



Guardian Life of The Caribbean Limited
Consolidated Financial Statements
31 December 2022

**GUARDIAN LIFE OF THE CARIBBEAN LIMITED
CONSOLIDATED FINANCIAL STATEMENTS**

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GUARDIAN LIFE OF THE CARIBBEAN LIMITED

Statement of Management's Responsibilities

Management is responsible for the following:

- Preparing and fairly presenting the accompanying consolidated financial statements of Guardian Life of the Caribbean Limited (the Company) and its subsidiaries (the Group) which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statements of income, 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 Group 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 Group's assets, detection/prevention of fraud, and the achievement of the Group'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.

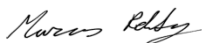
In preparing these audited consolidated financial statements, management utilised the International Financial Reporting Standards, as issued by the International Accounting Standards Board and adopted by the Institute of Chartered Accountants of Trinidad and Tobago. Where International Financial Reporting 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 Group will not remain a going concern for the next twelve months from the reporting date; or up to the date the accompanying consolidated 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 Guardian Life of the Caribbean Limited

Our opinion

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

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2022;
- the consolidated statement of income for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated 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 consolidated 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 Group 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 consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

The logo for PricewaterhouseCoopers, featuring the company name in a stylized, cursive blue font.


Port of Spain
Trinidad, West Indies
23 March 2023

GUARDIAN LIFE OF THE CARIBBEAN LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

Expressed in Trinidad and Tobago Dollars

	Notes	2022 \$'000	2021 \$'000
Assets			
Property, plant and equipment	5	194,614	193,378
Right-of-use assets	6 (a)	14,555	14,141
Investment properties	7	832,282	788,158
Investment securities	9	9,724,294	9,688,154
Loans and receivables	10	458,400	382,714
Pension plan assets	11	6,615	5,384
Deferred tax assets	12	23,190	28,978
Reinsurance assets	13	5,196	2,225
Deferred acquisition costs	14	6,151	5,346
Taxation recoverable		39,026	38,251
Cash and cash equivalents	15	<u>1,366,359</u>	<u>1,740,080</u>
Total assets		<u><u>12,670,682</u></u>	<u><u>12,886,809</u></u>
Equity and liabilities			
Share capital	16	100,465	100,465
Reserves	17	(76,791)	(94,864)
Retained earnings		<u>2,641,256</u>	<u>2,468,555</u>
Equity attributable to the Parent		<u>2,664,930</u>	<u>2,474,156</u>
Non-controlling interests in subsidiary		<u>292,049</u>	<u>260,375</u>
Total equity		<u><u>2,956,979</u></u>	<u><u>2,734,531</u></u>
Liabilities			
Insurance contracts	18	8,128,183	8,532,172
Financial liabilities	20	34,617	34,725
Lease liabilities	6 (b)	20,763	21,070
Investment contract liabilities	19	1,073,848	1,064,392
Pension plan liabilities	11	23,352	24,844
Post-retirement medical benefit obligations	21	34,545	34,643
Deferred tax liabilities	12	22,934	37,127
Provision for taxation		150,914	198,581
Other liabilities	22	<u>224,547</u>	<u>204,724</u>
Total liabilities		<u><u>9,713,703</u></u>	<u><u>10,152,278</u></u>
Total equity and liabilities		<u><u>12,670,682</u></u>	<u><u>12,886,809</u></u>

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

Director: 

Director: 

GUARDIAN LIFE OF THE CARIBBEAN LIMITED
CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

Expressed in Trinidad and Tobago Dollars

	Notes	2022 \$'000	2021 \$'000
Insurance activities			
Insurance premium income	23 (a)	2,416,028	2,389,406
Insurance premium ceded to reinsurers	23 (b)	(156,698)	(145,754)
Reinsurance commission income		<u>23,895</u>	<u>428</u>
Net underwriting revenue		<u>2,283,225</u>	<u>2,244,080</u>
Policy acquisition expenses	24	(268,924)	(262,518)
Net insurance benefits and claims	25	<u>(1,709,387)</u>	<u>(1,680,897)</u>
Underwriting expenses		<u>(1,978,311)</u>	<u>(1,943,415)</u>
Net result from insurance activities		304,914	300,665
Investing activities			
Investment income from financial assets measured at amortised cost	26	169,508	165,496
Other investment income	26	273,467	284,965
Net realised gains/(losses) on financial assets measured at amortised cost	27	13,562	(1,471)
Net realised gains on other assets	28	6,350	3,218
Net fair value gains	29	19,795	42,898
Fee income	30	34,698	8,407
Other income	31	40,453	36,345
Investment contract benefits		<u>(25,778)</u>	<u>(24,998)</u>
Net income from investing activities		<u>532,055</u>	<u>514,860</u>
Net income from all activities		836,969	815,525
Net impairment losses on financial assets	32	(18,268)	(117,519)
Operating expenses	33	(393,326)	(401,781)
Finance charges	34	<u>(1,777)</u>	<u>(1,971)</u>
Profit before taxation		423,598	294,254
Taxation	35	<u>39,584</u>	<u>(35,921)</u>
Profit after taxation		463,182	258,333
Profit attributable to participating policyholders	18.1(d)	<u>(23,440)</u>	<u>(4,683)</u>
Profit for the year		<u>439,742</u>	<u>253,650</u>
Profit attributable to:			
Equity holders of the parent		411,408	235,092
Non-controlling interests		<u>28,334</u>	<u>18,558</u>
		<u>439,742</u>	<u>253,650</u>

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

GUARDIAN LIFE OF THE CARIBBEAN LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

Expressed in Trinidad and Tobago Dollars

	Notes	2022 \$'000	2021 \$'000
Profit for the year		<u>439,742</u>	<u>253,650</u>
Other comprehensive income/(loss)			
<i>Items that may be reclassified subsequently to profit or loss, net of tax:</i>			
Exchange differences on translating foreign operations		<u>16,835</u>	<u>(38,743)</u>
Net fair value losses on debt securities at fair value through other comprehensive income		(669)	(611)
Net change in allowance for expected credit losses on debt securities at fair value through other comprehensive income		<u>—</u>	<u>(3)</u>
Net other comprehensive income/(loss) that may be reclassified subsequently to profit or loss		<u>16,166</u>	<u>(39,357)</u>
<i>Items that will not be reclassified subsequently to profit or loss, net of tax:</i>			
Gains/(losses) on property revaluation	5	5,079	(4,471)
Remeasurement of pension plans	11	(837)	30,994
Remeasurement of post-retirement medical benefit obligations	21	2,277	948
Taxation relating to components of other comprehensive income	12	<u>21</u>	<u>5,270</u>
Net other comprehensive income that will not be reclassified subsequently to profit or loss		<u>6,540</u>	<u>32,741</u>
Other comprehensive income/(loss) for the year, net of tax		<u>22,706</u>	<u>(6,616)</u>
Total Comprehensive Income		<u>462,448</u>	<u>247,034</u>
Total comprehensive income/(loss) attributable to:			
Equity holders of the parent		430,774	248,614
Non-controlling interests		<u>31,674</u>	<u>(1,580)</u>
		<u>462,448</u>	<u>247,034</u>

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

GUARDIAN LIFE OF THE CARIBBEAN LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

Expressed in Trinidad and Tobago Dollars

	Share capital \$'000	Reserves (Note 17) \$'000	Retained earnings \$'000	Non- controlling interests (Note 17) \$'000	Total equity \$'000
Balance at 1 January 2022	100,465	(94,864)	2,468,555	260,375	2,734,531
Total comprehensive income	–	18,073	412,701	31,674	462,448
Dividends	–	–	(240,000)	–	(240,000)
Balance at 31 December 2022	<u>100,465</u>	<u>(76,791)</u>	<u>2,641,256</u>	<u>292,049</u>	<u>2,956,979</u>
Balance at 1 January 2021	100,465	(71,325)	2,196,402	261,955	2,487,497
Total comprehensive (loss)/income	–	(23,539)	272,153	(1,580)	247,034
Balance at 31 December 2021	<u>100,465</u>	<u>(94,864)</u>	<u>2,468,555</u>	<u>260,375</u>	<u>2,734,531</u>

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

GUARDIAN LIFE OF THE CARIBBEAN LIMITED
CONSOLIDATED 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		423,598	294,254
Adjustment for specific items included on the accruals basis:			
- Finance charges		1,777	1,971
- Investment income		(442,538)	(449,955)
Adjustment for non-cash items	36	55,234	111,892
Interest received		392,581	359,968
Dividends received		51,677	74,922
		<u>482,329</u>	<u>393,052</u>
Cash flow from operating profit before changes in operating assets/liabilities			
Net (decrease)/increase in insurance contracts		(64,254)	198,646
Net (increase)/decrease in reinsurance assets		(2,971)	4,467
Net increase/(decrease) in investment contracts		9,457	(7,465)
Purchase of investment securities		(3,034,505)	(3,187,722)
Proceeds from sale of investment securities		2,628,217	2,618,403
Purchase of additions to investment properties		(5,116)	(15,561)
Net increase in loans and receivables		(83,140)	(30,023)
Net increase in other operating assets/liabilities		(12,520)	(5,518)
		<u>(82,503)</u>	<u>(31,721)</u>
Cash used in operating activities			
Interest paid		(1,774)	(1,722)
Net taxation paid		(17,198)	(31,305)
		<u>(101,475)</u>	<u>(64,748)</u>
Net cash used in operating activities			
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(12,149)	(10,251)
Proceeds on sale of property, plant and equipment		39	357
Proceeds from sale of investment properties		–	366
		<u>(12,110)</u>	<u>(9,528)</u>
Net cash used in investing activities			
Cash flows from financing activities			
Repayment of lease liabilities		(5,803)	(4,703)
Dividends paid to equity holders of the Parent		(240,000)	–
Net redemptions from mutual funds		(10,000)	–
		<u>(255,803)</u>	<u>(4,703)</u>
Net cash used in financing activities			
Net decrease in cash and cash equivalents	15	<u>(369,388)</u>	<u>(78,979)</u>

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

GUARDIAN LIFE OF THE CARIBBEAN LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

Expressed in Trinidad and Tobago Dollars

1. Incorporation and principal activities of the Group

Guardian Life of the Caribbean Limited ('the Group') was incorporated in Trinidad and Tobago on 30 December 1980 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 Group operated under the provisions of the Insurance Act of 1980. The Group is engaged in the underwriting of all classes of long-term insurance business and personal accident 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, which is a subsidiary of Guardian Holdings Limited. Both companies are 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 consolidated 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 consolidated 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: land and buildings, investment properties and financial assets at fair value through profit or loss or other comprehensive income.

The preparation of consolidated 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 Group'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 Group'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 consolidated financial statements of the Group as there were no contingent assets, liabilities and contingent liabilities within the scope of these amendments during the year.

GUARDIAN LIFE OF THE CARIBBEAN LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

Expressed in Trinidad and Tobago Dollars

(Continued)

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

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

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 in condition b from 30 June 2021 to 30 June 2022.

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

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 consolidated financial statements of the Group.

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 consolidated financial statements of the Group.

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.

GUARDIAN LIFE OF THE CARIBBEAN LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

Expressed in Trinidad and Tobago Dollars

(Continued)

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

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

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

- ▶ Annual Improvements to IFRSs 2018 - 2020 Cycle:
 - ▶ IFRS 1 First-time Adoption of International Financial Reporting Standards - Amendments - Subsidiary as a first-time adopter

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

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 Group. The Group 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 Group'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 Group's financial statements.

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.

GUARDIAN LIFE OF THE CARIBBEAN LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

Expressed in Trinidad and Tobago Dollars

(Continued)

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

(d) IFRS 17 Insurance Contracts

IFRS 17 Effective Date

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 Group's financial statements. The Group will implement IFRS 17 effective 1 January 2023.

Transition Approach

IFRS 17 must be applied retrospectively. However, if full retrospective application to a Company 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 Group 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, Health, and Pensions businesses. Within this approach, the CSM is determined to be the difference between the fair value of a Company of insurance contracts measured in accordance with IFRS 13 and its fulfilment 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 Group, 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 Group decided to apply annual cohorts to all portfolios where the Premium Allocation Approach ("PAA") is applied, and quarterly cohorts to all other portfolios.

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(Continued)

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

(d) IFRS 17 Insurance Contracts (continued)

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.

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 Group 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 Group 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 losses 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.

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(Continued)

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

(d) IFRS 17 Insurance Contracts (continued)

Major Accounting Policies

Discount Rates

As allowed by IFRS 17.B80, the Group 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 Group will use a risk margin approach for the risk adjustment within the Life, Health, 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 Group must adhere.

Insurance acquisition costs

The Group 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 on 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 and amortised over the life of the related group of insurance contracts to which they are allocated. The Group expects that this will result in additional cost being eligible to be capitalised and amortised as compared to IFRS 4.

Presentation and Disclosure

The Group 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 consolidated statement of income.
- As allowed by IFRS 17.89, the Group 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 Group 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
 - Unit linked life & Interest Sensitive with Guarantees
 - Annuities
 - Short-term Company Life & Health

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(Continued)

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

(d) IFRS 17 Insurance Contracts (continued)

Impact on Insurance Contract Balances and Profitability

IFRS 17 introduces many new measurement criteria that will have an impact on the Group'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 Group 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 Group 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:

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(Continued)

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

(d) IFRS 17 Insurance Contracts (continued)

Impact on Insurance Contract Balances and Profitability (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 Group 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 value future cashflows is disconnected from the assets the Group holds to support its insurance contract liabilities. As a result, the Group 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 consolidated 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 consolidated statement of income.

Overall, IFRS 17 will have a significant impact on the Group's consolidated 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 Group's business.

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(Continued)

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

(d) IFRS 17 Insurance Contracts (continued)

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 Group'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 Group arrived at its final result.

An IFRS 17 Executive and Technical Committee, which includes the Group's CEOs, 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 Group 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.

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(Continued)

2. Significant accounting policies (continued)

2.2 Consolidation

These consolidated financial statements are prepared solely for statutory purposes.

(a) Subsidiaries

Subsidiaries are all entities over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- ▶ Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the
- ▶ Exposure, or rights, to variable returns from its involvement with the investee, and
- ▶ The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- ▶ The contractual arrangement with the other vote holders of the investee
- ▶ Rights arising from other contractual arrangements
- ▶ The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases, when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of income and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Where additional interest is acquired in a subsidiary, the difference arising on the date of acquisition between the carrying value of the non-controlling interest of the subsidiary and the purchase consideration is recorded within retained earnings.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The Group uses the purchase method of accounting for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the consolidated statement of income.

All intra-group transactions and balances are eliminated on consolidation. Subsidiaries' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

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Expressed in Trinidad and Tobago Dollars
(Continued)

2. Significant accounting policies (continued)

2.2 Consolidation (continued)

(a) Subsidiaries (continued)

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- ▶ Derecognises the assets (including goodwill) and liabilities of the subsidiary
- ▶ Derecognises the carrying amount of any non-controlling interests
- ▶ Derecognises the cumulative translation differences recorded in equity
- ▶ Recognises the fair value of the consideration received
- ▶ Recognises the fair value of any investment retained
- ▶ Recognises any surplus or deficit in profit or loss
- ▶ Reclassifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

A listing of the Group's subsidiaries is set out in Note 8.

2.3 Foreign currency translation

(a) Translation of transactions in foreign currencies

The financial results of Group companies are prepared in the currency in which they conduct their ordinary course of business, which is referred to as 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 consolidated statement of income.

(b) Translation to the presentation currency

In preparing the consolidated financial statements, the results and financial position of all the Group entities are translated from their respective functional currencies to Trinidad and Tobago dollars, the presentation currency, as follows:

- (i) Assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the end of the reporting period;
- (ii) Income and expenses for each consolidated statement of income are translated at average exchange rates; and
- (iii) All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in group entities are taken to the consolidated statement of comprehensive income. When a foreign operation is sold, liquidated or wound up, such exchange differences are recognised in the consolidated statement of income as part of the gain or loss on sale.

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2. Significant accounting policies (continued)

2.4 Property, plant and equipment

Freehold properties comprise mainly offices occupied by the Group and are shown at fair value, based on periodic, but at least triennial valuations by external independent appraisers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of income during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are recognised in the consolidated statement of comprehensive income. Decreases that offset previous increases of the same asset are charged to the consolidated statement of comprehensive income. All other decreases are charged to the consolidated statement of income.

Land is not depreciated. Depreciation on other assets is charged over the estimated useful lives of the assets using the following rates and methods:

Freehold building	-	straight-line method, 2% per annum
Leasehold property	-	over the period of the lease
Motor vehicles	-	straight-line method, 20% per annum
Other plant, machinery, office furniture & equipment	-	straight line method, 10 - 33 1/3% per annum

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the consolidated statement of income. When revalued assets are sold, the amounts included in the revaluation surplus account are transferred to retained earnings.

2.5 Investment properties

Freehold or leasehold properties held for long-term rental yields that are not occupied by the Group 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 consolidated statement of 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 consolidated statement of comprehensive income. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the consolidated statement of income.

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(Continued)

2. Significant accounting policies (continued)

2.5 Investment properties (continued)

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.

2.6 Financial assets

(a) Initial recognition and measurement

Financial assets are recognised when the Group 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 Group 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 Group 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 the consolidated statement of income.

The Group'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 Group's debt instruments are measured in accordance with the business models determined by the Group's respective business units for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group 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 Group'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.

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(Continued)

2. Significant accounting policies (continued)

2.6 Financial assets (continued)

(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 consolidated statement of income in the period in which it arises. The Group 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 Group reclassifies debt instruments 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 Group'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 how 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.

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(Continued)

2. Significant accounting policies (continued)

2.6 Financial assets (continued)

(b) Classification and subsequent measurement (continued)

Debt instruments (continued)

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 Group'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.

Equity instruments

Subsequent to initial recognition, the Group measures all equity investments at fair value, and changes in the fair value of equity instruments are recognised in the consolidated statement of 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 Group 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 Group 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 Group 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 Group'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 Group 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 consolidated statement of income. In addition, on derecognition of an investment in a debt instrument classified as at fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified to the consolidated statement of income.

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(Continued)

2. Significant accounting policies (continued)

2.6 Financial assets (continued)

(d) Modifications of financial assets

If the terms of a financial asset are modified, the Group 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 Group 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 Group 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 Group 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 consolidated statement of income.

2.7 Impairment of assets

(a) Financial assets

At each reporting date, the Group 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).

The Group 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 Group 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 consolidated 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 consolidated statement of financial position. Movement in ECL is recognised in the consolidated statement of income.
- ▶ Debt instruments measured at fair value through other comprehensive income: the loss allowance is recognised in the consolidated statement of income with the corresponding entry recognised in other comprehensive income.

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Expressed in Trinidad and Tobago Dollars

(Continued)

2. Significant accounting policies (continued)

2.7 Impairment of assets (continued)

(a) Financial assets (continued)

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group 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 Group 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 Group'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 Group'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 Group 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 Group has reasonable and supportable information that demonstrated otherwise. In the prior year the Group 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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(Continued)

2. Significant accounting policies (continued)

2.7 Impairment of assets (continued)

(a) Financial assets (continued)

Significant increase in credit risk (continued)

Despite the aforementioned, the Group 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 Group 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 Group considers a financial asset to be in default when:

- ▶ the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- ▶ the debtor is past due more than 90 days unless the Group 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 Group considers indicators that are qualitative, quantitative and based on data developed internally and obtained from external sources.

Write-off

The Group 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 Group'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.

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(Continued)

2. Significant accounting policies (continued)

2.7 Impairment of assets (continued)

(a) Financial assets (continued)

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 Group 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 Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the original effective interest rate.

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 Group 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 Group 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 Group 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 Group 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 Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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(Continued)

2. Significant accounting policies (continued)

2.7 Impairment of assets (continued)

(b) Non-Financial assets

The Group 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 Group 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 Group bases its impairment calculations on detailed budgets and forecast calculations, which are prepared separately for each of the Group'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 consolidated statement of 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 Group 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 consolidated statement of income unless the asset is carried at the revalued amount, in which case the reversal is treated as a revaluation increase.

2.8 Fair value measurement

The Group measures financial instruments and non-financial assets at fair value at each consolidated 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 Group.

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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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(Continued)

2. Significant accounting policies (continued)

2.8 Fair value measurement (Continued)

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 Group 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 Group 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 consolidated 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 various freehold and investment properties, various unquoted equity securities, and the unquoted, illiquid Series G Government of Barbados debt securities. Freehold and investment properties are fair valued by professional external valuers. Unquoted equity securities are held at fair value based on market value ratios such as book value per share. The Series G debt securities are valued using a discounted cash flow model that incorporates expected cash flows and a risk adjusted yield curve issued by the Central Bank of Barbados.

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group 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, and freehold and leasehold properties. Involvement of external valuers is decided annually and selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

2.9 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated 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.

2.10 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 consolidated statement of financial position.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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(Continued)

2. Significant accounting policies (continued)

2.10 Cash and cash equivalents (continued)

Cash and cash equivalents are carried at amortised cost on the consolidated statement of financial position except for cash and cash equivalents allocated to unit-linked insurance contracts, which are carried at fair value through profit or loss.

2.11 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.

2.12 Insurance and investment contracts

(a) Classification

The Group 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 Group 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.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk.

A number of insurance contracts contain a discretionary participation feature ('DPF'), which entitles the holder to receive, as a supplement to guaranteed benefits, additional benefits or bonuses:

- a) That are likely to be a significant portion of the total contractual benefits;
- b) Whose amount or timing is contractually at the discretion of the Group; and
- c) That are contractually based on:
 - (i) the performance of a specified pool of contracts or a specified type of contract;
 - (ii) realised and/or unrealised investment returns on a specified pool of assets held by the Group; or
 - (iii) the profit or loss of the Group, fund or other entity that issues the contract.

The terms and conditions of these contracts set out the basis for the determination of the amounts on which discretionary benefits are based and within which the Group may exercise its discretion as to the quantum and timing of their payments to contract holders, which will be subject to the advice of the Group's actuary or a locally appointed actuary.

(b) Recognition and measurement

Insurance contracts are classified into four 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 and health insurance contracts. Health insurance contracts include both group and individual health insurance. Group life contracts protect the Group'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. Health insurance contracts provide for both unexpected and preventative medical treatment and drugs. 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.

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(Continued)

2. Significant accounting policies (continued)

2.12 Insurance and investment contracts (continued)

(b) Recognition and measurement (continued)

(i) Short-term insurance contracts (continued)

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 consolidated 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 Group.

Unearned premiums represent the portion of premiums written in the current year that relate to periods of insurance subsequent to the consolidated statement of financial position date, calculated using either the twenty-fourths method or the actual premiums relating to the period subsequent to the consolidated statement of financial position date.

Claims and loss adjustment expenses 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 consolidated statement of financial position date, even if they have not yet been reported to the Group. The Group does not discount its liabilities for unpaid claims other than for disability claims. Liabilities for unpaid claims are estimated using techniques such as the input of assessments for individual cases reported to the Group and statistical analyses for the claims incurred but not reported ('IBNR'), and to estimate the expected ultimate cost of more complex claims that may be affected by external factors such as court decisions. Estimates are continually revised as more information becomes available and for the effects of anticipated inflation. Adjustments arising on these revisions are recognised within claims expense in the current year.

(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 consolidated statement of financial position date and the change in the liability is recognised as an expense in the consolidated statement of income.

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(Continued)

2. Significant accounting policies (continued)

2.12 Insurance and investment contracts (continued)

(b) Recognition and measurement (continued)

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

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 consolidated statement of income.

Effective 1 January 2021, the actuarial liabilities of the Group's Dutch Caribbean life insurance subsidiaries are calculated using the Policy Premium Method, which is very similar to the method used by the Trinidad and Tobago life insurance subsidiaries.

(iii) Long-term insurance contracts without fixed terms

Unit-Linked insurance contracts

The entire premium on these contracts is recorded as premium income. The liabilities held for these contracts are actuarially calculated using the CPPM based on the expected future cash flows from these contracts. Some of the unit-linked annuity contracts contain guarantees that entitle the holders to a minimum guaranteed crediting rate over the life of the policy and provide for minimum annuity purchase rates. These guarantees are allowed for in the liability calculations.

(iv) Long-term insurance contracts with fixed and guaranteed terms and with DPF

In addition to death or life benefits, these contracts contain a DPF that entitles the holders to a bonus or dividend declared from time to time. The discretionary element of the benefits payable under these policies, as well as the guaranteed elements are treated as liabilities. The actuarial calculations make allowance for future expected policyholder bonuses and dividends. Any changes in the total benefits due are recognised as charges in the consolidated statement of income and form part of increases in reserves for future benefits of policyholders.

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(Continued)

2. Significant accounting policies (continued)

2.12 Insurance and investment contracts (continued)

(b) Recognition and measurement (continued)

(v) Investment contracts

The Group issues investment contracts including deposit administration contracts and individual deferred annuity contracts. Insurance premiums are recognised directly as liabilities. These liabilities are increased by credited interest or change in the unit prices and are decreased by policy administration fees, mortality and surrender charges and any withdrawals. Revenue consists of investment income and interest credited is treated as an expense.

(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 within claims expense in the current year.

(d) Policyholders' benefits

Maturities and annuities are accounted for when due.

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

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

(e) Deferred acquisition costs ('DAC')

Commissions paid to agents and brokers for short-duration life insurance contracts that are related to securing new contracts and renewing existing contracts are expensed over the terms of the policies as premium is earned. All other costs are recognised as expenses when incurred.

(f) Liability adequacy test

At each consolidated statement of financial position date, the Group assesses whether its recognised insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate, the deficiency is recognised in the consolidated statement of income and the amount of the relevant insurance liabilities is increased.

(g) Reinsurance contracts held

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group 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 Group under which the contract holder is another insurer (inward reinsurance) are included with insurance contracts.

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(Continued)

2. Significant accounting policies (continued)

2.12 Insurance and investment contracts (continued)

(g) Reinsurance contracts held (continued)

The benefits to which the Group 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 Group assesses its reinsurance assets for impairment on a monthly basis. As there is no significant financing component to these balances, the simplified approach to impairment is applied under IFRS 9. the Group reduces the carrying amount of the reinsurance asset to its impaired balance and recognises that impairment loss in the consolidated statement of income.

(h) Receivables and payables related to insurance contracts and investment contracts

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

2.13 Taxation

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

Current income tax charges are based on consolidated 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 Group's liability for current tax is calculated at tax rates that have been enacted or substantively enacted at the date of the consolidated 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 Group 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 consolidated statement of income, except where it relates to items charged or credited to the consolidated statement of comprehensive income, in which case, deferred tax is also dealt with in the consolidated statement of comprehensive income.

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(Continued)

2. Significant accounting policies (continued)

2.14 Employee benefits

(a) Pension plans

The Group operates two defined benefit plans and one defined contribution plan, the assets of which are held in separate trustee-administered funds. The plans are generally funded by payments from employees and by the Group after taking account of the recommendations of the external qualified actuaries.

The plans are governed by trust/fund deeds and rules and are administered in accordance with the laws of the jurisdiction in which the plan resides. Responsibility for the governance of the plans, including investment strategies, lies with the Board of Trustees/Foundation.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current or prior periods.

The asset or liability recognised in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the consolidated statement of financial position date less the fair value of plan assets. Plan assets exclude any insurance contracts issued by the Group.

For defined benefit plans, the pension accounting costs are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to the consolidated statement of income so as to spread the regular cost over the service lives of employees in accordance with the advice of a qualified actuary, who carries out full valuations of the plans every three years. The pension obligation is measured as the present value of the estimated future cash outflows using interest rates of government securities which have terms to maturity approximating the terms of the related liability. Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses and the return on plan assets (excluding interest), are recognised immediately through other comprehensive income in the consolidated statement of comprehensive income.

The defined benefit plans mainly expose the Group to actuarial risks such as investment risk, interest rate risk and longevity risk.

The Group's contributions to the defined contribution pension plans are charged to the consolidated statement of income in the year to which they relate.

(b) Post-retirement medical benefit obligations

The Group provides post-retirement medical benefits to its permanent employees who retire from active service, their spouses and their dependents. The entitlement to these benefits is based on the employee remaining in service up to retirement age or leaving service due to ill health. The expected costs of these benefits are accrued over the period of employment, using a methodology similar to that for defined benefit plans. All actuarial gains and losses are recognised immediately through other comprehensive income in the consolidated statement of comprehensive income. External qualified actuaries carry out a valuation of these obligations.

(c) Cash-based long-term performance incentive plan

The Group operates a cash-based long-term performance incentive plan for eligible executives. Accruals are made annually based on the ultimate expected payments to eligible executives.

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(Continued)

2. Significant accounting policies (continued)

2.14 Employee benefits (continued)

(d) Employee share ownership plan ('ESOP')

The employees of the Group have the option to receive their bonuses in cash and/or ordinary shares of the parent company, Guardian Holdings Limited, purchased on the open market, in accordance with the terms outlined in the Trust Deed governing an approved ESOP. The Group recognises an expense within staff costs when bonuses are awarded.

(e) Bonus plans

The Group recognises a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the Group's shareholders after certain adjustments. The Group recognises a provision where contractually obligated or where there is a past practice that has created a constructive obligation.

2.15 Provisions

Provisions are made when the Group 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.

2.16 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 2.12.

(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 fair value through profit or loss are recognised in the consolidated statement of 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 other comprehensive income. On derecognition, debt securities gains and losses accumulated in other comprehensive income are reclassified to the consolidated statement of income.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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(Continued)

2. Significant accounting policies (Continued)

2.16 Revenue Recognition (Continued)

(e) Commission income

Commissions are recognised on the accrual basis.

(f) Fee income

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

2.17 Leases

At inception of a contract, the Group assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- ▶ The contract involves the use of an identified asset. This may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- ▶ The Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- ▶ The Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

The Group as a lessee

The Group mainly leases various office space, motor vehicles and equipment used in its operations. Rental contracts for these leases are typically made for fixed periods of 2 to 7 years but may have extension options, which is described below.

Some contracts contain lease and non-lease components, which are accounted for as separate components based on the stand-alone prices stated in the contracts.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants and the leased assets may not be used as security for borrowing purposes.

The Group applies a single recognition and measurement approach to all leases, except for short-term leases and leases of low-value assets. At lease commencement date, the Group recognises a right-of-use asset and a lease liability in the consolidated statement of financial position.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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(Continued)

2. Significant accounting policies (continued)

2.17 Leases (continued)

The Group as a lessee (Continued)

The right-of-use asset is initially measured at cost, which comprises the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). Subsequent to initial measurement, the right-of-use asset is depreciated on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. The Group also assesses the right-of-use asset for impairment when such indicators exist. The Group does not revalue any of its right-of-use assets.

The lease liability is initially measured at the present value of the lease payments that are not paid at the lease commencement date, discounted using the interest rate implicit in the lease. If the interest rate implicit in the lease cannot be readily determined, the lessee's incremental borrowing rate is used, being the rate the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. Lease payments included in the measurement of the lease liability comprise the following:

- ▶ fixed lease payments (including in-substance fixed payments), less any lease incentives;
- ▶ variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- ▶ lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option; and
- ▶ penalty payments for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments made.

The Group remeasures the lease liability when there is a change in future lease payments arising from a change in an index or rate, or if the Group changes its assessment of whether it will exercise an extension or termination option. Extension and termination options are included in a number of leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the consolidated statement of income if the carrying amount of the right-of-use asset has been reduced to zero.

Variable lease payments that do not depend on an index or a rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments. The Group did not have any variable lease payments that do not depend on an index or a rate for the period ended 31 December 2022.

The Group applies the short-term lease recognition exemption to its short-term leases i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. The Group recognises the lease payments associated with these leases as an operating expense on a straight line basis over the lease term.

GUARDIAN LIFE OF THE CARIBBEAN LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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(Continued)

2. Significant accounting policies (continued)

2.17 Leases (continued)

The Group as a lessor

The Group leases out its investment property. The Group has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Rental income arising is accounted for on a straight-line basis over the lease term and is included in other income in the consolidated statement of income.

2.18 Dividend distributions

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

2.19 Finance charges

Finance charges are recognised as an expense in the period in which they are incurred except to the extent that they are capitalised when directly attributable to the acquisition, construction or production of an investment property or in developing properties for sale.

2.20 Assets under management

The Group provides custody and trustee discretionary investment management services to third parties. Those assets that are held in a fiduciary capacity are not included in these consolidated financial statements.

2.21 Financial liabilities

Financial liabilities in the consolidated statement of financial position comprise borrowings and repurchase agreements.

(a) Borrowings

Borrowings are recognised initially at fair value, plus directly attributable transaction costs. After initial recognition, interest-bearing loans are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in the consolidated statement of income when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the consolidated statement of income.

The Group derecognises a loan when its contractual obligations are discharged, cancelled or have expired. The Group also derecognises a loan when its terms are modified and the cash flows of the modified borrowing is substantially different, in which case a new loan based on the modified terms is recognised at fair value. On derecognition of the loan, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in the consolidated statement of income.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised.

(b) Repurchase agreements

Securities sold under agreements to repurchase (repurchase agreements) are treated as collateralised financing transactions. The difference between the sale and repurchase price is treated as interest and accrued over the life of the agreements using the EIR method.

2.22 Comparative information

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

GUARDIAN LIFE OF THE CARIBBEAN LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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(Continued)

3. Critical accounting estimates and judgments in applying accounting policies

The Group 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 Group 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 Group. These uncertainties predominantly affected the measurement of expected credit losses on financial assets (see Note 3(e)).

(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 Group 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) was \$73,847,000 (2021: \$66,611,000).

(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 Group. 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 Group is exposed to risk. The Group bases these estimates on standard actuarial tables adjusted where appropriate to reflect the Group'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 Group 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 Group 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 \$7,992,128,000 (2021: \$8,409,950,000).

GUARDIAN LIFE OF THE CARIBBEAN LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

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(Continued)

3. Critical accounting estimates and judgments in applying accounting policies (Continued)**(c) Business model assessment**

Classification and measurement of financial assets depends on the results of the SPPI and the business model tests. The Group 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 Group 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 Group'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 Group's business units in determining the business model for a group of assets are disclosed in Note 2.6(b).

(d) Fair valuation of financial assets

The fair value of financial assets that are not traded in an active market is determined by using an internally developed bond valuation model. Assumptions used in this model are validated and periodically reviewed internally by qualified personnel. Where applicable, data is calibrated to ensure that outputs reflect actual data and comparative market prices. Changes in assumptions used in valuations could affect the reported fair value of financial assets. Key assumptions are based on current market yields. At 31 December 2022, the carrying amount of financial assets that were fair valued using an internally developed bond valuation model was \$3.7 billion (2021: \$3.8 billion). The following table shows the effect on the profit or loss to changes in the market yields.

	Effect on income	
	2022	2021
	\$'000	\$'000
1% increase in market yields	(11,257)	(12,899)
1% decrease in market yields	12,530	14,257

(e) 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.

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(Continued)

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

(e) Impairment losses on financial assets (Continued)

The Group'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 Group'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 Group 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(c).

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 ECLs and Lifetime ECLs 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.

Covid-19 Pandemic

For the two previous financial years, to incorporate the economic impact of the COVID-19 pandemic, the Group 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 Group's investment portfolio.

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(Continued)

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

(f) Taxation

The Group is subject to income taxes in numerous jurisdictions. 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 Group 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 Group 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 scenarios. The impact of this change is a credit of \$60m to the consolidated statement of income 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 consolidated statement of financial position between deferred taxes and current taxes which are both presented in the liability section of the consolidated statement of financial position.

(g) Post-employment benefits

In conducting valuation exercises to measure the effect of all post-employment benefit plans throughout the Group, the Group's external actuaries use judgment and assumptions in determining discount rates, salary increases, pension increases and health care costs. These assumptions are detailed in Note 11 and Note 21.

4. Management of Insurance and Financial Risk

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

GUARDIAN LIFE OF THE CARIBBEAN LIMITED

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(Continued)

4. Management of Insurance and Financial Risk (Continued)

4.1 Insurance risk (Continued)

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 Group 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 Group currently does so using reasonable assumptions.

(c) Changes in assumptions

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

4.1.2 Long-term insurance contracts

(a) Frequency and severity of claims

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 Group. 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 Group 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.

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(Continued)

4. Management of Insurance and Financial Risk (Continued)

4.1 Insurance risk (Continued)

4.1.2 Long-term insurance contracts (Continued)

(a) Frequency and severity of claims (Continued)

The Group manages these risks through its underwriting strategy and reinsurance arrangements. Medical selection is included in the Group's underwriting procedures with premiums varied to reflect the health condition and family medical history of the applicants. The Group 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.

Benefits assured per life \$'000	2022 - Total benefits insured			
	Before reinsurance		After reinsurance	
	TTS'000	%	TTS'000	%
0 - 250 (TTS)	21,340,023	24.3%	20,880,812	30.0%
251 - 500 (TTS)	26,339,651	30.0%	23,163,241	33.3%
501 - 1,000 (TTS)	22,740,291	26.0%	17,288,139	25.0%
1,001 - 3,000 (TTS)	12,054,913	13.7%	7,329,246	10.5%
3,001 and over (TTS)	<u>5,240,289</u>	<u>6.0%</u>	<u>865,475</u>	<u>1.2%</u>
Total	<u>87,715,167</u>	<u>100.0%</u>	<u>69,526,913</u>	<u>100.0%</u>

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

Benefits assured per life \$'000	2021 - Total benefits insured			
	Before reinsurance		After reinsurance	
	TTS'000	%	TTS'000	%
0 - 250 (TTS)	21,897,160	25.2%	21,395,681	31.8%
251 - 500 (TTS)	25,990,183	30.0%	22,486,554	33.4%
501 - 1,000 (TTS)	22,251,619	25.7%	16,266,046	24.2%
1,001 - 3,000 (TTS)	11,265,131	13.0%	6,318,467	9.4%
More than 3,000 (TTS)	<u>5,309,277</u>	<u>6.1%</u>	<u>790,394</u>	<u>1.2%</u>
Total	<u>86,713,370</u>	<u>100.0%</u>	<u>67,257,142</u>	<u>100.0%</u>

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.

GUARDIAN LIFE OF THE CARIBBEAN LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

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(Continued)

4. Management of Insurance and Financial Risk (continued)**4.1 Insurance risk** (continued)**4.1.2 Long-term insurance contracts** (continued)**(a) Frequency and severity of claims** (continued)

The following tables for annuity insurance contracts illustrate the concentration of risk based on five bands that group these contracts in relation to the amount payable per annum, as if the annuity were in payment at the year end. The Group does not hold any reinsurance contracts against the liabilities carried for these contracts.

	Total annuities payable per annum			
	2022		2021	
	TTS'000	%	TTS'000	%
Annuity payable per annum per life				
0 - 5,000 (TTS)	7,164	3.8%	6,993	3.7%
5,001 - 10,000 (TTS)	25,396	13.4%	25,419	13.6%
10,001 - 20,000 (TTS)	43,833	23.2%	44,008	23.5%
More than 20,000 (TTS)	<u>112,673</u>	<u>59.6%</u>	<u>110,968</u>	<u>59.2%</u>
Total	<u>189,066</u>	<u>100.0%</u>	<u>187,388</u>	<u>100.0%</u>

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

(b) Process used to decide on assumptions

For long-term insurance contracts, the Group 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 Group 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 Group's experience in recent years is performed, and the standard actuarial tables are adjusted where appropriate to reflect the Group'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 Group experience over extended periods. Voluntary termination and variable premium assumptions vary by product type and policy duration.

GUARDIAN LIFE OF THE CARIBBEAN LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

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(Continued)

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** (continued)

- **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	3.5% - 7.1%	3.3% - 7.7%

- **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	2.00%	3.50%

- **Tax**

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

(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:

	2022	2021
	\$'000	\$'000
Long-term insurance contracts with fixed and guaranteed terms and without DPF:		
Changes in expense assumptions	(96,583)	(9,503)
Changes in lapse assumptions	3,512	–
Changes in investment returns	(32,436)	(42,268)
Other assumptions	(10,906)	–
Decrease in liabilities	<u>(136,413)</u>	<u>(51,771)</u>

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(Continued)

4. Management of Insurance and Financial Risk (continued)

4.1 Insurance risk (continued)

4.1.2 Long-term insurance contracts (continued)

(c) Change in assumptions (continued)

Long-term insurance contracts with fixed and guaranteed terms and with DPF:	2022	2021
	\$'000	\$'000
Changes in expense assumptions	(1,692)	(264)
Changes in lapse assumptions	(88)	–
Changes in investment returns	(819)	(1,290)
Decrease in liabilities	<u>(2,599)</u>	<u>(1,554)</u>

Long-term insurance contracts without fixed terms:

Changes in expense assumptions	(257,159)	(57,413)
Changes in lapse assumptions	19,673	–
Changes in investment returns	(23,636)	(107,383)
Other assumptions	(39,636)	–
Decrease in liabilities	<u>(300,758)</u>	<u>(164,796)</u>

(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.

Change in Variable	Change in liability 2022	Change in liability 2021
	\$'000	\$'000

Long-term insurance contracts with fixed and guaranteed terms and without DPF:

Worsening of mortality	+ 10.0%	43,922	33,353
Improvement of annuitant mortality	+ 0.5%	39,154	38,549
Lowering of investment returns	- 1.0%	216,996	218,535
Worsening of base renewal expense level	+ 5.0%	8,349	10,160
Worsening of expense inflation rate	+ 1.0%	16,141	29,219

GUARDIAN LIFE OF THE CARIBBEAN LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

Expressed in Trinidad and Tobago Dollars

(Continued)

4. Management of Insurance and Financial Risk (continued)**4.1 Insurance risk** (continued)**4.1.2 Long-term insurance contracts** (continued)**(d) Sensitivity analysis** (continued)

	Change in Variable	Change in liability 2022 \$'000	Change in liability 2021 \$'000
Long-term insurance contracts with fixed and guaranteed terms and with DPF:			
Worsening of mortality	+ 10.0%	339	321
Lowering of investment returns	- 1.0%	5,341	6,223
Worsening of base renewal expense level	+ 5.0%	61	128
Worsening of expense inflation rate	+ 1.0%	91	287
Long-term insurance contracts without fixed terms:			
Worsening of mortality	+ 10.0%	69,340	67,346
Improvement of annuitant mortality	+ 0.5%	20,738	32,901
Lowering of investment returns	- 1.0%	214,981	305,306
Worsening of base renewal expense level	+ 5.0%	30,258	30,136
Worsening of expense inflation rate	+ 1.0%	50,195	79,521

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.

4.2 Financial risk

The Group 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 the Executive Investment Committees and Actuarial departments under policies approved by the Group's Board of Directors. The Group identifies, evaluates and hedges financial risks in close co-operation with the Group'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.

GUARDIAN LIFE OF THE CARIBBEAN LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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(Continued)

4. Management of Insurance and Financial Risk (continued)

4.2 Financial risk (continued)

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

	TT \$'000	US \$'000	BDS \$'000	Sterling \$'000	Euro \$'000	Other \$'000	Total \$'000
As at 31 December 2022							
Total Assets	9,296,140	2,730,686	215,520	5,197	48,880	374,259	12,670,682
Total Liabilities	<u>9,271,332</u>	<u>249,977</u>	<u>161,045</u>	<u>312</u>	<u>–</u>	<u>31,037</u>	<u>9,713,703</u>
	<u>24,808</u>	<u>2,480,709</u>	<u>54,475</u>	<u>4,885</u>	<u>48,880</u>	<u>343,222</u>	<u>2,956,979</u>
As at 31 December 2021							
Total Assets	9,319,767	2,897,067	228,273	5,902	50,479	385,321	12,886,809
Total Liabilities	<u>9,694,478</u>	<u>258,246</u>	<u>162,449</u>	<u>368</u>	<u>–</u>	<u>36,737</u>	<u>10,152,278</u>
	<u>(374,711)</u>	<u>2,638,821</u>	<u>65,824</u>	<u>5,534</u>	<u>50,479</u>	<u>348,584</u>	<u>2,734,531</u>

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 consolidated statement of income and equity at the reporting date.

Change in variables	US	BDS	Sterling	Euro	Other	
2022	0.6%	3.5%	7.3%	-3.2%	-4.2% to 3.5%	
2021	0.6%	3.5%	7.3%	-3.2%	-4.2% to 3.5%	
	US \$'000	BDS \$'000	Sterling \$'000	Euro \$'000	Other \$'000	Total \$'000
Impact on equity						
2022	17,134	1,907	(215)	(1,906)	(25,033)	(8,114)
2021	12,771	2,304	404	(1,615)	(28,107)	(14,244)
Impact on statement of income						
2022	28,585	–	–	–	–	28,585
2021	25,962	–	–	–	–	25,962

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

Expressed in Trinidad and Tobago Dollars

(Continued)

4. Management of Insurance and Financial Risk (continued)

4.2 Financial risk (continued)

4.2.1 Market risk (continued)

(b) Interest rate risk

The Group 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 Group is the risk that the interest earned on the Group's investments is insufficient to meet the interest rates credited or guaranteed to policyholders. This applies to traditional life insurance policies and the deposit administration plans.

Exposure is managed largely by the use of natural hedges that arise by matching interest-sensitive assets with liabilities of a similar nature. The Group 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 analysis, a 1% movement in interest rates was used for 2022 (2021: 1%). The following table shows the estimated effect of an increase or decrease in the above rates on the profit or loss.

	Effect on income	
	2022 \$'000	2021 \$'000
Increase in interest rates	(1,537)	(1,823)
Decrease in interest rates	1,498	1,806

(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 Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated statement of financial position as fair value through profit or loss. The Group 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 price risk illustrates how changes in the fair value of equity securities will fluctuate because of changes in market prices at the reporting date. The following table shows the estimated effect of reasonably possible changes in equity prices on the consolidated statement of income and equity.

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Expressed in Trinidad and Tobago Dollars

(Continued)

4. Management of Insurance and Financial Risk (continued)

4.2 Financial risk (continued)

4.2.1 Market risk (continued)

(c) Other price risk (continued)

	Change in equity prices		Effect on income	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Stock exchanges and markets				
Trinidad and Tobago	5%	5%	57,953	80,012
Jamaica	10%	10%	6,167	9,468
Other	1% - 9.3%	1% - 9.3%	23,560	36,051
			<u>87,680</u>	<u>125,531</u>

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 Group's contracts have features that allow them to be terminated at short notice creating a potential liquidity exposure. The Group monitors liquidity on a regular basis. An internally constituted Executive Investment Committee sets 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 Group 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 and investment contracts are at expected undiscounted cash flows.

	Contractual/Expected Undiscounted Cash Flows			
	Carrying amount \$'000	Less than one year \$'000	One - five years \$'000	Over five years \$'000
Insurance and financial liabilities				
As at 31 December 2022				
Long-term insurance contracts	7,992,128	179,706	1,177,858	17,257,328
Short-term insurance contracts	136,053	136,053	–	–
Investment contracts	1,073,848	–	1,073,848	–
Lease liabilities	20,763	7,932	15,270	926
Other liabilities	219,252	219,252	–	–
Total	<u>9,442,044</u>	<u>542,943</u>	<u>2,266,976</u>	<u>17,258,254</u>

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(Continued)

4. Management of Insurance and Financial Risk (continued)

4.2 Financial risk (continued)

4.2.2 Liquidity risk (continued)

	Contractual/Expected Undiscounted Cash Flows			
	Carrying amount \$'000	Less than one year \$'000	One - five years \$'000	Over five years \$'000
As at 31 December 2021				
Long-term insurance contracts	8,409,951	193,773	1,207,598	17,398,615
Short-term insurance contracts	122,221	122,221	–	–
Investment contracts	1,064,392	–	1,064,392	–
Lease liabilities	21,070	6,633	16,968	1,423
Other liabilities	200,490	200,490	–	–
Total	<u>9,818,124</u>	<u>523,117</u>	<u>2,288,958</u>	<u>17,400,038</u>

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 Group. 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 policies 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.

(a) Assets bearing credit risk

The Group 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 Group'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 fair value through profit or loss (excluding equity instruments)	4,514,711	4,467,217	4,514,711	4,467,217
Investment securities measured at amortised cost	3,043,413	2,797,524	3,031,315	2,782,853
Loans and receivables	554,338	585,023	458,400	382,714
Reinsurance assets	5,196	2,225	5,196	2,225
Cash and cash equivalents	1,373,424	1,743,887	1,366,359	1,740,080
	<u>9,491,082</u>	<u>9,595,876</u>	<u>9,375,981</u>	<u>9,375,089</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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(Continued)

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

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.

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.

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(Continued)

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 tables set out the credit quality analysis for financial assets measured at amortised cost.

Investment securities measured at amortised cost	Lifetime ECL			Total \$'000
	12-month ECL	Not credit impaired	Credit impaired	
	\$'000	\$'000	\$'000	
As at 31 December 2022				
AA	33,314	–	–	33,314
A	21,147	–	–	21,147
BBB	2,481,004	–	–	2,481,004
Below BBB	445,709	47,732	14,507	507,948
Gross carrying amount	2,981,174	47,732	14,507	3,043,413
Loss allowance	(3,948)	(5,487)	(2,663)	(12,098)
Net carrying amount	<u>2,977,226</u>	<u>42,245</u>	<u>11,844</u>	<u>3,031,315</u>

Investment securities measured at amortised cost	Lifetime ECL			Total \$'000
	12-month ECL	Not credit impaired	Credit impaired	
	\$'000	\$'000	\$'000	
As at 31 December 2021				
A	20,891	–	–	20,891
BBB	2,248,894	–	–	2,248,894
Below BBB	490,482	22,883	14,374	527,739
Gross carrying amount	2,760,267	22,883	14,374	2,797,524
Loss allowance	(6,417)	(2,517)	(5,737)	(14,671)
Net carrying amount	<u>2,753,850</u>	<u>20,366</u>	<u>8,637</u>	<u>2,782,853</u>

Loans and receivables	Lifetime ECL				Total \$'000
	Loans 12-month ECL	Loans Not credit impaired	Loans Credit impaired	Premiums and other receivables	
	\$'000	\$'000	\$'000	\$'000	
As at 31 December 2022					
AA	–	12,298	–	–	12,298
A	–	–	–	75,730	75,730
BBB	–	–	–	–	–
Below BBB	–	7,569	–	19,905	27,473
Not rated	93,887	43,267	–	301,682	438,837
Gross carrying amount	93,887	63,134	–	397,317	554,338
Loss allowance	(375)	(11,366)	–	(84,197)	(95,938)
Net carrying amount	<u>93,512</u>	<u>51,768</u>	<u>–</u>	<u>313,120</u>	<u>458,400</u>

GUARDIAN LIFE OF THE CARIBBEAN LIMITED

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(Continued)

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)

	Loans 12-month ECL \$'000	Lifetime ECL			Total \$'000
		Loans Not credit impaired \$'000	Loans Credit impaired \$'000	Premiums and other receivables \$'000	
Loans and receivables					
As at 31 December 2021					
AA	–	–	–	12,809	12,809
A	–	–	–	53,306	53,306
BBB	–	–	–	7	7
Below BBB	–	100	–	20,421	20,521
Not rated	91,133	47,861	–	359,386	498,380
Gross carrying amount	91,133	47,961	–	445,929	585,023
Loss allowance	(372)	(11,217)	–	(190,720)	(202,309)
Net carrying amount	90,761	36,744	–	255,209	382,714

	12-month ECL \$'000	Lifetime ECL		Total \$'000
		Not credit impaired \$'000	Credit impaired \$'000	
Cash and cash equivalents measured at amortized cost				
As at 31 December 2022				
A	44,540	–	–	44,540
BBB	541,569	–	–	541,569
Below BBB	488,106	–	–	488,106
Not rated	171,876	–	–	171,876
Gross carrying amount	1,246,091	–	–	1,246,091
Loss allowance	(7,065)	–	–	(7,065)
Net carrying amount	1,239,026	–	–	1,239,026
As at 31 December 2021				
A	29,297	–	–	29,297
BBB	799,248	–	–	799,248
Below BBB	457,155	–	–	457,155
Not rated	210,357	–	–	210,357
Gross carrying amount	1,496,057	–	–	1,496,057
Loss allowance	(3,807)	–	–	(3,807)
Net carrying amount	1,492,250	–	–	1,492,250

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(Continued)

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, financial assets (excluding equity instruments) and cash and cash equivalents 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							
Investment securities at fair value through profit or loss (excluding equities)	–	158,374	3,045	3,036,390	1,284,281	32,621	4,514,711
Reinsurance assets	–	–	5,195	–	–	1	5,196
Cash and cash equivalents	–	–	–	–	127,333	–	127,333
	<u>–</u>	<u>158,374</u>	<u>8,240</u>	<u>3,036,390</u>	<u>1,411,614</u>	<u>32,622</u>	<u>4,647,240</u>

	AAA \$'000	AA \$'000	A \$'000	BBB \$'000	Below BBB \$'000	Not rated \$'000	Total \$'000
As at 31 December 2021							
Investment securities at fair value through profit or loss (excluding equities)	–	226,226	3,537	3,029,234	1,208,220	–	4,467,217
Reinsurance assets	–	–	2,225	–	–	–	2,225
Cash and cash equivalents	–	–	–	–	247,830	–	247,830
	<u>–</u>	<u>226,226</u>	<u>5,762</u>	<u>3,029,234</u>	<u>1,456,050</u>	<u>–</u>	<u>4,717,272</u>

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(Continued)

4. Management of Insurance and Financial Risk (continued)

4.2 Financial risk (continued)

4.2.3 Credit risk (continued)

(c) 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.

Investment securities measured at amortised cost	12-month ECL \$'000	Not credit impaired \$'000	Lifetime ECL	Total \$'000
			Credit impaired \$'000	
Year ended 31 December 2022				
Balance at beginning of year	6,417	2,517	5,737	14,671
Exchange rate adjustments	693	42	–	735
New assets originated or purchased	548	–	–	548
Assets derecognised (excluding write-offs)	(651)	–	–	(651)
Transfer to lifetime ECL - not credit impaired	(88)	88	–	–
Remeasurements	(2,971)	2,840	(3,074)	(3,205)
Balance at end of year	3,948	5,487	2,663	12,098

Investment securities measured at amortised cost	12-month ECL \$'000	Not credit impaired \$'000	Lifetime ECL	Total \$'000
			Credit impaired \$'000	
Year ended 31 December 2021				
Balance at beginning of year	4,175	1,050	–	5,225
Exchange rate adjustments	695	1	–	696
New assets originated or purchased	1,023	–	–	1,023
Assets derecognised (excluding write-offs)	(283)	(361)	–	(644)
Transfer to 12-month ECL	215	(215)	–	–
Transfer to lifetime ECL - not credit impaired	(2,073)	2,073	–	–
Transfer to lifetime ECL - credit impaired	(510)	–	510	–
Remeasurements	3,175	(31)	5,227	8,371
Balance at end of year	6,417	2,517	5,737	14,671

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(Continued)

4. Management of Insurance and Financial Risk (continued)

4.2 Financial risk (continued)

4.2.3 Credit risk (continued)

(c) Loss allowance (continued)

	Lifetime ECL				Total \$'000
	Loans 12-month ECL \$'000	Loans Not credit impaired \$'000	Loans Credit impaired \$'000	Premiums and other receivables \$'000	
Loans and receivables					
Year ended 31 December 2022					
Balance at beginning of year	372	11,217	–	190,720	202,309
Exchange rate adjustments	–	106	–	(1,120)	(1,014)
New assets originated or purchased	84	–	–	–	84
Assets derecognised (excluding write-offs)	(61)	(67)	–	–	(128)
Transfer to 12-month ECL	412	(412)	–	–	–
Transfer to lifetime ECL - not credit impaired	(2)	2	–	–	–
Remeasurements	(430)	520	–	17,430	17,520
Amounts written-off	–	–	–	(122,833)	(122,833)
Balance at end of year	<u>375</u>	<u>11,366</u>	<u>–</u>	<u>84,197</u>	<u>95,938</u>

	Lifetime ECL				Total \$'000
	Loans 12-month ECL \$'000	Loans Not credit impaired \$'000	Loans Credit impaired \$'000	Premiums and other receivables \$'000	
Loans and receivables					
Year ended 31 December 2021					
Balance at beginning of year	5,298	10,481	–	73,647	89,426
Exchange rate adjustments	–	–	–	707	707
New assets originated or purchased	1,434	–	–	–	1,434
Transfer to 12-month ECL	482	(482)	–	–	–
Transfer to lifetime ECL - not credit impaired	(2,562)	2,562	–	–	–
Remeasurements	(4,280)	(1,344)	–	118,348	112,724
Amounts written-off	–	–	–	(1,982)	(1,982)
Balance at end of year	<u>372</u>	<u>11,217</u>	<u>–</u>	<u>190,720</u>	<u>202,309</u>

GUARDIAN LIFE OF THE CARIBBEAN LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

Expressed in Trinidad and Tobago Dollars

(Continued)

4. Management of Insurance and Financial Risk (continued)**4.2 Financial risk** (continued)**4.2.3 Credit risk** (continued)**(c) 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 Group 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 \$7,065,000 (2021: \$3,807,000). The Group recognised a net impairment release of \$3,258,000 for the year ended 31 December 2022 (2021: \$6,034,000).

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 Group'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
	Acute Pessimistic	Negative
Inflation	Base	Positive
	Optimistic	Positive
	Pessimistic	Negative
	Acute Pessimistic	Negative

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

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

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

GUARDIAN LIFE OF THE CARIBBEAN LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

Expressed in Trinidad and Tobago Dollars

(Continued)

4. Management of Insurance and Financial Risk (continued)

4.2 Financial risk (continued)

4.2.3 Credit risk (continued)

(c) Loss allowance (continued)

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 Group.

	Actual PDs applied				Change in PD	Impact on ECL	
	2022		2021			2022	2021
	Low	High	Low	High		\$'000	\$'000
Investment securities measured at amortised cost	0.102000%	33.31000%	0.102000%	33.31000%	+/- 20%	780	1,264
Cash and cash equivalents	0.042000%	7.49800%	0.042000%	7.49800%	+/- 20%	1,412	763
						<u>2,192</u>	<u>2,027</u>

(d) 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			Total \$'000
	12-month ECL \$'000	Not credit impaired \$'000	Credit impaired \$'000	
Investment securities measured at amortised cost				
Year ended 31 December 2022				
Balance at beginning of year	2,760,267	22,883	14,374	2,797,524
Exchange rate adjustments	78	–	(256)	(178)
New assets originated or purchased	1,013,612	–	–	1,013,612
Assets derecognised (excluding write-offs)	(764,825)	(28)	–	(764,853)
Transfer to lifetime ECL - not credit impaired	(24,171)	24,171	–	–
Changes in interest accrual	<u>(3,787)</u>	<u>706</u>	<u>389</u>	<u>(2,692)</u>
Balance at end of year	<u>2,981,174</u>	<u>47,732</u>	<u>14,507</u>	<u>3,043,413</u>

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Expressed in Trinidad and Tobago Dollars

(Continued)

4. Management of Insurance and Financial Risk (continued)

4.2 Financial risk (continued)

4.2.3 Credit risk (continued)

(d) Financial assets subject to ECL (continued)

	Lifetime ECL			Total \$'000
	12-month ECL \$'000	Not credit impaired \$'000	Credit impaired \$'000	
Investment securities measured at amortised cost				
Year ended 31 December 2021				
Balance at beginning of year	2,499,251	21,567	–	2,520,818
Exchange rate adjustments	(2,833)	2	–	(2,831)
New assets originated or purchased	381,386	–	–	381,386
Assets derecognised (excluding write-offs)	(99,293)	(7,421)	–	(106,714)
Transfer to 12-month ECL	4,830	(4,830)	–	–
Transfer to lifetime ECL - not credit impaired	(13,826)	13,826	–	–
Transfer to lifetime ECL - credit impaired	(14,374)	–	14,374	–
Changes in interest accrual	5,109	(261)	–	4,848
Other Movements	17	–	–	17
Balance at end of year	<u>2,760,267</u>	<u>22,883</u>	<u>14,374</u>	<u>2,797,524</u>

	Lifetime ECL			Total \$'000
	12-month ECL \$'000	Not credit impaired \$'000	Credit impaired \$'000	
Loans and receivables				
Year ended 31 December 2022				
Balance at beginning of year	91,133	493,890	–	585,023
Exchange rate adjustments	–	348	–	348
New assets originated or purchased	19,195	9,935	–	29,130
Assets derecognised (excluding write-offs)	(19,566)	(3,250)	–	(22,816)
Transfer to 12-month ECL	7,402	(7,402)	–	–
Transfer to lifetime ECL - not credit impaired	(4,277)	4,277	–	–
Changes in interest accrual	–	19	–	19
Amounts written-off	–	(122,833)	–	(122,833)
Other movements	–	85,467	–	85,467
Balance at end of year	<u>93,887</u>	<u>460,451</u>	<u>–</u>	<u>554,338</u>

GUARDIAN LIFE OF THE CARIBBEAN LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

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(Continued)

4. Management of Insurance and Financial Risk (continued)**4.2 Financial risk** (continued)**4.2.3 Credit risk** (continued)**(d) Financial assets subject to ECL** (continued)

	Lifetime ECL			Total \$'000
	12-month ECL \$'000	Not credit impaired \$'000	Credit impaired \$'000	
Loans and receivables				
Year ended 31 December 2021				
Balance at beginning of year	119,277	423,844	–	543,121
Exchange rate adjustments	–	(1,863)	–	(1,863)
New assets originated or purchased	10,102	1,792	–	11,894
Assets derecognised (excluding write-offs)	(17,446)	(4,319)	–	(21,765)
Transfer to 12-month ECL	1,908	(1,908)	–	–
Transfer to lifetime ECL - not credit impaired	(22,708)	22,708	–	–
Changes in interest accrual	–	(55)	–	(55)
Amounts written-off	–	(1,982)	–	(1,982)
Other movements	–	55,673	–	55,673
Balance at end of year	<u>91,133</u>	<u>493,890</u>	<u>–</u>	<u>585,023</u>

(e) 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 Group's performance to developments affecting a particular industry.

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

	2022 \$'000	2021 \$'000
Financial services	1,875,428	2,085,105
Real estate	734,801	832,377
Wholesale and retail trade	3,382	3,541
Public sector	5,983,867	5,789,550
Consumers/individuals	16,113	12,385
Other industries	<u>762,390</u>	<u>652,131</u>
	<u>9,375,981</u>	<u>9,375,089</u>

GUARDIAN LIFE OF THE CARIBBEAN LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

Expressed in Trinidad and Tobago Dollars

(Continued)

4. Management of Insurance and Financial Risk (continued)

4.2 Financial risk (continued)

4.2.4 Capital management

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

The Group's objectives when managing capital are:

- To comply with the capital requirements required by the regulators of the markets where the Group operates;
- To safeguard the Group'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.

In each country in which the Group operates, the local insurance regulator indicates the required minimum amount and type of capital that must be held by each of the branches in addition to their insurance liabilities. The Group is also subject to insurance solvency regulations in all the territories in which it issues insurance and investment contracts. The minimum required capital must be maintained at all times throughout the year. The Group 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 total minimum required capital in the Group. The Group has complied with these minimum capital requirements. These figures are an aggregate number, being the sum of the statutory capital and surplus for each insurance branch in each country subject to local regulatory requirements (current or prospective), which may differ from jurisdiction to jurisdiction.

	Minimum regulatory capital	
	2022 \$'000	2021 \$'000
Minimum regulatory capital	700,930	700,351

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(Continued)

5. Property, plant and equipment

	Freehold and leasehold properties \$'000	Office furniture, plant and equipment \$'000	Motor vehicles \$'000	Capital work in progress \$'000	Total \$'000
Year ended 31 December 2022					
Balance at beginning of year	141,821	38,978	48	12,531	193,378
Exchange rate adjustments	(1)	134	–	–	133
Revaluation gain	5,079	–	–	–	5,079
Additions	12	3,816	347	7,974	12,149
Disposals and adjustments	–	(906)	–	–	(906)
Transfers	251	186	–	(437)	–
Depreciation charge	(5,180)	(9,985)	(54)	–	(15,219)
Balance at end of year	<u>141,982</u>	<u>32,223</u>	<u>341</u>	<u>20,068</u>	<u>194,614</u>
At 31 December 2022					
Cost or valuation	201,468	190,987	1,306	20,068	413,829
Accumulated depreciation	(59,486)	(158,764)	(965)	–	(219,215)
Balance at end of year	<u>141,982</u>	<u>32,223</u>	<u>341</u>	<u>20,068</u>	<u>194,614</u>
Year ended 31 December 2021					
Balance at beginning of year	150,490	39,673	154	12,653	202,970
Exchange rate adjustments	82	91	5	–	178
Revaluation (loss)	(4,471)	–	–	–	(4,471)
Additions	594	6,359	–	3,298	10,251
Disposals and adjustments	(233)	(21)	(16)	–	(270)
Transfers	740	2,680	–	(3,420)	–
Depreciation charge	(5,381)	(9,804)	(95)	–	(15,280)
Balance at end of year	<u>141,821</u>	<u>38,978</u>	<u>48</u>	<u>12,531</u>	<u>193,378</u>
At 31 December 2021					
Cost or valuation	198,167	189,279	960	12,531	400,937
Accumulated depreciation	(56,346)	(150,301)	(912)	–	(207,559)
Balance at end of year	<u>141,821</u>	<u>38,978</u>	<u>48</u>	<u>12,531</u>	<u>193,378</u>

GUARDIAN LIFE OF THE CARIBBEAN LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

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(Continued)

5. Property, plant and equipment (continued)

Valuations were made on the basis of open market value by external independent appraisers, who are accredited in the territory that they serve. Valuations are based on active market prices, adjusted for any difference in the nature, location or condition of the specific property.

Depreciation expense of \$15,219,000 (2021: \$15,281,000) has been charged in other operating expenses.

If freehold and leasehold properties were stated on a historical cost basis, the amounts would be as follows:

	2022	2021
	\$'000	\$'000
Cost	191,389	191,139
Accumulated depreciation	<u>(117,271)</u>	<u>(113,620)</u>
Net book value	<u>74,118</u>	<u>77,519</u>

6. Leases

The following tables provide information for leases where the Group is a lessee.

(a) Right-of-use assets

	Leasehold properties	Motor vehicles	Total
	\$'000	\$'000	\$'000
Year ended 31 December 2022			
Balance at beginning of year	11,752	2,389	14,141
Exchange rate adjustments	10	–	10
Additions	5,421	745	6,166
Disposals and adjustments	–	(620)	(620)
Depreciation charge	<u>(4,310)</u>	<u>(832)</u>	<u>(5,142)</u>
Balance at end of year	<u>12,873</u>	<u>1,682</u>	<u>14,555</u>
At 31 December 2022			
Cost	29,339	4,880	34,219
Accumulated depreciation	<u>(16,466)</u>	<u>(3,198)</u>	<u>(19,664)</u>
Balance at end of year	<u>12,873</u>	<u>1,682</u>	<u>14,555</u>

GUARDIAN LIFE OF THE CARIBBEAN LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

Expressed in Trinidad and Tobago Dollars

(Continued)

6. Leases (continued)

(a) Right-of-use assets (continued)

	Leasehold properties \$'000	Motor vehicles \$'000	Total \$'000
Year ended 31 December 2021			
Balance at beginning of year	16,202	2,437	18,639
Exchange rate adjustments	117	–	117
Additions	–	845	845
Disposals and adjustments	–	(20)	(20)
Depreciation charge	(4,567)	(873)	(5,440)
Balance at end of year	<u>11,752</u>	<u>2,389</u>	<u>14,141</u>
At 31 December 2021			
Cost	24,668	4,754	29,422
Accumulated depreciation	(12,916)	(2,365)	(15,281)
Balance at end of year	<u>11,752</u>	<u>2,389</u>	<u>14,141</u>

	2022 \$'000	2021 \$'000
(b) Lease liabilities		
Balance at beginning of year	21,070	24,572
Exchange rate adjustments	(17)	129
Additions	6,166	845
Interest expense (Note 34)	1,777	1,971
Lease payments	(7,577)	(6,425)
Effect of modification to lease terms	(656)	(22)
Balance at end of year	<u>20,763</u>	<u>21,070</u>
Current	6,522	5,214
Non-current	<u>14,241</u>	<u>15,856</u>
	<u>20,763</u>	<u>21,070</u>

	2022 \$'000	2021 \$'000
(c) Amounts recognised in the consolidated statement of income		
Interest on lease liabilities	1,777	1,971
Depreciation charge on right-of-use assets	5,142	5,440
Short-term leases	6,187	6,000
	<u>13,106</u>	<u>13,411</u>

(d) Amounts recognised in the consolidated statement of cash flows

The Group had total cash outflows for leases of \$13,952,000 (2021: \$12,428,000).

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(Continued)

	2022	2021
	\$'000	\$'000
7. Investment properties		
Investment properties	<u>832,282</u>	<u>788,158</u>
Balance at beginning of year	788,158	803,460
Exchange rate adjustments	6,847	(38,826)
Additions	5,116	15,561
Fair value adjustments (Note 29)	28,676	19,490
Disposals	–	(418)
Fair value adjustments directly related to the unit-linked funds	<u>3,485</u>	<u>(11,109)</u>
Balance at end of year	<u>832,282</u>	<u>788,158</u>
Residential properties	148,720	148,606
Commercial properties	<u>683,562</u>	<u>639,552</u>
	<u>832,282</u>	<u>788,158</u>
Rental income	<u>43,248</u>	<u>30,009</u>
Direct operating expenses incurred in respect of investment property that generated rental income during the year	<u>2,093</u>	<u>2,095</u>
Direct operating expenses incurred in respect of investment property that did not generate rental income during the year	<u>576</u>	<u>516</u>

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

Residential properties are mainly revalued using the comparable sales approach, which estimates the fair value based on sale prices of properties of similar nature or in similar locations with price adjustments being made for any notable differences between the sample and subject properties such as, location, size, and quality of improvements.

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 7.5% to 10.5% (2021: 8.0% to 11.0%) as deemed most appropriate by the valuers.

GUARDIAN LIFE OF THE CARIBBEAN LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

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(Continued)

7. Investment properties (continued)

Both the direct capitalisation of income and profit tests or accounts approach apply a valuation model that converts monthly rental income and expenses into market values through the use of a capitalisation rate. The capitalisation rates within these models, as applied by external professional valuers, range from 7.5% to 10.5% (2021: 8.0% to 11.75%) across the Group.

In the past two financial years, many of the Group'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 Group is subject to any liens or mortgages and the Group has no curtailments with regard to the transfer, resale or other use of its investment properties. The Group is not under any contractual obligation with regard to significant development, enhancement, repair or maintenance of any investment properties.

Future minimum lease payments receivable on leases of investment properties are as follows:

	2022 \$'000	2021 \$'000
Within one year	37,268	39,852
	<u>37,268</u>	<u>39,852</u>

8. Subsidiaries

	Country of incorporation	Effective percentage interest held	Principal activity
Guardian Resorts International Inc.	St. Lucia	53.85%	Hotel operations
Guardian Life OECS Limited	Grenada	100.00%	Group Health and Group Life insurance

Guardian Resorts International Inc owns 100% of Guardian Resorts Jamaica Limited whose principal activities are the purchasing, leasing and operation of hotels or any property for the accommodation of foreign and local visitors in Jamaica.

9. Investment securities

	2022 Carrying value \$'000	Fair value \$'000	2021 Carrying value \$'000	Fair value \$'000
Investment securities mandatorily measured at fair value through profit or loss (FVPL-M)	6,692,979	6,692,979	6,905,301	6,905,301
Investment securities measured at amortised cost (AC)	<u>3,031,315</u>	<u>2,996,589</u>	<u>2,782,853</u>	<u>2,812,890</u>
Total investment securities	<u>9,724,294</u>	<u>9,689,568</u>	<u>9,688,154</u>	<u>9,718,191</u>

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(Continued)

9. Investment securities (continued)

	Carrying value		Fair value
	FVPL-M	AC	AC
	2022	2022	2022
	\$'000	\$'000	\$'000
Equity securities:			
- Listed	1,987,511	—	—
- Unlisted	190,757	—	—
	<u>2,178,268</u>	<u>—</u>	<u>—</u>
Debt securities:			
- Government securities	3,680,422	2,461,254	2,424,575
- Debentures and corporate bonds	477,790	450,098	439,953
	<u>4,158,212</u>	<u>2,911,352</u>	<u>2,864,528</u>
Deposits (more than 90 days)	172,010	95,408	95,408
Other	126,037	—	—
	<u>298,047</u>	<u>95,408</u>	<u>95,408</u>
	6,634,527	3,006,760	2,959,936
Interest receivable	58,452	36,653	36,653
Loss allowance	—	(12,098)	—
	<u>6,692,979</u>	<u>3,031,315</u>	<u>2,996,589</u>
Current	519,428	330,679	
Non-current	6,173,551	2,700,636	
	<u>6,692,979</u>	<u>3,031,315</u>	

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

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(Continued)

9. Investment securities (continued)

	Carrying value		Fair value
	FVPL-M	AC	AC
	2021	2021	2021
	\$'000	\$'000	\$'000
Equity securities:			
- Listed	2,237,905	–	–
- Unlisted	200,179	–	–
	<u>2,438,084</u>	<u>–</u>	<u>–</u>
Debt securities:			
- Government securities	3,723,380	2,246,023	2,263,193
- Debentures and corporate bonds	551,932	476,591	474,787
	<u>4,275,312</u>	<u>2,722,614</u>	<u>2,737,980</u>
Deposits (more than 90 days)	211	35,561	35,561
Other	134,091	–	–
	<u>134,302</u>	<u>35,561</u>	<u>35,561</u>
	6,847,698	2,758,175	2,773,541
Interest receivable	57,603	39,349	39,349
Loss allowance	–	(14,671)	–
	<u>6,905,301</u>	<u>2,782,853</u>	<u>2,812,890</u>
Current	471,441	101,385	
Non-current	<u>6,433,860</u>	<u>2,681,468</u>	
	<u>6,905,301</u>	<u>2,782,853</u>	

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(Continued)

	2022	2021
	\$'000	\$'000
10. Loans and receivables		
Premiums receivable	129,867	239,458
Deposits with/balances due from reinsurers	75,732	53,307
Mortgage loans	111,752	117,314
Policy loans	16,391	12,554
Commercial and other loans	7,981	8,190
Interest receivable	1,295	1,153
Due from parent and affiliated companies (Note 40)	60,339	50,431
Other receivables	150,981	102,616
Loss allowance	<u>(95,938)</u>	<u>(202,309)</u>
	<u>458,400</u>	<u>382,714</u>
Current	337,861	257,674
Non-current	<u>120,539</u>	<u>125,040</u>
	<u>458,400</u>	<u>382,714</u>

11. Pension plan assets/liabilities

The following information explains the quantification of the assets and liabilities recognised in the consolidated statement of financial position and the net income for the year in accordance with the provisions of IAS 19.

	Pension plan asset		Pension plan liability		Net pension plan asset/(liability)	
	2022	2021	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Fair value of pension plan assets	55,330	47,478	290,638	291,142	345,968	338,620
Less: Present value of funded obligations	<u>(48,715)</u>	<u>(42,094)</u>	<u>(313,990)</u>	<u>(315,986)</u>	<u>(362,705)</u>	<u>(358,080)</u>
IAS 19 consolidated statement of financial position assets/(liabilities)	<u>6,615</u>	<u>5,384</u>	<u>(23,352)</u>	<u>(24,844)</u>	<u>(16,737)</u>	<u>(19,460)</u>

The amount in the consolidated statement of income is made up as follows:

	2022	2021
	\$'000	\$'000
Administration expenses	(643)	(695)
Net interest expense	(1,185)	(2,063)
Current service cost	(12,272)	(11,772)
Past service cost	—	(231)
Net (loss) for the year	<u>(14,100)</u>	<u>(14,761)</u>

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(Continued)

11. Pension plan assets/liabilities (continued)

The remeasurement of pension plan obligation in other comprehensive income is made up as follows:

	2022	2021
	\$'000	\$'000
Actuarial gains and losses arising during the period from:		
- changes in financial assumptions	12,982	29,315
- experience adjustment	<u>(13,819)</u>	<u>1,679</u>
	<u>(837)</u>	<u>30,994</u>

The movement in the fair value of pension plan assets of the year is as follows:

Balance at beginning of year	338,620	296,557
Administration expenses	(643)	(695)
Exchange rate adjustments	(9)	325
Benefit payments	(13,838)	(13,866)
Company contributions	17,959	18,468
Remeasurement arising from experience adjustment	(18,971)	18,972
Interest income	<u>22,850</u>	<u>18,859</u>
Balance at end of year	<u>345,968</u>	<u>338,620</u>

The movement in the obligation to plan members over the year is as follows:

Balance at beginning of year	358,080	350,666
Exchange rate adjustments	(7)	153
Current service cost	12,272	11,772
Interest cost	24,035	20,922
Past service cost	-	231
Contributions by plan participants	297	224
Remeasurement arising from changes in financial assumptions	(12,982)	(29,315)
Remeasurement arising from experience adjustment	(5,152)	17,293
Benefits paid	<u>(13,838)</u>	<u>(13,866)</u>
Balance at end of year	<u>362,705</u>	<u>358,080</u>

The principal actuarial assumptions used for accounting purposes were:

	2022	2021
Discount rates	5.70% -10.80%	5.50% -12.50%
Future salary increases	4.60% - 5.00%	4.6% - 6.30%
Post-retirement mortality	GAM94/NIS2012	GAM94/NIS2012
Pre-retirement mortality	GAM94/NIS2012	GAM94/NIS2012
Withdrawal from service	Yes	Yes
Future pension increases	0.0% - 3.5%	0.0% - 3.5%
Proportion of employees opting for early retirement	None	None
Life expectation of pensioners at the age of 65 - male	17.3 to 18.3 years	17.3 to 18.3 years
Life expectation of pensioners at the age of 65 - female	21.8 to 22.1 years	21.8 to 22.1 years

The actual return on plan assets was \$3,878,000 (2021: \$37,838,000).

GUARDIAN LIFE OF THE CARIBBEAN LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

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(Continued)

11. Pension plan assets/liabilities (continued)

Pension plan assets are comprised as follows:	2022		2021	
	\$'000	%	\$'000	%
Equity securities				
- Trinidad and Tobago	94,483	27%	93,528	28%
- Non-Caribbean	14,121	4%	12,102	3%
Government securities				
- Trinidad and Tobago	108,317	31%	107,473	32%
Corporate bonds				
- Trinidad and Tobago	29,787	9%	30,942	9%
- Non-Caribbean	6,921	2%	9,312	3%
Property	24,155	7%	11,374	3%
Other	68,184	20%	73,889	22%
	<u>345,968</u>	<u>100%</u>	<u>338,620</u>	<u>100%</u>

The defined benefit plan assets as at 31 December 2022 include property with a fair value of \$37,050,000 (2021: \$17,550,000), which is not occupied by the Group.

Contributions from the defined contribution plan are invested in a deposit administration contract. The deposit administration contract is part of a general fund, which is managed by the Group.

The Group's expected contributions to its defined benefit pension plans for the year ending 31 December 2022 are \$17,751,000 (2021: \$17,272,000).

The duration of the defined benefit plans obligation at the end of the reporting period is 13 to 20 years (2021: 13 to 21 years).

A quantitative sensitivity analysis for significant assumptions as at 31 December 2022 is shown below:

	Impact on the net defined benefit obligation	
	Increase \$'000	Decrease \$'000
1% increase/(decrease) in discount rate	(40,107)	50,043
1% increase/(decrease) in future salary increases	13,118	(11,553)
1% increase/(decrease) in future pension increases	27,812	(23,801)
Life expectancy increase/(decrease) by 1 year - male	2,745	(2,837)
Life expectancy increase/(decrease) by 1 year - female	6,205	(6,364)

The sensitivity analysis above has been determined based on a method that extrapolates the impact on the net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

GUARDIAN LIFE OF THE CARIBBEAN LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

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(Continued)

12. Deferred taxation

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

	2022	2021
	\$'000	\$'000
Deferred tax assets:		
- To be recovered after more than 12 months	23,089	28,781
- To be recovered within 12 months	101	197
	<u>23,190</u>	<u>28,978</u>
Deferred tax liabilities:		
- Crystallizing after more than 12 months	(22,917)	(37,027)
- Crystallizing within 12 months	(17)	(100)
	<u>(22,934)</u>	<u>(37,127)</u>
Net deferred tax liability	<u>256</u>	<u>(8,149)</u>

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:

	2022	2021
	\$'000	\$'000
Balance at beginning of year	(8,149)	2,155
Exchange rate adjustments	2	(17)
Charged to:		
- statement of income (Note 35)	8,382	(15,557)
- other comprehensive income	21	5,270
Balance at end of year	<u>256</u>	<u>(8,149)</u>

GUARDIAN LIFE OF THE CARIBBEAN LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

Expressed in Trinidad and Tobago Dollars

(Continued)

12. Deferred taxation (continued)

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

	Balance at beginning	Credited/(charged) to Exchange rate	Statement of income	Statement of other compre- hensive income	Balance at end
	2022 \$'000	adjustment \$'000	income \$'000	hensive income \$'000	2022 \$'000
Zero coupon bonds	(65)	–	(101)	–	(166)
Pension plan	5,838	–	(681)	(135)	5,022
Accelerated tax depreciation	(1,288)	2	(708)	–	(1,994)
Investments at fair value through profit or loss	(32,358)	–	13,569	–	(18,789)
Investments at fair value through other comprehensive income	43	2	–	168	213
Allowance for expected credit losses	7,289	(4)	(3,870)	–	3,415
Post-retirement medical benefit obligation	10,393	–	(18)	(12)	10,363
Lease liabilities	1,952	–	(301)	–	1,651
Long-term incentive scheme	–	–	268	–	268
Other	47	2	224	–	273
	<u>(8,149)</u>	<u>2</u>	<u>8,382</u>	<u>21</u>	<u>256</u>

	Balance at beginning	Credited/(charged) to Exchange rate	Statement of income	Statement of other compre- hensive income	Balance at end
	2021 \$'000	adjustment \$'000	income \$'000	hensive income \$'000	2021 \$'000
Zero coupon bonds	(760)	(2)	697	–	(65)
Pension plan	1,653	–	1,352	2,833	5,838
Accelerated tax depreciation	19	(1)	(1,306)	–	(1,288)
Tax losses carried forward	2,556	–	(2,556)	–	–
Investments at fair value through profit or loss	–	–	(32,358)	–	(32,358)
Investments at fair value through other comprehensive income	(115)	6	–	152	43
Allowance for expected credit losses	–	4	7,285	–	7,289
Post-retirement medical benefit obligation	–	–	8,108	2,285	10,393
Lease liabilities	(1,612)	–	3,564	–	1,952
Other	414	(24)	(343)	–	47
	<u>2,155</u>	<u>(17)</u>	<u>(15,557)</u>	<u>5,270</u>	<u>(8,149)</u>

GUARDIAN LIFE OF THE CARIBBEAN LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

Expressed in Trinidad and Tobago Dollars

(Continued)

13. Reinsurance assets	2022	2021
	\$'000	\$'000
This represents the Group's contractual rights under reinsurance contracts:		
Long-term insurance contracts:		
With fixed and guaranteed terms	<u>4,463</u>	<u>1,641</u>
Short-term insurance contracts:		
Claims reported and loss adjustment expenses (Note 18.1(e))	733	581
Group life	<u>—</u>	<u>3</u>
	<u>733</u>	<u>584</u>
Total reinsurers' share of insurance liabilities	<u>5,196</u>	<u>2,225</u>
Current	733	580
Non-current	<u>4,463</u>	<u>1,645</u>
Total reinsurers' share of insurance liabilities	<u>5,196</u>	<u>2,225</u>
14. Deferred acquisition costs	2022	2021
	\$'000	\$'000
Short-term insurance contracts:		
Balance at beginning of year	5,346	4,815
Exchange rate adjustments	(4)	30
Increase in the year	6,155	5,316
Release in the year	<u>(5,346)</u>	<u>(4,815)</u>
Balance at end of year	<u>6,151</u>	<u>5,346</u>
Current	<u>6,151</u>	<u>5,346</u>
	<u>6,151</u>	<u>5,346</u>

GUARDIAN LIFE OF THE CARIBBEAN LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

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(Continued)

	2022	2021
	\$'000	\$'000
15. Cash and cash equivalents		
Cash at bank and in hand	655,282	748,557
Short-term deposits (90 days or less)	432,151	529,837
	<u>1,087,433</u>	<u>1,278,394</u>
Cash and cash equivalents	1,087,433	1,278,394
Cash and cash equivalents in mutual funds	285,991	465,493
Loss allowance	(7,065)	(3,807)
	<u>1,366,359</u>	<u>1,740,080</u>
Net cash and cash equivalents	<u>1,366,359</u>	<u>1,740,080</u>
At beginning of year	1,740,080	1,813,031
Exchange rate adjustments	(1,012)	(14)
Net movement in loss allowance	(3,321)	6,042
	<u>1,735,747</u>	<u>1,819,059</u>
Net decrease in cash and cash equivalents	<u>(369,388)</u>	<u>(78,979)</u>
At end of year	<u>1,366,359</u>	<u>1,740,080</u>

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 Group, and earn interest at the respective short-term deposit rates.

The cash and cash equivalents disclosed above and in the consolidated statement of cash flows include \$36,383 (2021: \$62,168), which is pledged with regulatory authorities in countries in which the Group is authorised to conduct business as security for its policyholders.

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

GUARDIAN LIFE OF THE CARIBBEAN LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

Expressed in Trinidad and Tobago Dollars

(Continued)

16. Share capital	2022	2021
	\$'000	\$'000
<i>Authorised</i>		
An unlimited number of ordinary shares of no par value		
An unlimited number of preferred shares of no par value		
<i>Issued and fully paid</i>		
31,677,062 ordinary shares of no par value (2021: 31,677,062 ordinary shares)	<u>100,465</u>	<u>100,465</u>
	Number of	Share
	shares	capital
	(thousands)	\$'000
Balance at 1 January 2022	<u>31,677</u>	<u>100,465</u>
Balance at 31 December 2022	<u>31,677</u>	<u>100,465</u>
Balance at 1 January 2021	<u>31,677</u>	<u>100,465</u>
Balance at 31 December 2021	<u>31,677</u>	<u>100,465</u>

GUARDIAN LIFE OF THE CARIBBEAN LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

Expressed in Trinidad and Tobago Dollars

(Continued)

17. Reserves

	Fair value reserve \$'000	Property revaluation reserve \$'000	Translation reserve \$'000	Total Reserves \$'000	Non controlling interests \$'000	Total \$'000
Balance at 1 January 2022	(62)	30,368	(125,170)	(94,864)	260,375	165,511
Profit for the year	–	–	–	–	28,334	28,334
Other comprehensive income/(loss)	(269)	5,079	13,263	18,073	3,340	21,413
Balance at 31 December 2022	<u>(331)</u>	<u>35,447</u>	<u>(111,907)</u>	<u>(76,791)</u>	<u>292,049</u>	<u>215,258</u>
Balance at 1 January 2021	187	34,839	(106,351)	(71,325)	261,955	190,630
Profit for the year	–	–	–	–	18,558	18,558
Other comprehensive income/(loss)	(249)	(4,471)	(18,819)	(23,539)	(20,138)	(43,677)
Balance at 31 December 2021	<u>(62)</u>	<u>30,368</u>	<u>(125,170)</u>	<u>(94,864)</u>	<u>260,375</u>	<u>165,511</u>

The property revaluation reserve is used to record increases or decreases in the carrying amount of an item of property that has been revalued. If an asset's carrying amount is increased as a result of a revaluation, the increase is recognised in equity under the heading of revaluation surplus. However, the increase is recognised in the consolidated statement of income to the extent that it reverses a revaluation decrease of the same asset previously recognised in the consolidated statement of comprehensive income. If the asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in the consolidated statement of income to the extent that it exceeds any amount previously credited to the property revaluation reserve.

GUARDIAN LIFE OF THE CARIBBEAN LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

Expressed in Trinidad and Tobago Dollars

(Continued)

18 Insurance contracts

	2022	2021
	\$'000	\$'000
Long-term insurance contracts:		
With fixed and guaranteed terms and without DPF (Note 18.1(a))	1,772,526	1,895,376
With fixed and guaranteed terms and with DPF (Note 18.1 (b))	51,741	56,560
Without fixed terms (Note 18.1(c))	<u>5,810,063</u>	<u>6,091,616</u>
	7,634,330	8,043,552
Participating policyholders' share of the surplus from long-term insurance business (Note 18.1(d))	<u>341,714</u>	<u>321,076</u>
	<u>7,976,044</u>	<u>8,364,628</u>
Short-term insurance contracts:		
Claims reported and loss adjustment expenses (Note 18.1(e))	1,937	1,143
Claims incurred but not reported (Note 18.1(e))	63,322	54,400
Unearned premiums (Note 18.1(f))	62,206	55,607
Group life (Note 18.1(g))	<u>8,588</u>	<u>11,071</u>
	<u>136,053</u>	<u>122,221</u>
Total gross insurance liabilities	<u>8,112,097</u>	<u>8,486,849</u>
Reinsurance reserve liabilities	<u>16,086</u>	<u>45,323</u>
Total insurance liabilities	<u>8,128,183</u>	<u>8,532,172</u>
Current	136,053	122,221
Non-current	<u>7,992,130</u>	<u>8,409,951</u>
	<u>8,128,183</u>	<u>8,532,172</u>

18.1 Movements in insurance liabilities and reinsurance assets

	2022	2021
	\$'000	\$'000
(a) Long-term insurance contracts with fixed and guaranteed terms and without DPF		
At beginning of year	1,895,376	1,819,116
Cash paid for claims settled in the year	(660,587)	(533,831)
Changes in outstanding claims	655,755	551,445
Changes in model refinements (Note 4.1.2(c))	(136,413)	(51,771)
Other movements	18,452	106,724
Exchange rate adjustments	<u>(57)</u>	<u>3,693</u>
At end of year	<u>1,772,526</u>	<u>1,895,376</u>

GUARDIAN LIFE OF THE CARIBBEAN LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

Expressed in Trinidad and Tobago Dollars

(Continued)

18. Insurance contracts (continued)

18.1 Movements in insurance liabilities and reinsurance assets (continued)

	2022	2021
	\$'000	\$'000
(b) Long-term insurance contracts with fixed and guaranteed terms and with DPF		
At beginning of year	56,560	60,575
Exchange rate adjustments	(28)	(14)
Changes in model refinements (Note 4.1.2(c))	(2,599)	(1,554)
Normal decrease due to the passage of time	(2,192)	(2,447)
At end of year	<u>51,741</u>	<u>56,560</u>
(c) Long-term insurance contracts without fixed terms		
At beginning of year	6,091,616	5,669,817
Exchange rate adjustments	(389)	1,600
Changes in model refinements (Note 4.1.2(c))	(300,758)	(164,796)
Other movements	(76,212)	534,617
Cash paid on claims settled in the year	(747,870)	(653,757)
Increase in liabilities	843,676	704,135
	<u>5,810,063</u>	<u>6,091,616</u>
(d) Participating policyholders' share of the surplus from long-term insurance business		
	2022	2021
	\$'000	\$'000
At beginning of year	321,076	317,869
Surplus arising from operations allocated to participating policy holders	23,440	4,683
Other movements	(2,802)	(1,476)
At end of year	<u>341,714</u>	<u>321,076</u>

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

GUARDIAN LIFE OF THE CARIBBEAN LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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(Continued)

18. Insurance contracts (continued)

18.1 Movements in insurance liabilities and reinsurance assets (continued)

Short-term insurance contracts:

(e) Claims and loss adjustment expenses/claims incurred but not reported

Year ended 31 December	2022			2021		
	Gross \$'000	Reinsurance \$'000	Net \$'000	Gross \$'000	Reinsurance \$'000	Net \$'000
Notified claims	1,143	(581)	562	9,970	(5,235)	4,735
Incurred but not reported	54,400	–	54,400	56,978	(165)	56,813
Total at beginning of year	55,543	(581)	54,962	66,948	(5,400)	61,548
Exchange rate adjustments	(88)	–	(88)	(382)	–	(382)
Cash paid for claims settled in the year	(432,039)	39,151	(392,888)	(382,318)	29,514	(352,804)
Increase in liabilities (Note 25)	441,843	(39,303)	402,540	371,295	(24,695)	346,600
Total at end of year	65,259	(733)	64,526	55,543	(581)	54,962
Notified claims	1,937	(733)	1,204	1,143	(581)	562
Incurred but not reported	63,322	–	63,322	54,400	–	54,400
	65,259	(733)	64,526	55,543	(581)	54,962

(f) Provisions for unearned premiums

Total at beginning of year	55,607	–	55,607	51,010	–	51,010
Exchange rate adjustments	(849)	–	(849)	352	–	352
Increase in the period	63,055	–	63,055	55,255	–	55,255
Release in the period	(55,607)	–	(55,607)	(51,010)	–	(51,010)
Total at end of year	62,206	–	62,206	55,607	–	55,607

(g) Group life

Total at beginning of year	11,071	–	11,071	10,318	–	10,318
Exchange rate adjustment	(5)	–	(5)	3	–	3
Cash paid for claims settled in the year	(36,345)	–	(36,345)	(38,114)	–	(38,114)
Increase in liabilities	33,867	–	33,867	38,864	–	38,864
Total at end of year	8,588	–	8,588	11,071	–	11,071

GUARDIAN LIFE OF THE CARIBBEAN LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

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(Continued)

18. Insurance contracts (continued)**18.2 Claims development tables - short-term insurance contracts**

The development of the insurance liabilities provides a measure of the Group's ability to estimate the ultimate value of claims. An accident year basis is considered to be most appropriate for the business written by the Group. It is the Group's experience that the development of an accident year's claims are complete within a short period subsequent to its end. Consequently, no table has been presented in these financial statements showing the development of recent accident years over time.

19. Investment contract liabilities

2022 **2021**
\$'000 **\$'000**

The movements in the liabilities arising from investment contracts are summarised below:

Balance at beginning of year	1,064,392	1,071,856
Premiums received	92,635	96,325
Fees deducted from account balances	(5,649)	(15,073)
Account balances paid on surrender and other terminations in the year	(71,421)	(121,121)
Interest credited through income	25,778	24,998
Other movements	<u>(31,887)</u>	<u>7,407</u>
Balance at end of year	<u>1,073,848</u>	<u>1,064,392</u>

Investment contract liabilities carry floating rates of interest and therefore the carrying amounts approximate their fair values.

20. Financial liabilities

2022 **2021**
\$'000 **\$'000**

Subsidiaries	<u>34,617</u>	<u>34,725</u>
Non-Current Financial Liabilities related to subsidiaries	<u>34,617</u>	<u>34,725</u>
	<u>34,617</u>	<u>34,725</u>

21. Post-retirement medical benefit obligations

The amounts recognised in the consolidated statement of financial position are as follows:

Present value of obligations	<u>34,545</u>	<u>34,643</u>
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The amount in the consolidated statement of income is made up as follows:

Interest cost	(2,336)	(2,004)
Current service cost	<u>(606)</u>	<u>(615)</u>
Expense for the year (Note 33)	<u>(2,942)</u>	<u>(2,619)</u>

GUARDIAN LIFE OF THE CARIBBEAN LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

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(Continued)

21. Post-retirement medical benefit obligations (continued)

	2022	2021
The movement in the liability is as follows:		
Balance at beginning of year	34,643	33,718
Remeasurement of obligation (actuarial gains)	(2,277)	(948)
Employer contributions	(763)	(746)
Expense as per above	2,942	2,619
Balance at end of year	<u>34,545</u>	<u>34,643</u>

The principal actuarial assumptions used were as follows:

Discount rate	7.1%	6.7%
Healthcare cost escalation	6.0%	5.6%
Retiree premium escalation:		
Existing retirees	6.0%	5.6%
Future retirees	6.0%	5.6%
Pre-retirement mortality	Ignored	Ignored
Post-retirement mortality	GAM94	GAM94

A quantitative sensitivity analysis for significant assumptions as at 31 December 2022 is shown below:

	Impact on the obligation	
	Increase	Decrease
	\$'000	\$'000
1% increase/decrease in discount rate	(5,344)	5,476
1% increase/decrease in medical cost trend rate	6,940	(7,150)

Expected contributions to post-employment benefit plans for the year ending 31 December 2023 are \$809,000.

22. Other liabilities

	2022	2021
	\$'000	\$'000
Deposits and premiums received in advance	79,274	59,617
Amount due to reinsurers	20,283	29,315
Other payables	118,344	114,825
Due to affiliated companies (Note 40)	6,646	967
	<u>224,547</u>	<u>204,724</u>

23. Net premium income

(a) Insurance premium income

Long-term insurance contracts	1,883,877	1,900,873
Short-term insurance contracts:		
- premiums receivable	539,599	492,779
- change in unearned premium provision	(7,448)	(4,246)
	<u>2,416,028</u>	<u>2,389,406</u>

(b) Insurance premium ceded to reinsurers

Long-term reinsurance contracts	(103,784)	(98,271)
Short-term reinsurance contracts:		
- premiums payable	(52,914)	(47,483)
	<u>(156,698)</u>	<u>(145,754)</u>

GUARDIAN LIFE OF THE CARIBBEAN LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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(Continued)

24. Policy acquisition expenses	2022	2021
	\$'000	\$'000
Commissions	228,712	240,801
Other expenses for the acquisition of insurance and investment contracts	40,212	21,717
	<u>268,924</u>	<u>262,518</u>

25. Net insurance benefits and claims

Insurance benefits - gross	1,347,507	1,371,491
Insurance benefits - recovered from reinsurers	(40,660)	(37,194)
Insurance claims and loss adjustment expenses - gross (Note 18.1(e))	441,843	371,295
Insurance claims and loss adjustment expenses - recovered from reinsurers (Note 18.1(e))	(39,303)	(24,695)
	<u>1,709,387</u>	<u>1,680,897</u>

	2022		
	Gross	Reinsurance	Net
Insurance benefits	\$'000	\$'000	\$'000
Long-term insurance contracts with fixed and guaranteed terms and without DPF:			
- death, maturity and surrender benefits	287,580	-	287,580
- decrease in liabilities	(127,941)	-	(127,941)
Long-term insurance contracts without fixed terms:			
- death, maturity and surrender benefits	1,095,193	(39,049)	1,056,144
- change in unit prices	58,808	-	58,808
Short-term insurance contracts - life	<u>33,867</u>	<u>(1,611)</u>	<u>32,256</u>
Total cost of policyholder benefits	<u>1,347,507</u>	<u>(40,660)</u>	<u>1,306,847</u>

	2021		
	Gross	Reinsurance	Net
Insurance benefits	\$'000	\$'000	\$'000
Long-term insurance contracts with fixed and guaranteed terms and without DPF:			
- death, maturity and surrender benefits	299,053	-	299,053
- increase in liabilities	45,730	-	45,730
Long-term insurance contracts without fixed terms:			
- death, maturity and surrender benefits	855,928	(35,149)	820,779
- change in unit prices	131,916	-	131,916
Short-term insurance contracts - life	<u>38,864</u>	<u>(2,045)</u>	<u>36,819</u>
Total cost of policyholder benefits	<u>1,371,491</u>	<u>(37,194)</u>	<u>1,334,297</u>

GUARDIAN LIFE OF THE CARIBBEAN LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

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	2022	2021
	\$'000	\$'000
26. Investment income		
Interest income from:		
- Amortised cost investment securities	144,407	144,374
- Loans and receivables	10,210	7,975
- Cash and cash equivalents	14,891	13,147
Investment income from financial assets measured at amortised cost and fair value through other comprehensive income	<u>169,508</u>	<u>165,496</u>
Interest income from fair value through profit or loss debt securities	222,492	210,689
Dividend income	51,677	74,922
Investment expenses	<u>(702)</u>	<u>(646)</u>
Other investment income	<u>273,467</u>	<u>284,965</u>
Total investment income	<u><u>442,975</u></u>	<u><u>450,461</u></u>
27 Net realised (losses)/gains on financial assets measured at amortised cost		
Debentures and corporate bonds	<u>13,562</u>	<u>(1,471)</u>
	<u><u>13,562</u></u>	<u><u>(1,471)</u></u>
28. Net realised gains on other assets		
Investment securities measured mandatorily at fair value through profit or loss	6,350	3,270
Other	<u>-</u>	<u>(52)</u>
	<u><u>6,350</u></u>	<u><u>3,218</u></u>
29. Net fair value gains/(losses)		
Net fair value gains/(losses) on:		
- Investment securities measured mandatorily at fair value through profit or loss	(8,881)	23,408
- Fair value adjustment on investment properties (Note 7)	<u>28,676</u>	<u>19,490</u>
	<u><u>19,795</u></u>	<u><u>42,898</u></u>
30. Fee income		
Policy administration and asset management services:		
- Investment contracts without a discretionary participation feature	1,491	1,677
- Surrender charges – insurance contracts	33,566	7,117
- Other	<u>(359)</u>	<u>(387)</u>
	<u><u>34,698</u></u>	<u><u>8,407</u></u>
31. Other income		
Rental income	46,845	33,604
Foreign exchange losses	(10,710)	(123)
Other income	<u>4,318</u>	<u>2,864</u>
	<u><u>40,453</u></u>	<u><u>36,345</u></u>

GUARDIAN LIFE OF THE CARIBBEAN LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

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32. Net impairment (losses)/gains on financial assets

	2022	2021
	\$'000	\$'000
Due from intercompany	–	12
Investment securities measured at fair value through other comprehensive income	–	3
Investment securities measured at amortised cost	2,657	(9,395)
Loans and receivables	(17,603)	(114,181)
Cash and cash equivalents	(3,322)	6,042
	<u>(18,268)</u>	<u>(117,519)</u>

33. Operating expenses

Staff cost	162,546	153,584
Depreciation and amortisation	20,363	20,720
Auditors' remuneration	2,639	1,497
Directors' fees	983	1,711
Expenses for asset management services	15,941	27,723
Other expenses	190,854	196,546
	<u>393,326</u>	<u>401,781</u>

Staff cost includes:

Wages, salaries and bonuses	119,137	110,734
Health and medical	6,829	6,712
Staff training	260	149
National insurance	10,519	10,153
Pension costs - defined contribution plans	6,650	5,566
Pension costs - defined benefit plans	7,450	9,195
Post-retirement medical benefit obligations (Note 21)	2,942	2,619
Termination benefits	3,467	383
Other	5,292	8,073
	<u>162,546</u>	<u>153,584</u>

34. Finance charges

Interest on leasing arrangements (Note 6(b))	<u>1,777</u>	<u>1,971</u>
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35. Taxation

Current tax	44,312	31,658
Prior year taxation adjustment - uncertain tax	(60,000)	–
Prior year taxation adjustment	(15,514)	(11,294)
Deferred tax (Note 12)	(8,382)	15,557
	<u>(39,584)</u>	<u>35,921</u>

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(Continued)

35. Taxation (continued)

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

	2022	2021
	\$'000	\$'000
Profit before taxation	423,598	294,254
Prima facie tax calculated at domestic corporation tax rate of 30%	127,079	88,276
Effect of different tax rate of life insurance companies	(55,179)	(49,834)
Effect of different tax rate in other countries	(11,860)	(6,810)
Income not subject to tax	(337,942)	(343,304)
Expenses not deductible for tax purposes	301,784	324,332
Tax reliefs and deductions	(2,186)	–
Prior year taxation adjustment	(75,514)	(11,295)
Tax on dividend	15,556	–
Other	(1,322)	34,556
Tax charge for the period	(39,584)	35,921

	2022	2021
	\$'000	\$'000
36. Adjustment for non-cash items in operating profit		
Net fair value losses/(gains) on financial and other assets (Note 29)	8,881	(23,408)
Net realised gains on financial and other assets (Note 27 & 28)	(19,912)	(1,747)
Impairment of financial assets (Note 32)	18,268	117,519
Net loss for the year on post-employment benefits	17,042	17,380
Depreciation and amortisation (Note 33)	20,363	20,720
Loss/(gain) on disposal of property, plant & equipment	867	(87)
Change in fair value of other investment properties (Note 7)	(28,676)	(19,490)
Foreign exchange losses	38,401	1,005
	55,234	111,892

GUARDIAN LIFE OF THE CARIBBEAN LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

Expressed in Trinidad and Tobago Dollars

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37. Fair value measurement

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

	Level 1	Level 2	Level 3	Total fair value
	\$'000	\$'000	\$'000	\$'000
At 31 December 2022				
Assets measured at fair value:				
Freehold properties	–	–	130,780	130,780
Investment properties	–	–	832,282	832,282
Investment securities at fair value through profit or loss:				
Equity securities	1,973,173	74,981	130,114	2,178,268
Government securities	391,544	3,288,878	–	3,680,422
Debentures & corporate bonds	66,576	411,214	–	477,790
Deposits (more than 90 days)	–	172,010	–	172,010
Other	5,094	120,943	–	126,037
	<u>2,436,387</u>	<u>4,068,026</u>	<u>1,093,176</u>	<u>7,597,589</u>

	Level 1	Level 2	Level 3	Total fair value
	\$'000	\$'000	\$'000	\$'000
At 31 December 2021				
Assets measured at fair value:				
Freehold properties	–	–	127,014	127,014
Investment properties	–	–	788,158	788,158
Investment securities at fair value through profit or loss:				
Equity securities	2,205,592	82,878	149,614	2,438,084
Government securities	384,716	3,338,664	–	3,723,380
Debentures & corporate bonds	74,984	476,948	–	551,932
Deposits (more than 90 days)	–	211	–	211
Other	5,779	128,312	–	134,091
	<u>2,671,071</u>	<u>4,027,013</u>	<u>1,064,786</u>	<u>7,762,870</u>

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

GUARDIAN LIFE OF THE CARIBBEAN LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

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(Continued)

37. 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.

	Freehold properties \$'000	Investment properties \$'000	Equity securities \$'000	Total \$'000
At 31 December 2022				
Balance at beginning of year	127,014	788,158	149,614	1,064,786
Exchange rate adjustment	(1)	6,848	(3,383)	3,464
Total gains or losses:				
in profit or loss	(1,524)	28,676	(2,758)	24,394
in other comprehensive income	5,079	–	–	5,079
Purchases	212	5,116	13,436	18,764
Sales	–		(26,795)	(26,795)
Other movements	–	3,484	–	3,484
Balance at end of year	<u>130,780</u>	<u>832,282</u>	<u>130,114</u>	<u>1,093,176</u>

	Freehold properties \$'000	Investment properties \$'000	Equity securities \$'000	Total \$'000
At 31 December 2021				
Balance at beginning of year	132,183	803,460	100,758	1,036,401
Exchange rate adjustment	–	(38,832)	(2,203)	(41,035)
Total gains or losses:				
in profit or loss	(1,649)	19,438	28,340	46,129
in other comprehensive income	(4,471)	–	–	(4,471)
Purchases	951	15,561	33,952	50,464
Sales	–	(359)	(11,233)	(11,592)
Other movements	–	(11,110)	–	(11,110)
Balance at end of year	<u>127,014</u>	<u>788,158</u>	<u>149,614</u>	<u>1,064,786</u>

GUARDIAN LIFE OF THE CARIBBEAN LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

Expressed in Trinidad and Tobago Dollars

(Continued)

37. Fair value measurement (continued)

Reconciliation of movements in level 3 assets measured at fair value (continued)

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

	2022 \$'000	2021 \$'000
Total gains or losses recognised in the consolidated statement of income		
Net realised losses	–	(52)
Net fair value gains	25,918	47,830
Operating expenses	<u>(1,524)</u>	<u>(1,649)</u>
	<u>24,394</u>	<u>46,129</u>
Total gains or losses recognised in the consolidated statement of comprehensive income		
Net fair value (losses) on property revaluation through other comprehensive income	<u>5,079</u>	<u>(4,471)</u>

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

	2022 \$'000	2021 \$'000
Assets measured at fair value:		
Investment properties	28,676	19,490
Investment securities:		
Equity securities	<u>(2,758)</u>	<u>28,340</u>
	<u>25,918</u>	<u>47,830</u>

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

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

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total fair value \$'000
At 31 December 2022				
Assets for which fair values are disclosed:				
Investment securities measured at amortised cost:				
Government securities	280,605	2,143,970	–	2,424,575
Debentures & corporate bonds	4,357	435,596	–	439,953
Deposits (more than 90 days)	–	95,408	–	95,408
	<u>284,962</u>	<u>2,674,974</u>	<u>–</u>	<u>2,959,936</u>

GUARDIAN LIFE OF THE CARIBBEAN LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

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(Continued)

37. Fair value measurement (continued)

At 31 December 2021	Level 1	Level 2	Level 3	Total fair value
Assets for which fair values are disclosed:	\$'000	\$'000	\$'000	\$'000
Investment securities measured at amortised cost:				
Government securities	207,606	2,055,586	–	2,263,192
Debentures & corporate bonds	1,720	473,067	–	474,787
Deposits (more than 90 days)	–	35,561	–	35,561
	<u>209,326</u>	<u>2,564,214</u>	<u>–</u>	<u>2,773,540</u>

38. Segment information

	Total revenue from external customers		Non current assets	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Trinidad and Tobago	2,477,204	2,445,049	506,174	500,037
Jamaica	66,584	49,708	524,885	485,840
Barbados	120,441	117,411	10,251	9,235
Latin America	(590)	8,651	–	–
Other Countries	169,881	153,550	140	564
	<u>2,833,520</u>	<u>2,774,369</u>	<u>1,041,450</u>	<u>995,676</u>

The total revenue information above consists of net underwriting revenue, investment income, net realised gains/losses, net fair value gains/losses, fee income, other income and commission income from brokerage activities. Revenue is based on locations of the customer and there are no transactions with a single customer that amount to more than 10% of total revenue.

Non-current assets for this purpose consist of property, plant and equipment, investment properties, and investment in subsidiaries.

39. Contingent liabilities**Legal proceedings**

The Group 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 Group.

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 Group is unable to reliably estimate the liability.

GUARDIAN LIFE OF THE CARIBBEAN LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

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40. 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 Group is Portland Holdings Inc.

A number of transactions are entered into with related parties in the normal course of business.

	2022	2021
	\$'000	\$'000
Due from parent and affiliated companies		
Bancassurance Caribbean Limited	14,253	10,245
Guardian Holdings Limited	19,218	19,708
Guardian Shared Services Limited	2,553	3,264
Guardian Group Trust Limited (formerly Guardian Asset Management Limited)	11	4
Guardian Asset Management & Investment Services Limited	21	3
Fatum Holding N.V.	259	3
Almi Holdings Limited	24,024	17,204
	<u>60,339</u>	<u>50,431</u>

Due to parent and affiliated companies

Guardian Holdings Limited	240	237
Guardian General Insurance Limited	751	80
Fatum Holdings NV	574	576
Guardian Life Limited	5,081	74
	<u>6,646</u>	<u>967</u>

Financial assets of affiliated companies comprise of multiple corporate bonds plus interest receivable and preference shares issued by RGM to the Group. The preference shares held by the Group are cumulative, non-convertible and redeemable. The corporate bonds carry fixed interest rates and principal and interest are payable semi-annually. All bonds are secured by mortgages on various properties.

Financial assets of other related parties comprise debt, equity and other investments issued by entities controlled by related parties, in the ordinary course of business.

The following transactions were carried out with related parties:

(a) Dividend income from:

- Other related parties	2,606	701
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GUARDIAN LIFE OF THE CARIBBEAN LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

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(Continued)

40. Related party disclosures (continued)

	2022	2021
	\$'000	\$'000
(b) Interest Income from:		
- Affiliated companies	10,200	14,435
- Other related parties	623	596
(c) Key management personnel compensation:		
- Salaries and other short-term employee benefits	7,125	10,877
- Post-employment benefits	500	701
- Other long-term benefits	701	1,019
(d) Year end balances arising from sales / purchases of financial assets:		
- Affiliated companies	210,209	225,031
- Other related parties	240,477	302,265
(e) Loans to other related parties:		
<i>Loans to key management of the Group:</i>		
Balance at beginning of year	28,313	31,128
Loans advanced during the year	6,936	3,675
Loan repayments received	(7,507)	(6,493)
Interest charged	912	1,001
Interest received	(912)	(998)
Balance at end of year	<u>27,742</u>	<u>28,313</u>

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

41. Assets under management

Assets under management, which are not beneficially owned by the Group, but which the Group manages on behalf of investors are listed below:

	Carrying Amount	
	2022	2021
	\$'000	\$'000
Amounts not included in the consolidated statement of financial position		
Cash and short-term investments	1,122	664
Investments	5,703	14,354
Interest and other receivables	1,021	2,385
	<u>7,846</u>	<u>17,403</u>

GUARDIAN LIFE OF THE CARIBBEAN LIMITED

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42. Pledged assets

The Group had deposited certain assets with the regulatory authorities in the countries in which it is authorised to conduct business as security for its policyholders. The type and values of these assets are in accordance with the legal requirements of the countries concerned. The carrying value of pledged assets is:

	2022	2021
	\$'000	\$'000
Statutory deposits/funds	<u>151,207</u>	<u>150,614</u>

Following the implementation of the Insurance Act of 2018 in Trinidad and Tobago which was effective from January 1st 2021 the statutory fund requirement of holding pledged assets is no longer required for Trinidad and Tobago's operations as it is superseded by inclusions under section 82 and 83 which applies other regulatory measures for maintaining adequate capital and appropriate forms of liquidity for the operations. Pledged assets for all other territories are held as per the requirements of the respective Insurance Acts in which we operate.

43. Subsequent events

There are no events or transactions that have occurred that will require adjustments to disclosures in the consolidated financial statements.

44. 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 \$192,380,000 from deferred tax liabilities to provision for taxation in the prior year financial statements. This had no impact on the total liability in the consolidated statement of financial position as both amounts are contained within the liabilities section.