- death, maturity and surrender benefits	7,546	(574)	6,972
- decrease in liabilities	(3,001)	–	(3,001)
Total cost of policyholder benefits	4,545	(574)	3,971

21. Net operating expenses	**2022 $'000**	**2021 $'000**
Commissions	(2)	(5)
Professional fees	454	240
Building expenses	117	118
Office expenses	–	7
Marketing expenses	108	–
Other expenses	3,159	3,530
	3,836	3,890

22. Taxation	**2022 $'000**	**2021 $'000**
Current tax	470	350
Prior year taxation adjustment - uncertain tax	3,632	–
Prior year taxation adjustment	11	–
Deferred tax (Note 13)	(169)	3,001
	3,944	3,351

22. Taxation (continued)

The tax on the profit before taxation differs from the theoretical amount that would arise using the basic tax rate of the Company as follows:

	2022 $'000	2021 $'000
Profit before taxation	11,000	7,229
Prima facie tax calculated at domestic corporation tax rate of 30%	3,300	2,169
Effect of different tax rate of life insurance companies	(908)	1,954
Income not subject to tax	(493)	(1,478)
Expenses not deductible for tax purposes	1,787	823
Prior year taxation adjustment	3,643	(117)
Miscellaneous adjustments	(3,385)	–
Tax charge for the period	3,944	3,351

23. Adjustment for non-cash items in operating profit	2022 $'000	2021 $'000
Net fair value gains on financial assets	(5,064)	(9,177)
Impairment of financial assets (Note 19)	172	110
Change in fair value of investment property (Note 5)	(57)	760
Foreign exchange losses/(gains)	80	(7)
	(4,869)	(8,314)

24. Fair value measurement

The following table provides the fair value measurement of the Company's assets and liabilities that are disclosed at fair value in the statement of financial position.

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total fair value $'000
At 31 December 2022				
Assets measured at fair value:				
Investment properties	–	–	27,796	27,796
Investment securities at fair value through profit or loss:				
Equity securities	–	116,956	50,436	167,392
	–	116,956	78,232	195,188

At 31 December 2021	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total fair value $'000
Assets measured at fair value:				
Investment properties	–	–	27,705	27,705
Investment securities at fair value through profit or loss:				
Equity securities	–	114,216	50,958	165,174
	–	114,216	78,663	192,879

There were no transfers between level 1 and level 2 during the period.

24. Fair value measurement (continued)

Reconciliation of movements in level 3 assets measured at fair value

The following table shows a reconciliation of the opening and closing recorded amount of Level 3 assets and which are recorded at fair value.

	Investment properties	**Equity securities**	**Total**
	$'000	**$'000**	**$'000**
At 31 December 2022			
Balance at beginning of year	27,705	50,958	78,663
Exchange rate adjustment	–	(81)	(81)
Total gains or losses:			
in profit or loss	57	2,323	2,380
Purchases	34	232	266
Sales	–	(2,996)	(2,996)
Balance at end of year	27,796	50,436	78,232

	Investment properties	**Equity securities**	**Total**
	$'000	**$'000**	**$'000**
At 31 December 2021			
Balance at beginning of year	28,464	19,308	47,772
Exchange rate adjustment	–	6	6
Total gains or losses:			
in profit or loss	(760)	5,957	5,197
Purchases	1	33,175	33,176
Sales	–	(7,488)	(7,488)
Balance at end of year	27,705	50,958	78,663

Total gains or losses (realised and unrealised) for the year in the above table are presented in the statement of comprehensive income as follows:

	2022	**2021**
	$'000	**$'000**
Total gains or losses recognised in statement of comprehensive income		
Net fair value (losses)/gains	2,380	5,197
	2,380	5,197

Total unrealised (losses)/gains for the period, included in the statement of comprehensive income, for assets and liabilities held at end of year:

	2022	**2021**
	$'000	**$'000**
Assets measured at fair value:		
Investment properties	57	(760)
Investment securities:		
Equity securities	2,323	5,957
	2,380	5,197

For properties classified as level 3, an increase/decrease in the discount rates or capitalisation rates, will result in a decrease/increase in the property values. The Company does not regard that any reasonable change in the valuation assumptions of level 3 assets and liabilities will have any significant impact on the financial statements.

The following table provides the fair value measurement of the Company's assets and liabilities that are not measured at fair value in the statement of financial position but whose fair values are disclosed in the notes to the accounts.

24. Fair value measurement (continued)

At 31 December 2022	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total fair value $'000
Assets for which fair values are disclosed:				
Investment securities measured at amortised cost:				
Government securities	–	69,303	–	69,303
Debentures & corporate bonds	–	4,109	–	4,109
	–	73,412	–	73,412

At 31 December 2021	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total fair value $'000
Assets for which fair values are disclosed:				
Investment securities measured at amortised cost:				
Government securities	–	72,827	–	72,827
Debentures & corporate bonds	–	5,193	–	5,193
	–	78,020	–	78,020

25. Related party disclosures

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. The ultimate parent of the Company is Portland Holdings Inc.

A number of transactions are entered into with related parties in the normal course of business. These transactions are carried out on commercial terms and conditions at market rates.

The following transactions were carried out with related parties:	2022 $'000	2021 $'000
(a) Expenses:		
Guardian Life of the Caribbean Limited - Management Fees	3,141	3,134
Guardian Shared Services Limited - Technical Fees	–	104
	3,141	3,238

There was no provision for doubtful debts at the reporting date or bad debt expenses in the year (2021: Nil).

26. Contingent liabilities

Legal proceedings

The Company is a defendant in various legal actions. In the opinion of the Directors, after taking appropriate legal advice, the outcome of such actions will not give rise to any significant loss.

Taxation

There is a possible obligation that may arise for the interest and penalties relating to the tax on future distributions. The existence of this obligation will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company.

Property Taxes

Legislation for Trinidad and Tobago is enacted however not yet enforced. Rates for the calculation of the tax are available, however, the information on values ascribed or the approach to such is still unknown. As a result of these factors, the Company is unable to reliably estimate the liability.

27. Subsequent events

There were no events or transactions that have occurred that would require adjustments to the disclosures in the financial statements.

28. Reclassification

There has been a change in the classification of estimates for tax obligations on future distributions in accordance with IAS 12 and IFRIC 23 of $3,109,000 from deferred tax liabilities to provision for taxation in the prior year financial statements. This had no impact on the total liability in the statement of financial position as both amounts are contained within the liabilities section.