GUARDIAN LIFE OF THE CARIBBEAN LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2023

GUARDIAN LIFE OF THE CARIBBEAN LIMITED
CONSOLIDATED FINANCIAL STATEMENTS

Table of Contents

Note		Page
	Statement of Management's Responsibilities	3
	Independent Auditor's Report	4-5
	Consolidated Statement of Financial Position	6
	Consolidated Statement of Income	7
	Consolidated Statement of Comprehensive Income	8
	Consolidated Statement of Changes in Equity	9
	Consolidated Statement of Cash Flows	10
1.	Incorporation and Principal Activities of the Group	11
2.	Material Accounting Policies	11
2.1	Basis of preparation	11-22
2.2	Consolidation	23-24
2.3	Foreign currency translation	24
2.4	Property, plant and equipment	25
2.5	Investment properties	25-26
2.6	Financial assets	26-30
2.7	Impairment of assets	30-35
2.8	Fair value measurement	35-36
2.9	Offsetting financial instruments	37
2.10	Cash and cash equivalents	37
2.11	Share capital	37
2.12	Insurance and investment contracts	37-68
2.13	Financial liabilities	68-69
2.14	Taxation	69
2.15	Employee benefits	69-71
2.16	Provisions	71
2.17	Revenue recognition	71-72
2.18	Leases	72-74
2.19	Dividend distributions	74
2.20	Finance charges	74
2.21	Assets under management	75
2.22	Comparative information	75
3.	Critical accounting estimates and judgments in applying accounting policies	76-84
4.	Management of Insurance and Financial Risk	84
4.1	Insurance risk	84-92
4.2	Financial risk	93-111
5.	Property, plant and equipment	112-113
6.	Leases	113-115
7.	Investment properties	115-116
8.	Investment securities	116-119
9.	Loans and receivables	120
10.	Pension plan assets/liabilities	120-123
11.	Deferred taxation	123-124
12.	Insurance contracts	125-169

Note		Page
13.	Cash and cash equivalents	170
14.	Share capital	170-171
15.	Reserves	171
16.	Non-controlling interests in subsidiaries	171
17.	Financial liabilities	172
18.	Investment contract liabilities	172
19.	Post-retirement medical benefit obligations	172-173
20.	Other liabilities	173
21.	Investment income	174
22.	Net realised gains/(losses) on financial assets measured at amortised cost	174
23.	Net fair value gains/(losses)	174
24.	Fee income	174
25.	Other income	175
26.	Net impairment gains/(losses) on financial assets	175
27.	Operating expenses	175-176
28.	Finance charges	176
29.	Taxation	177
30.	Adjustment for non-cash items in operating profit	177
31.	Fair value measurement	178-181
32.	Segment information	181-182
33.	Contingent liabilities	182
34.	Commitments	182
35.	Related party disclosures	183-184
36.	Assets under management	184
37.	Pledged assets	185
38.	Subsequent events	185

GUARDIAN LIFE OF THE CARIBBEAN AND ITS SUBSIDIARIES

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) and which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of material 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 IFRS Accounting Standards, as issued by the International Accounting Standards Board and adopted by the Institute of Chartered Accountants of Trinidad and Tobago. Where IFRS Accounting 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.

Eric Hosin
President
19 June 2024

Cherisse Sutherland

Cherisse Sutherland
Vice President Finance
19 June 2024

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 2023, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2023;
- 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, comprising material accounting policy information 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 IFRS Accounting 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.

PricewaterhouseCoopers

Port of Spain
Trinidad, West Indies
28 June 2024

GUARDIAN LIFE OF THE CARIBBEAN LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023
Expressed in Trinidad and Tobago Dollars

	Notes	31 December 2023 $'000	Restated 31 December 2022 $'000	Restated 1 January 2022 $'000
Assets				
Property, plant and equipment	5	181,924	194,614	193,378
Right-of-use assets	6	8,767	14,555	14,141
Investment properties	7	870,680	832,282	788,158
Investment securities	8	10,564,884	9,646,964	9,604,933
Investment securities of mutual fund unit holders	8	106,072	97,444	103,607
Loans and receivables	9	247,636	245,534	178,885
Pension plan assets	10	4,948	6,615	5,384
Deferred tax assets	11	18,219	23,200	29,000
Reinsurance contract assets	12	115,176	48,980	13,271
Insurance contract assets	12	71,905	86,198	–
Taxation recoverable		39,794	39,061	38,288
Cash and cash equivalents	13	749,482	1,084,145	1,277,917
Cash and cash equivalents of mutual fund unit holders	13	43,009	285,490	465,121
Total assets		13,022,496	12,605,082	12,712,083
Equity and liabilities				
Share capital	14	100,465	100,465	100,465
Reserves	15	(128,197)	(83,733)	(99,867)
Retained earnings		1,798,470	1,797,085	1,916,530
Equity attributable to owners of the company		1,770,738	1,813,817	1,917,128
Non-controlling interest in subsidiaries	16	310,878	292,049	260,375
Total equity		2,081,616	2,105,866	2,177,503
Liabilities				
Insurance contract liabilities	12	9,491,606	8,974,440	8,968,921
Reinsurance contract liabilities	12	820	8,717	36,863
Financial liabilities	17	34,486	34,617	34,725
Lease liabilities	6	12,913	20,763	21,070
Investment contract liabilities	18	1,025,417	1,073,848	1,064,391
Pension plan liabilities	10	11,311	23,352	24,844
Post-retirement medical benefit obligations	19	33,024	34,545	34,643
Deferred tax liabilities	11	25,528	22,962	37,211
Provision for taxation		156,097	150,904	198,600
Other liabilities	20	149,678	155,068	113,312
Total liabilities		10,940,880	10,499,216	10,534,580
Total equity and liabilities		13,022,496	12,605,082	12,712,083

The accompanying notes form an integral part of these consolidated financial statements. On 19 June 2024, 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 2023
Expressed in Trinidad and Tobago Dollars

	Notes	2023 $'000	Restated 2022 $'000
Insurance revenue	12	1,383,107	1,244,429
Insurance service expenses	12	(1,409,185)	(1,101,254)
Net income/(expenses) from reinsurance contracts held	12	142,508	(13,854)
Insurance service result		116,430	129,321
Investing activities			
Investment income from financial assets measured at amortised cost	21	182,935	168,155
Investment income from financial assets measured at fair value through profit or loss	21	302,864	253,824
Net realised losses on financial assets measured at amortised cost	22	(4,992)	(23,764)
Net fair value gains/(losses)	23	214,368	(358,966)
Fee income	24	1,785	3,149
Other income	25	76,994	40,500
Net impairment gains/(losses) on financial assets	26	(6,694)	14,163
Investment contract benefits	18	(26,041)	(25,778)
Net income from investing activities		741,219	71,283
Finance (expenses)/income from insurance contracts issued	12	(475,211)	84,073
Finance expenses from reinsurance contracts held	12	(2,549)	(725)
Net insurance finance expenses		(477,760)	83,348
Net insurance and investment result		379,889	283,952
Operating expenses	27	(159,316)	(174,157)
Finance charges	28	(1,219)	(1,777)
Profit before taxation		219,354	108,018
Taxation	29	(43,502)	39,579
Profit for the year		175,852	147,597
Profit attributable to non-controlling interests		(34,532)	(28,334)
Profit attributable to equity holders of the Company		141,320	119,263

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 2023
Expressed in Trinidad and Tobago Dollars

	Notes	2023 $'000	Restated 2022 $'000
Profit for the year		175,852	147,597
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		(34,926)	15,729
Net fair value losses on debt securities at fair value through other comprehensive income	**12**	(45)	(668)
Finance expenses from insurance contracts issued	**12**	(12,063)	(836)
Taxation relating to components of other comprehensive income	**11**	11	168
Net other comprehensive (loss)/income that may be reclassified subsequently to profit or loss		(47,023)	14,393
Items that will not be reclassified subsequently to profit or loss:			
Gains/(losses) on property revaluation		(3,994)	5,079
Remeasurement of pension plans	**10**	6,787	(837)
Remeasurement of post-retirement medical benefit obligations	**19**	3,711	2,277
Taxation relating to components of other comprehensive income	**11**	(1,030)	(146)
Net other comprehensive income that will not be reclassified subsequently to profit or loss		5,474	6,373
Other comprehensive (loss)/income for the period, net of tax		(41,549)	20,766
Total comprehensive income for the period, net of tax		134,303	168,363
Comprehensive income attributable to non-controlling interest		27,982	31,674
Comprehensive income attributable to equity holders of the company		106,321	136,689

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 2023
Expressed in Trinidad and Tobago Dollars

	Attributable to equity holders of the company					
	Share capital $'000	**Reserves (Note 15) $'000**	**Retained earnings $'000**	**Total attributable to owners of the Company $'000**	**Non-controlling interest $'000**	**Total equity $'000**
Balance At 1 January 2023 - as restated	100,465	(83,733)	1,797,085	1,813,817	292,049	2,105,866
Total comprehensive income/(loss)	–	(44,464)	150,785	106,321	27,982	134,303
Dividends	–	–	(149,400)	(149,400)	(9,153)	(158,553)
Balance at 31 December 2023	100,465	(128,197)	1,798,470	1,770,738	310,878	2,081,616
Balance at 1 January 2022 - as previously stated	100,465	(94,864)	2,468,555	2,474,156	260,375	2,734,531
Restatement under IFRS 17 (Note 2.1(a))	–	(5,003)	(552,025)	(557,028)	–	(557,028)
Balance at 1 January 2022 - as restated	100,465	(99,867)	1,916,530	1,917,128	260,375	2,177,503
Total comprehensive income	–	16,134	120,555	136,689	31,674	168,363
Dividends	–	–	(240,000)	(240,000)	–	(240,000)
Balance at 31 December 2022 - as restated	100,465	(83,733)	1,797,085	1,813,817	292,049	2,105,866

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 2023
Expressed in Trinidad and Tobago Dollars

	Notes	2023 $'000	Restated 2022 $'000
Cash flows from operating activities			
Profit before taxation		219,354	108,018
Adjustment for specific items included on the accruals basis:			
- Finance charges		1,219	1,777
- Investment income		(494,511)	(441,185)
Adjustment for non-cash items	**30**	(177,231)	444,919
Interest received		426,028	391,386
Dividends received		67,767	51,677
Operating profit before changes in operating assets/liabilities		42,626	556,592
Net increase/(decreases) in insurance contract assets/liabilities		519,394	(81,507)
Net increase in reinsurance contract assets/liabilities		(74,095)	(63,851)
Net (increase)/decrease in investment contracts		(48,431)	9,457
Purchase of investment securities		(4,811,289)	(3,044,279)
Proceeds from sale of investment securities		4,070,578	2,565,453
Purchase of/additions to investment properties		(231)	(5,116)
Net increase in loans and receivables		(6,972)	(46,487)
Net (decrease)/increase in other operating assets/liabilities		(27,110)	17,629
Cash used in operating activities		(335,530)	(92,109)
Interest paid		(1,269)	(1,774)
Net taxation paid		(32,569)	(17,274)
Net cash used in operating activities		(369,368)	(111,157)
Cash flows from investing activities			
Purchase of property, plant and equipment	**5**	(5,123)	(12,149)
Proceeds on sale of property, plant and equipment		102	39
Net cash used in investing activities		(5,021)	(12,110)
Cash flows from financing activities			
Purchase of reverse repurchase agreements		(40,239)	–
Payment of principal portion of lease liabilities		(5,770)	(5,803)
Dividends paid to equity holders of the company		(149,400)	(240,000)
Dividends paid to non-controlling interests		(9,153)	–
Net cash used in financing activities		(204,562)	(245,803)
Net decrease in cash and cash equivalents	**13**	(578,951)	(369,070)

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

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% (2022 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 49.58% (2022: 52.72%) 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.

The ordinary shares of GHL and NCBFG are listed on the Trinidad and Tobago Stock Exchange and the Jamaica Stock Exchange.

2. Material 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 in all the years presented, unless otherwise stated.

2.1 Basis of preparation

These consolidated financial statements are prepared in accordance with IFRS Accounting Standards (previously referred to as International Financial Reporting Standards).

The preparation of financial statements in conformity with IFRS Accounting Standards 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 consolidated financial statements are disclosed in Note

2. Material accounting policies (continued)

2.1 Basis of preparation (continued)

(a) New standards and amendments/revisions to published standards and interpretations effective in 2023

The following amendment to published standards took effect for the Group's accounting periods beginning on or after 1 January 2023:

IAS 1 - Presentation of Financial Statements and IFRS Practice Statement 2 - Amendments - Disclosure of accounting policies

These amendments now require entities to disclose material accounting policies and not significant accounting policies, and explain that accounting policies may be material because of their nature even if the related amounts are immaterial. While immaterial accounting policy information can be disclosured, they should not obscure material accounting policy information. The amendments further clarify that accounting policies are material if they are needed to understand other material information in the financial statements. The amendments also explain how material accounting policy information can be identified, inclusive of examples. These amendments had no material impact on the Group.

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

These amendments clarify that the classification of a financial liability as current or non-current depends on whether the debt-holder has the right, at the end of the reporting period, to defer settlement for at least 12 months after the end of that reporting period. Classification is therefore dependent on those rights only and are unaffected by the expectations of whether the entity will exercise those rights. These amendments had no material impact on the Group.

IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors - Amendments - Definition of Accounting Estimates

These amendments introduced a definition of accounting estimates and included other amendments to help entities distinguish changes in accounting estimates from changes in accounting policies. These amendments had no impact on the consolidated financial statements of the Group as the new definitions are consistent with how the Group has distinguished changes in accounting estimates from changes in accounting policies.

2. Material accounting policies (continued)

2.1 Basis of preparation (continued)

(a) New standards and amendments/revisions to published standards and interpretations effective in 2023 (continued)

IAS 12 - Income Taxes - Amendments - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

This is a narrow-scope amendment related to the recognition of deferred tax when an entity accounts for transactions, such as leases or decommissioning obligations, by recognizing both an asset and a liability. The scope of the recognition exemption in IAS 12.15 and IAS 12.24 (recognition exemption) was narrowed so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. This amendment is expected to reduce diversity in the reporting and align the accounting for deferred tax on such transactions with the general principle in IAS 12 of recognizing deferred tax for temporary differences.This amendment had no impact on the consolidated financial statements of the Group as the Group has no affected taxable and deductible temporary differences.

IAS 12 Income Taxes - Amendments - International Tax Reform - Pillar Two Model Rules

These amendments clarify the application of IAS 12 to income taxes arising from tax law enacted or substantively enacted to implement the Organisation for Economic Co-operation and Development (OECD)/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS) Pillar Two model rules (Pillar Two income taxes). The Amendments introduce a mandatory, temporary exception to the accounting for deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules and disclosure requirements for affected entities to help users of the financial statements better understand an entity’s exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date. These amendments had no material impact on the Group.

IFRS 17 Insurance Contracts - New Standard

Effective 1 January 2023, the Group retrospectively adopted IFRS 17, in accordance with the transition provisions laid out by the standard. As stated in the IASB's Project Summary, IFRS 17 is the first comprehensive IFRS to establish the accounting for insurance contracts. IFRS 4 was always meant to be an interim standard, as it did not require insurers to account for insurance contracts in any one specific way and its disclosure requirements were relatively limited. The introduction of IFRS 17 was therefore meant to significantly increase the transparency and consistency of the measurement and reporting of insurance balances and transactions across the industry and reporting territories. In achieving this, the standard's impact was not limited to changes in financial reporting, but also triggered the reconfiguration of other business areas such as product design, budgeting and forecasting, and the collection and storage of data. The fundamental shift in how the finance, actuarial, and information technology teams collaborate cannot be overstated.

2. Material accounting policies (continued)

2.1 Basis of preparation (continued)

(a) New standards and amendments/revisions to published standards and interpretations effective in 2023 (continued)

IFRS 17 Insurance Contracts - New Standard (continued)

IFRS 17 has introduced many new concepts, the three most significant of which are arguably level of aggregation, measurement models, and the contractual service margin ("CSM"). The level of aggregation requirements define how entities can aggregate insurance contracts for measurement and disclosure purposes. This has significant implications for revealing the profitability or onerosity of groups of contracts, with consequential impact to the income statement. The 3 main measurement models allowed by IFRS 17 are the general measurement model ("GMM"), the variable fee approach ("VFA"), and the premium allocation approach ("PAA"). Each model has different implications for the level of data granularity required, data tracking, and degree of financial disclosure. Finally, the CSM may have the most significant and widespread impact of all, targetting insurers' pattern of profitability recognition. While a substantial degree of judgement is still involved, the clear impact of this concept is that the profitability of certain insurance contracts that may have been front-loaded under IFRS 4 are now far more evenly distributed over the lives of those contracts. This has resulted in profits previously recognised under IFRS 4 being clawed back into the insurance liability via the CSM. While any reduced profitability for new insurance contracts may be offset by the re-recognition of profitability for old contracts previously clawed back, the impact on net equity is significant.

Beyond the introduction of new concepts and their impacts, there is the dramatic increase in disclosure requirements under IFRS 17. There is now a high degree of transparency in how the insurance contract liability changes from year to year, visible by line of business. These disclosures are expected to provide new insights into the health and structure of insurers' business.

In transitioning to IFRS 17, the Group applied allowed alternative transition methods where the full retrospective approach was impracticable. The fair value approach was applied to all long-term insurance and reinsurance contracts in force as at 31 December 2021. The full retrospective approach was applied to all short-term insurance and reinsurance contracts in force from inception, and to all long-term insurance and reinsurance contracts issued on 1 January 2022 and after.

For the long-term portfolios mentioned above, the transition approach was determined at the level of a group of insurance contracts and affected the approach to calculating the CSM on initial adoption of IFRS 17. For the full retrospective approach, the CSM at initial recognition is based on initial assumptions when groups of contracts were recognised and rolled forward to the date of transition as if IFRS 17 had always been applied. For the fair value approach, the pre-transition FCF and experience are not considered.

2. Material accounting policies (continued)

2.1 Basis of preparation (continued)

(a) New standards and amendments/revisions to published standards and interpretations effective in 2023 (continued)

IFRS 17 Insurance Contracts - New Standard (continued)

For short-term insurance contracts issued, the Group has used the full retrospective approach to identify, recognise and measure insurance acquisition cash flows assets as at transition date, except that the retrospective impairment test has not been performed prior to the transition date. No insurance acquisition cash flows assets were created upon transition relating to other insurance contracts issued or expected to be issued for any line of business.

The Group has determined that it would be impracticable to apply the full retrospective approach where any of the following conditions existed:

a. The effects of the full retrospective application were not determinable, for example:

   i. Some reasonable and supportable information about actual historical cash flows might have been available from the Group's systems, but in many cases such information was only available at higher levels or different levels of aggregation compared to the groups required by IFRS 17. This lack of information makes it impracticable to accurately calculate the FCF on a retrospective basis and to segregate groups based on profitability.

   ii. The information necessary to estimate the effect of contracts derecognised before the transition date on allocation of the CSM between past and future periods on the transition date was not available in many cases. This was particularly challenging for large portfolios of long-term contracts for which terms and circumstances (for example, size and number of contracts issued in prior reporting periods) often change.

b. The full retrospective application required assumptions that would have been made in an earlier period, for example:

   i. For contracts with direct participation features, the Group's expectations regarding the policyholder's share of underlying assets at contract inception would not have been possible to recreate without the use of hindsight.

   ii. Difficulties in retrieving relevant reliable information existed where assumptions developed at the date of initial recognition were not on an IFRS 17 basis (such as discount rates, risk adjustment for non-financial risk or expenses).

   iii. Changes in assumptions have not been historically documented on an ongoing basis.

   iv. The older the in force contracts (such as term life products), the more challenging it would have been to retrieve data from the past on assumptions.

2. Material accounting policies (continued)

2.1 Basis of preparation (continued)

(a) New standards and amendments/revisions to published standards and interpretations effective in 2023 (continued)

IFRS 17 Insurance Contracts - New Standard (continued)

c. The full retrospective application required significant estimates of amounts, and it was impossible to distinguish objectively between information about those estimates that provided evidence of circumstances that (i) existed on the date at which those amounts were to be recognised, measured or disclosed; and (ii) would have been available when the consolidated financial statements for that prior period were authorised for issue, and other information, for example:

   i. The Group had limited or no information required for the allocation of acquisition cash flows to respective groups of insurance contracts issued or expected to be issued and other overhead expenses to respective groups under IFRS 17. Systems have not been tracking or allocating acquisition costs, because previous accounting policies did not require this.

   ii. The Group has not historically been accumulating information about the changes in estimates that would have been recognised in profit or loss for each accounting period, because they did not relate to future service, and the extent to which changes in the FCF would have been allocated to the loss component.

The Group did not recognise any insurance acquisition cash flow assets at the transition date.

Full Retrospective Approach

The Group has determined that reasonable and supportable information was available for all contracts in force from 1 January 2022. In addition, for insurance contracts originated by the Group that are eligible for the PAA, the Group has concluded that only current and prospective information was required to reflect circumstances at the transition date, which made the full retrospective application practicable and, hence, the only available option for property and casualty contracts issued by the Group.

Accordingly, the Group has: identified, recognised and measured each group of insurance contracts and each insurance acquisition cash flows asset in this category as if IFRS 17 had always applied (except that a retrospective impairment test has not been performed); derecognised any existing balances that would not exist if IFRS 17 had always applied; and recognised any resulting net difference in equity.

2. Material accounting policies (continued)

2.1 Basis of preparation (continued)

(a) New standards and amendments/revisions to published standards and interpretations effective in 2023 (continued)

IFRS 17 Insurance Contracts - New Standard (continued)

<u>Fair Value Approach</u>

After making reasonable efforts to gather necessary historical information, the Group has determined that, for certain groups of contracts, such information was not available or was not available in a form that would enable it to be used without undue cost and effort. It was therefore impracticable to apply the full retrospective approach, and the fair value approach was used for these groups. The Group applied significant judgement in determining the transition amounts under this approach.

Judgements in applying the fair value approach

The Group applied the fair value approach to insurance contracts that were originated on 31 December 2021 and prior. Applying the fair value approach, the Group determined the CSM to be the difference between the fair value of a group of insurance contracts, measured in accordance with IFRS 13, 'Fair Value Measurement' (IFRS 13), and its FCF at the transition date. The Group did not apply the deposit floor when measuring insurance contracts when using the fair value approach on transition.

The fair value of an insurance liability is the price that a market participant would be willing to pay to assume the obligation and the remaining risks of the in-force contracts as at the transition date. Where available, recent market transactions were used to estimate the fair value of groups of contracts. In the absence of recent market transactions for similar contracts, a present value technique was used to value groups of contracts.

In estimating the fair value of groups of insurance contracts, the following considerations were applied:

a. only future cash flows within the boundaries of the insurance contracts were included in the fair value estimation, excluding future renewals and new business that would be outside the contract boundary of the contracts under IFRS 17;
b. assumptions about expected future cash flows and risk allowances were adjusted for the market participant's view, as required by IFRS 13; and
c. other sources of profit were included to reflect what a market participant would require for accepting obligations under insurance contracts, beyond the risk adjustment for non-financial risk.

2. Material accounting policies (continued)

2.1 Basis of preparation (continued)

(a) New standards and amendments/revisions to published standards and interpretations effective in 2023 (continued)

IFRS 17 Insurance Contracts - New Standard (continued)

Fair Value Approach (continued)

Judgements in applying the fair value approach (continued)

Given the lack of a liquid and observable market of insurance liabilities in the Caribbean, the fair value of insurance contracts was estimated using a method consistent with the income approach. There are two techniques that is consistent with this namely: the adjusted fulfilment cash flows and embedded or appraisal value. The Group used the adjusted fulfilment cash flows as it is similar to the technique used to determine the fulfilment cash flows; however, adjusted to reflect the perspective of a market participant (IFRS 13) rather than the entity's view (IFRS 17).

The Group used significant judgement to determine adjustments required to reflect the market participant's view, and it considered the following:

Definition and classification	The following assessments were performed using the criteria described in Note 3, based on the information available as at the transition date: a. An assessment of whether a contract issued that does not transfer significant insurance risk meets the definition of an investment contract with discretionary participation features within the scope of IFRS 17; and b. An assessment of whether an insurance contract issued meets the definition of an insurance contract with direct participation features.
Aggregation of contracts	Groups of contracts include contracts issued more than one year apart. Aggregation of insurance contracts by expected profitability was assessed as at the transition date. For this assessment, the Group estimated the FCF at the transition date. Further, to aggregate non-onerous insurance contracts issued into groups of contracts that had no significant possibility of becoming onerous subsequently or groups of remaining contracts, the Group assessed the likelihood of changes in insurance, financial and other exposures on the FCF prospectively as at the transition date. Similarly, to aggregate reinsurance contracts held in a net cost position into groups of contracts for which there is no significant possibility of a net gain arising subsequently or groups of remaining contracts, the Group assessed the likelihood of changes in insurance, financial and other exposures on the FCF prospectively as at the transition date.

2. Material accounting policies (continued)

2.1 Basis of preparation (continued)

(a) New standards and amendments/revisions to published standards and interpretations effective in 2023 (continued)

IFRS 17 Insurance Contracts - New Standard (continued)

Judgements in applying the fair value approach (continued)

Fair Value Approach (continued)

Discount rates	The discount rates at the dates of initial recognition were determined at the transition date, as described in note 3 (b). The determination of an appropriate market discount rate to determine the fair value at initial recognition included the application of the Group's own credit risk. This was calculated as a percentage of the Group's FCF. It was incorporated as a reduction to the Group's FCF, to derive the adjusted fulfilment cash flows (AFCF). The Group also included its reported Capital Adequacy requirements as of 31 December, 2021 to determine the Cost of Capital (COC). The COC was then calculated as the discounted value of the base solvency at the hurdle rate and applying a cost of capital factor.
FCF	The FCF were estimated prospectively as at the transition date, and were determined as the present value of the Group's cash flows, consistent with the typical actuarial approach to determining the best estimate liability and risk adjustment. The ratios of Capital Adequacy risk components to the FCF were used to estimate the Group’s risk components for the life of the business. The base solvency was calculated as the sum of the risk components. The Target Available Capital was calculated as the base solvency buffer net of diversification benefit multiplied by the target capital ratio, less Risk Adjustment.
CSM	The CSM (for insurance contracts issued) were estimated to be the difference between the fair value of a group of insurance contracts, measured in accordance with IFRS 13 as described above, and its FCF at the transition date. All relevant sources of required profit were considered, particularly for blocks of business that have significant additional capital considerations. The profit margin was calculated as the sum of COC, Risk Provision release and the other sources of profit, with each item in the profit margin calculation discounted at the hurdle rate.

The Group did not recognise any insurance acquisition cash flow assets at the transition date. The Group disaggregated insurance finance income or expenses between profit or loss and other comprehensive income for all groups of insurance contracts measured under the GMM.

2. Material accounting policies (continued)

2.1 Basis of preparation (continued)

(a) New standards and amendments/revisions to published standards and interpretations effective in 2023 (continued)

IFRS 17 Insurance Contracts - New Standard (continued)

Restatement under IFRS 17

The initial application of IFRS 17 resulted in a reduction of total equity of $557 million as at 1 January 2022. The opening IFRS 17 statement of finanical position and related adjustments are presented below.

	As previously reported 31-Dec-21 $'000	IFRS 17 Initial application adjustments 1-Jan-22 $'000	Restated 1-Jan-22 $'000
Assets			
Loans and receivables	382,714	(203,829)	178,885
Deferred tax assets	28,978	22	29,000
Reinsurance contract assets	–	13,271	13,271
Deferred acqusition costs	5,346	(5,346)	–
Other assets	12,469,771	21,156	12,490,927
Total assets	12,886,809	(174,726)	12,712,083
Equity and liabilities			
Share capital	100,465	–	100,465
Reserves	(94,864)	(5,003)	(99,867)
Retained earnings	2,468,555	(552,025)	1,916,530
Equity attributable to owners of the Company	2,474,156	(557,028)	1,917,128
Non-controlling interest in subsidiaries	260,375	–	260,375
Total equity	2,734,531	(557,028)	2,177,503
Insurance contract liabilities	8,532,172	436,749	8,968,921
Reinsurance contract liabilities	–	36,863	36,863
Investment contract liabilities	1,064,392	(1)	1,064,391
Other liabilities	555,714	(91,309)	464,405
Total liabilities	10,152,278	382,302	10,534,580
Total equity and liabilities	12,886,809	(174,726)	12,712,083

2. Material accounting policies (continued)

2.1 Basis of preparation (continued)

(a) New standards and amendments/revisions to published standards and interpretations effective in 2023 (continued)

IFRS 17 Insurance Contracts - New Standard (continued)

Restatement under IFRS 17 (continued)

The initial application adjustments arise principally from:
- The introduction of the CSM. Refer to Note 2.12(f).
- The measurement of the risk adjustment, which is similar to the margins for adverse deviation previously estimated under IFRS 4, but with some differences in measurement under IFRS 17. Refer to Note 2.12(f).
- Changes in the determination of discount rates under IFRS 17. Refer to Note 3(b).
- Other measurement changes, such as the manner in which contracts are aggregated for measurement purposes and how contract boundaries are defined. Refer to Note 2.12(d) and Note 2.12(f).
- Presentation changes, resulting in several assets and liabilities being reclassified from other areas of the financial statements, and now included within insurance contract liabilities or reinsurance contract assets.

Redesignation of Financial Assets

As the Group had applied IFRS 9 to annual reporting periods before the intial application of IFRS 17, the Group was eligible to redesignate eligible financial assets.

A financial asset is eligible only if it is held in respect of activity connected with contracts within the scope of IFRS 17. The Group carried out an assessment of its financial assets, splitting these into those contractually linked to insurance contracts (e.g., its equity-linked and unit-linked portfolios), those in the general fund which support other insurance portfolios, and other investments which may support non-insurance contracts (e.g., investment contract liabilities) or which are used for general investment

The Group did not opt to redesignate any financial assets.

2. Material accounting policies (continued)

2.1 Basis of preparation (continued)

(b) 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 2023 and have not been early adopted by the Group. The Group expects to implement these standards when they become effective.

Effective 1 January 2024:

- ► IAS 1, 'Presentation of Financial Statements' - Amendments - Classification of liabilities as current or non-current.
- ► IAS 1, 'Presentation of Financial Statements' - Amendments - Non-current liabilities with covenants.
- ► IAS 7, 'Statement of Cash Flows' and IFRS 7, 'Financial Instruments: Disclosures' - Amendments - Supplier finance arrangements.
- ► IFRS 16, 'Leases' - Amendments - Lease liability in a sale and lease back.

Effective 1 January 2025:

- ► IFRS 1, 'First-time Adoption of International Financial Reporting Standards' and IAS 21, 'The Effects of Changes in Foreign Exchange Rates' - Amendments - Lack of exhangeablility.

The Group is currently evaluating the impact of these amendments, however they are not expected to have a material impact on the Group's consolidated financial statements.

2. Material accounting policies (continued)

2.2 Consolidation

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

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- 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.

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. 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.

2. Material accounting policies (continued)

2.2 Consolidation (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 Company'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 principal subsidiaries is set out in Note 35.

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 foreign 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.

2. Material 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 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(b)).

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.

2. Material accounting policies (continued)

2.5 Investment properties (continued)

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.

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 Group entities become a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on settlement 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, and other loans and receivables.

2. Material accounting policies (continued)

2.6 Financial assets (continued)

(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.

(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

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.

2. Material accounting policies (continued)

2.6 Financial assets (continued)

(b) Classification and subsequent measurement (continued)

Debt instruments (continued)

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.

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.

2. Material 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 (continued)

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.

2. Material 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.

2. Material accounting policies (continued)

2.7 Impairment of assets (continued)

(a) Financial assets (continued)

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 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.

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.

2. Material accounting policies (continued)

2.7 Impairment of assets (continued)

(a) Financial assets (continued)

Significant increase in credit risk (continued)

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.

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. The Group considers a debt instrument to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

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.

2. Material accounting policies (continued)

2.7 Impairment of assets (continued)

(a) Financial assets (continued)

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.

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 at 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.

2. Material accounting policies (continued)

2.7 Impairment of assets (continued)

(a) Financial assets (continued)

Measurement of expected credit losses (continued)

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

- A financial instrument that is not credit-impaired on initial recognition, a 12-month ECL allowance is calculated. The 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.

(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 groups 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.

2. Material accounting policies (continued)

2.7 Impairment of assets (continued)

(b) Non-financial assets (continued)

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 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.

2. Material 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 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 valuators. Unquoted equity securities are held at fair value of the consideration paid on acquisition, or 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. Assets in level 3 held at cost are regularly assessed for impairment.

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, freehold and leasehold properties and properties for development and sale. Involvement of external valuers is decided annually and selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

2. Material accounting policies (continued)

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.

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) Summary of measurement approaches

The Group uses different measurement approaches, depending on the type of contracts, as follows:

Contracts issued	Product Classification	Measurement model
<u>Traditional Life</u>		
Traditional life and critical illness contracts - participating; non-participating	Insurance contracts	General Measurement Model
Individual Life Personal Accident	Insurance contracts	General Measurement Model
<u>Annuities</u>		
Traditional annuity contracts - deferred benefit; immediate benefit; lifestyle; non-participating	Insurance contracts	General Measurement Model
Individual annuity lifestyle	Insurance contracts with direct participation features	Variable Fee Approach
<u>Unit linked life</u>		
Unit Linked contracts - annuity; critical illness; life	Insurance contracts with direct participation features	Variable Fee Approach
Unit Linked contracts - life & critical illness Evolution	Insurance contracts with direct participation features	Variable Fee Approach

2. Material accounting policies (continued)

2.12 Insurance and investment contracts (continued)

(a) Summary of measurement approaches (continued)

Contracts issued	**Product Classification**	**Measurement model**
Short term Group life and Health contracts		
Group life; individual and group health	Insurance contracts	Premium Allocation
Long term reinsurance contracts		
Individual life and critical illness reinsurance	Reinsurance contracts held	General Measurement Model
Individual Life Personal Accident Reinsurance	Reinsurance contracts held	General Measurement Model
Short term reinsurance contracts - Life, Health & Pensions		
Group life; health	Reinsurance contracts held	Premium Allocation

(b) Definition and classification

Insurance contracts are contracts under which the Group accepts significant insurance risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. In making this assessment, all substantive rights and obligations, including those arising from law or regulation, are considered on a contract-by-contract basis. The Group uses judgement to assess whether a contract transfers insurance risk (i.e. if there is a scenario with commercial substance in which the Group has the possibility of a loss on a present value basis) and whether the accepted insurance risk is significant. 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, on a present value basis, than the benefits payable if the insured event did not occur.

Contracts that have a legal form of insurance but do not transfer significant insurance risk and expose the Group to financial risk are classified as investment contracts and follow financial instruments accounting under IFRS 9. Some investment contracts without discretionary participation features issued by the Group fall under this category. Refer to Note 18. The Group does not have any investment contracts with discretionary participation features, whereby the investor has the right and is expected to receive, as a supplement to the amount not subject to the Group's discretion, potentially significant additional benefits based on the return of specified pools of investment assets.

The Group issues certain insurance contracts that are substantially investment-related service contracts where the return on the underlying items is shared with policyholders. Underlying items comprise specified portfolios of investment assets that determine amounts payable to policyholders.

2. Material accounting policies (continued)

2.12 Insurance and investment contracts (continued)

(b) Definition and classification (continued)

An insurance contract with direct participation features is defined by the Group as one which, at inception, meets the following criteria:

- The contractual terms specify that the policyholders participate in a share of a clearly identified pool of underlying items;
- The Group expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and
- The Group expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items.

Investment components in most Traditional Life, Critical Illness, and Annuity products comprise cash surrender values less policy loans and applicable surrender fees. Investment components in Unit Linked and Equity Linked Life comprise fund values less applicable surrender fees.

The Group uses judgement to assess whether the amounts expected to be paid to the policyholders constitute a substantial share of the fair value on the underlying returns.

Insurance contracts with direct participation features are viewed as creating an obligation to pay policyholders an amount that is equal to the fair value of the underlying items, less a variable fee for service. The variable fee comprises the Group's share of the fair value of the underlying items, which is based on a fixed percentage of investment management fees (withdrawn annually from policyholder account values based on the fair value of underlying assets and specified in the contracts with policyholders) less the FCF that do not vary based on the returns on underlying items. The measurement approach for insurance contracts with direct participation features is referred to as the VFA. The VFA modifies the accounting model in IFRS 17 (referred to as the GMM) to reflect that the consideration of an entity receives for the contracts is a variable fee.

Direct participating contracts issued by the Group are contracts with direct participation features where the Group holds the pool of underlying assets and accounts for these groups of contracts under the VFA. All other insurance contracts originated by the Group are without direct participation features.

In the normal course of business, the Group uses reinsurance to mitigate its risk exposures. A reinsurance contract transfers significant risk if it transfers substantially all the insurance risk resulting from the insured portion of the underlying insurance contracts, even if it does not expose the reinsurer to the possibility of significant loss.

All references to insurance contracts in these consolidated financial statements apply to insurance contracts issued or acquired, reinsurance contracts held or issued and insurance contracts with or without direct participation features, unless specifically stated otherwise.

2. Material accounting policies (continued)

2.12 Insurance and investment contracts (continued)

(c) Aggregation bases for disclosure purposes

Insurance contracts are classified into four main categories.

(i) Short-term group life and health insurance contracts

These contracts are principally group life, group health, and individual health insurance policies.

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.

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. 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) Traditional life

These contracts insure events associated with human mortality over a long duration. A liability for policyholders’ benefits that are expected to be incurred in the future is established on acceptance of the insurance risk, and is based on key assumptions made with respect to variables such as mortality, persistency, investment returns and expense inflation.

Actuarial liabilities are calculated using best estimates of future cash flows arising from the insurance contracts in force, with a risk adjustment. As experience unfolds, the risk adjustment will be included in future income to the extent they are no longer required to cover adverse experience.

In addition to death benefits, some of these contracts contain a discretionary participation feature 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.

2. Material accounting policies (continued)

2.12 Insurance and investment contracts (continued)

(c) Aggregation bases for disclosure purposes (continued)

(iii) Unit linked life

The premiums paid for these contracts contain an element that covers the insured event and another which is used to accumulate cash values available for withdrawal at the option of the policyholder. These cash values earn interest.

The liabilities arising from the unit-linked contracts comprise the liability for the insured risk and the accumulated cash value. The liability for the insured risk is determined in a manner identical to the liability for traditional life and interest sensitive contracts without guarantees and is included in the policyholders' liability balance, while the liability for the accumulated cash value is carried at fair value of the assets which fund the liabilities. The insurance contracts prescribe no fixed terms.

(iv) Annuities

These contracts insure events associated with human longevity over a long duration. A liability for policyholders' benefits that are expected to be incurred in the future is established on acceptance of the insurance risk, and is based on key assumptions similar to those made for traditional life products, except that morbidity is also a key variable. Some of the annuities include unit-linked elements containing 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.

(d) Unit of account

The Group manages insurance contracts issued by product lines and certain sub-categories, where each sub-category includes contracts that are subject to similar risks. All insurance contracts within a specified sub-category represent a portfolio of contracts. Each portfolio is further disaggrgated into groups of contracts that are issued within a year (annual cohorts) for all contracts issued 31 December 2021 and prior, and within a quarter (quarterly cohorts) for all GMM and VFA contracts issued 1 January 2022 and after. All PAA portfolios are disaggregated into annual cohorts regardless of their issue date. All portfolios are further disaggregated as follows:

(i) Contracts that are onerous at initial recognition;

(ii) Contracts that at initial recognition have no significant possibility of becoming onerous subsequently; or

(iii) A group of remaining contracts.

These groups represent the level of aggregation at which insurance contracts are initially recognised and measured. Such groups are not subsequently reconsidered.

2. Material accounting policies (continued)

2.12 Insurance and investment contracts (continued)

(d) Unit of account (continued)

For each portfolio of contracts, the Group determines the appropriate level at which reasonable and supportable information is available to assess whether these contracts are onerous at initial recognition and whether non-onerous contracts have a significant possibility of becoming onerous. This level of granularity determines sets of contracts. The Group uses significant judgement to conclude that all contracts within a set are sufficiently homogeneous and will be allocated to the same group without performing an individual contract assessment.

For all long-term and short-term products, sets of contracts usually correspond to policyholder pricing groups that the Group determined to have similar insurance risk and that are priced within the same insurance rate ranges. The Group monitors the profitability of contracts and the likelihood of changes in insurance, financial and other exposures resulting in these conracts becoming onerous at a portfolio level with no information available at a more granular level.

Some individual and group health products, unit-linked annuity products, defined benefit annuity products, and Lifestyle individual annuity products have break-even profitability or are loss making, and therefore were allocated to groups of contracts that were onerous or remaining at initial recognition. All other contracts issued are always priced with high expected profitability margins, and thus, such contracts are allocated to groups of contracts that have no significant possibility of becoming onerous at initial recognition.

For the short-term contracts measured using the PAA, the Group assumes that no such contracts are onerous at initial recognition, unless facts and circumstances indicate otherwise. If facts and circumstances indicate that some contracts are onerous, an additional assessment is performed to distinguish onerous contracts from non-onerous ones. For non-onerous contracts, the Group assesses the likelihood of changes in the applicable facts and circumstances in the subsequent periods in determing whether contracts have a significant possibility of becoming onerous. This assessment is performed at a portfolio level.

Portfolios of reinsurance contracts held are assessed for aggregation separately from portfolios of insurance contracts issued. Applying the grouping requirements to reinsurance contracts held, the Group aggregates reinsurance contracts into quarterly and annual cohorts in line with how this was defined for insurance contracts. These portfolios then were further disaggregated as follows:

(i) Contracts for which there is a net gain at initial recognition, if any;
(ii) Contracts for which at initial recognition there is no significant possibility of a net gain arising subsequently; and
(iii) Remaining contracts in the portfolio, if any.

2. Material accounting policies (continued)

2.12 Insurance and investment contracts (continued)

(d) Unit of account (continued)

Reinsurance contracts held are assessed for aggregation requirements on an individual contract basis. The Group tracks internal management information reflecting historical experiences of such contracts' performance, by treaty and sub-divided by line of business. This information is used as a basis for price negotiations with reinsurers as well as setting retention amounts. The Group's assessment of the performance of the treaties have concluded that some reinsurance contracts held are in a net cost position without a significant possibility of a net gain arising subsequently while other reinsurance contracts have a net gain at

Transition approaches that were applied by the Group on adoption of IFRS 17 with respect to contracts aggregation requirements are included in Note 2.1(a).

Before the Group accounts for an insurance contract based on the guidance in IFRS 17, it analyses whether the contract contains components that should be separated. IFRS 17 distinguishes three categories of components that have to be accounted for separately:

- ▶ Cash flows relating to embedded derivatives that are required to be separated;
- ▶ Cash flows relating to distinct investment components; and
- ▶ Promises to transfer distinct goods or distinct non-insurance services.

The Group does not have any products with components that require separation. The Group therefore applies IFRS 17 to all components of the contract. In assessing whether the contract should be further separated, the following considerations are made:

(i) Whether there is interdependency between the different risks covered;

(ii) Whether components lapse together; and

(iii) Whether components can be priced and sold separately.

The Group does not have any contracts that require further separation of insurance contracts.

(e) Recognition and Derecognition

Groups of insurance contracts issued are initially recognised from the earliest of the following:

- ▶ The beginning of the coverage period;
- ▶ The date when the first payment from the policyholder is due or actually received, if there is no due date; and
- ▶ When the Group determines that a group of contracts become onerous.

2. Material accounting policies (continued)

2.12 Insurance and investment contracts (continued)

(e) Recognition and Derecognition (continued)

Insurance contracts acquired in a business combination or a portfolio transfer are accounted for as if they were entered into at the date of acquisition on transfer.

A group of reinsurance contracts held that covers the losses of separate insurance contracts on a proportionate basis (proportionate or quota share reinsurance) is recognised from the earlier of:

- The beginning of the coverage period of the group; and
- The date the Group recognised an onerous group of underlying insurance contracts, if the Group entered into the related reinsurance contract held in the group at or before that date.

The Group does not recognise a group of quota share reinsurance contracts held until it has recognised at least one insurance contract in a group of the underlying insurance contracts, if that date is later than the beginning of the coverage period of the group of reinsurance contracts held. A gap between the start of the coverage period for a quota share contract and that of the underlying contracts rarely occurs in practice.

A group of reinsurance contracts held that covers aggregate losses from underlying contracts in excess of a specified amount (non-proportionate reinsurance contracts, such as excess of loss reinsurance) is recognised at the beginning of the coverage period of that group.

Only contracts that meet the recognition criteria by the end of the reporting period are included in the groups. When contracts meet the recognition criteria in the groups after the reporting date, they are added to the groups in the reporting period in which they meet the recognition criteria, subject to the annual cohorts' restriction. Composition of the groups is not reassessed in subsequent periods.

<u>Accounting for contract modification and derecognition</u>

An insurance contract is derecognised when it is:

- Extinguished (i.e. when the obligation specified in the insurance contract expires or is discharged or cancelled); or
- The contract is modified and certain additional criteria are met.

When an insurance contract is modified by the Group as a result of an agreement with the counterparties or due to a change in the regulations, the group treats changes in cash flows caused by the modification as changes in estimates of the FCF, unless the conditions for the derecognition of the original contract are met.

2. Material accounting policies (continued)

2.12 Insurance and investment contracts (continued)

(e) Recognition and Derecognition (continued)

Accounting for contract modification and derecognition (continued)

The Group derecognises the original contract and recgonises the modified contract as a new contract if any of the following conditions are present:

(a) If the modified terms had been included at contract inception and the Group would have concluded that the modified contract:

(i) Is not in scope of IFRS 17;

(ii) Results in different separable components;

(iii) Results in a different contract boundary; or

(iv) Belongs to a different group of contracts.

(b) The original contract represents an insurance contract with direct particiaption features, but the modified contract no longer meets that definition, or vice versa; or

(c) The original contract was accounted for under the PAA, but the modification means that the contract no longer meets the eligibility criteria for that approach.

When an insurance contract not accounted for under the PAA is derecognised from within a group of insurance contracts, the Group:

(a) Adjusts the FCF to eliminate the present value of future cash flows and risk adjustment for non-financial risk relating to the rights and obligations removed from the group.

(b) Adjusts the CSM (unless the decrease in the FCF is allocated to the loss component of the LRC of the group) in the following manner, depending on the reason for the derecognition:

(i) If the contract is extinguished, in the same amount as the adjustment to the FCF relating to future service.

(ii) If the contract is transferred to a third party, in the amount of the FCF adjustment in (a) less than the premium charged by the third party.

(iii) If the original contract is modified resulting in its derecognition, in the amount of the FCF adjustment in (a) adjusted for the premium the Group would have charged had it entered into a contract with equivalent terms as the new contract at the date of the contract modification, less any additional premium charged for the modification. When recognising the new contract in this case, the Group assumes such a hypothetical premium as actually received.

(c) Adjusts the number of coverage units for the expected remaining coverage to reflect the number of coverage units removed.

2. Material accounting policies (continued)

2.12 Insurance and investment contracts (continued)

(e) Recognition and Derecognition (continued)

Accounting for contract modification and derecognition (continued)

When an insurance contract accounted for under the PAA is derecognised, adjustments to remove related rights and obligations to account for the effect of the derecognition result in the following amounts being charged immediately to profit or loss:

(a) If the contract is extinguished, any net difference between the derecognised part of the LRC of the original contract and any other cash flows arising from extinguishment;

(b) If the contract is transferred to the third party, any net difference between the derecognised part of the LRC of the original contract and the premium charged by the third party; or

(c) If the original contract is modified resulting in its derecognition, any net difference between the derecognised part of the LRC and the hypothetical premium that the entity would have charged if it had entered into a contract with equivalent terms as the new contract at the date of the contract modification, less any additional premium charged for the modification.

(f) Measurement

Fulfilment cash flows

Fulfilment cash flows within contract boundary

The FCF are the current estimates of the future cash flows within the contract boundary of a group of contracts that the Group expects to collect from premiums and pay out for claims, benefits and expenses, adjusted to reflect the timing and the uncertainty of those amounts.

The estimates of future cash flows:

(a) Are based on a probability weighted mean of the full range of possible outcomes;

(b) Are determined from the perspective of the Group, provided the estimates are consistent with observable market prices for market variables; and

(c) Reflect conditions existing at the measurement date.

An explicit risk adjustment for non-financial risk is estimated separately from the other estimates. For contracts measured under the PAA, unless the contracts are onerous, the explicit risk adjustment for non-financial risk is only estimated for the measurement of the LIC.

2. Material accounting policies (continued)

2.12 Insurance and investment contracts (continued)

(f) Measurement (continued)

<u>Fulfilment cash flows</u> (continued)

Fulfilment cash flows within contract boundary (continued)

The estimates of future cash flows are adjusted using the current discount rates to reflect the time value of money and the financial risks related to those cash flows, to the extent not included in the estimates of cash flows. The discount rates reflect the characteristics of the cash flows arising from the groups of insurance contracts, including timing, currency and liquidity of cash flows. The determination of the discount rate that reflects the characteristics of the cash flows and liquidity characteristics of the insurance contracts requires significant jugement and estimation. Refer to Note 3 (b).

Risk of the Group's non-performance is not included in the measurement of groups of insurance contracts issued. In the measurement of reinsurance contracts held, the probability weighted estimates of the present value of future cash flows include the potential credit losses and other disputes of the reinsurer to reflect the non-performance risk of the reinsurer.

The Group estimates certain FCF at a policy level, which is then aggregated into the relevant profitability groups, cohorts, and portfolios.

The Group uses consistent assumptions to measure the estimates of the present value of future cash flows for the group of reinsurance contracts held and such estimates for the groups of underlying insurance contracts.

Contract boundary

The Group uses the concept of contract boundary to determine what cash flows should be considered in the measurement of groups of insurance contracts. This assessment is reviewed every reporting period.

Cash flows are within the boundary of an insurance contract if they arise from the rights and obligations that exist during the period in which the policyholder is obligated to pay premiums or the Group has a substantive obligation to provide the policyholder with insurance contract services. A substantive obligation ends when:

(a) The Group has the practical ability to reprice the risks of the particular policyholder or change the level of benefits so that the price fully reflects those risks; or

(b) Both of the following criteria are satisfied:

   (i) The Group has the practical ability to reprice the contract or a portfolio of contracts so that the price fully reflects the reassessed risk of that portfolio; and

   (ii) The pricing of the premiums up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date.

2. Material accounting policies (continued)

2.12 Insurance and investment contracts (continued)

(f) Measurement (continued)

Fulfilment cash flows (continued)

Contract boundary (continued)

In assessing the practical ability to reprice, risks transferred from the policyholder to the Group, such as insurance risk and financial risk, are considered; other risks, such as lapse or surrender and expense risk, are not included.

Riders, representing add-on provisions to a basic insurance policy that provide additional benefits to the policyholder at additional cost, that are issued together with the main insurance contracts form part of a single insurance contract with all the cash flows within its boundary.

Some insurance contracts issued by the Group provide policyholders with an option to buy an annuity upon the initially issued policies maturity. The Group assesses its practical ability to reprice such insurance contracts in their entirety to determine if annuity-related cash flows are within or outside of the insurance contract boundary. As a result of this assessment, non-guaranteed annuity options are not measured by the Group until they are exercised.

Cash flows outside the insurance contracts boundary relate to future insurance contracts and are recognised when those contracts meet the recognition criteria.

For groups of reinsurance contracts held, cash flows are within the contract boundary if they arise from substantive rights and obligations of the Group that exist during the reporting period in which the Group is compelled to pay amounts to the reinsurer or in which the Group has a substantive right to receive services from the reinsurer.

The Group's individual life reinsurance agreements held have an unlimited duration but are cancellable for new underlying business with a 60-day notice period by either party. Thus, the Group treats such reinsurance contracts as a series of contracts that cover underlying business in force at the end of the reporting period. Estimates of future cash flows arising from all underlying contracts in force at the reporting period are included in the measurement of the reinsurance contracts.

The Group's group life reinsurance contracts held provide coverage for claims incurring during the period of the reinsurance treaty coverage. Thus, all cash flows arising from claims incurred and expected to be incurred in the accident year are included in the measurement of the reinsurance contracts held. The premium status of reinsurance policies are aligned with that of the underlying insurance policy. As a result, if the underlying policy is terminated, reinsurance premiums cease; if the underlying policy is reinstated, reissued, converted or otherwise continued after being previously terminated, reinsurance premiums will recommence, with specific rules applied.

2. Material accounting policies (continued)

2.12 Insurance and investment contracts (continued)

(f) Measurement (continued)

Fulfilment cash flows (continued)

Contract boundary (continued)

The Group's health reinsurance contracts contracts held provide coverage for claims incurring during the period of the reinsurance treaty coverage, and up to one year after (i.e., risk attaching reinsurance contracts). Thus, all cash flows arising from claims incurred and expected to be incurred in the two year period are included in the measurement of the reinsurance contracts held.

Cash flows that are not directly attributable to a portfolio of insurance contracts, such as some product development and training costs, are recognised in other operating expenses as incurred.

Insurance acquisition costs

The Group defines acquisition cash flows as cash flows that arise from costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) and that are directly attributable to the portfolio of insurance contracts to which the group belongs. Insurance acquisition cash flows are allocated to groups of insurance contracts on a systematic and rational basis. Insurance acquisition cash flows that are directly attributable to a group of insurance contracts are allocated:

(a) To that group; and

(b) To groups that will include insurance contracts that are expected to arise from renewals of the insurance contracts in that group.

Insurance acquisition cash flows not directly attributable to a group of contracts but directly attributable to a portfolio of contracts are allocated to groups of contracts in the portfolio or expected to be in the portfolio.

The Group does not pay (or recongise a liability, applying a standard other than IFRS 17) directly attributable acquisition costs to originate a group of insurance contracts before they are recognised. The Group therefore does not recognise insurance acquisition cash flows assets.

Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is applied to the present value of the estimated future cash flows and reflects the compensation the Group requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the Group fulfills insurance contracts.

For reinsurance contracts held, the risk adjustment for non-financial risk represents the amount of risk being transferred by the Group to the reinsurer.

Methods and assumptions used to determine the risk adjustment for non-financial risk are discussed in Note 3 (e).

2. Material accounting policies (continued)

2.12 Insurance and investment contracts (continued)

(f) Measurement (continued)

<u>Initial measurement - Groups of contracts measured under the GMM and/or the VFA</u>

Contractual service margin

The CSM is a component of the carrying amount of the asset or liability for a group of insurance contracts issued representing the unearned profit that the Company will recognise as it provides insurance contract services in the future.

At initial recognition, the CSM is an amount that results in no income or expenses (unless a group of contracts is onerous) arising from:

(a) The initial recognition of the FCF;

(b) Cash flows arising from the contracts in the group at that date;

(c) The derecognition of any insurance acquisition cash flows asset; and

(d) The derecognition of any other pre-recognition cash flows. Insurance revenue and insurance service expenses are recognised immediately for any such assets derecognised.

When the above calculation results in a net outflow, the group of insurance contracts issued is onerous. A loss from onerous insurance contracts is recognised in profit or loss immediately, with no CSM recognised on the balance sheet on initial recognition, and a loss component is established in the amount of loss ecognised (refer to the Onerous contracts – Loss component section below).

For groups of reinsurance contracts held, any net gain or loss at initial recognition is recognised as the CSM unless the net cost of purchasing reinsurance relates to past events, in which case the Group recognises the net cost immediately in profit or loss. For reinsurance contracts held, the CSM represents a deferred gain or loss that the Group will recognise as a reinsurance expense as it receives insurance contract services from the reinsurer in the future and is calculated as the sum of:

(a) The initial recognition of the FCF; and

(b) Cash flows arising from the contracts in the group at that date;

(c) The amount derecognised at the date of initial recognition of any asset or liability previously recognised for cash flows related to the group of reinsurance contracts held (other pre-recognition cash flows); and

(d) Any income recognised in profit or loss when the entity recognises a loss on initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to that group.

2. Material accounting policies (continued)

2.12 Insurance and investment contracts (continued)

(f) Measurement (continued)

Initial measurement - Groups of contracts measured under the GMM and/or the VFA (continued)

Contractual service margin (continued)

A loss-recovery component is established or adjusted within the remaining coverage for reinsurance contracts held for the amount of income recognised in (d) above. This amount is calculated by multiplying the loss recognised on underlying insurance contracts by the percentage of claims on underlying insurance contracts that the Group expects to recover from the reinsurance contracts held that are entered into before or at the same time as the loss is recognised on the underlying insurance contracts.

When underlying insurance contracts are included in the same group with insurance contracts issued that are not reinsured, the Group applies a systematic and rational method of allocation to determine the portion of losses that relates to underlying insurance contracts.

For insurance contracts acquired in a portfolio transfer or a business combination within the scope of IFRS 3, at initial recognition, the CSM is an amount that results in no income or expenses arising from:

(a) The initial recognition of the FCF; and

(b) Cash flows arising from the contracts in the group at that date, including the fair value of the groups of contracts acquired as at the acquisition date as a proxy of the premiums received.

Subsequent measurement - Groups of contracts measured under the GMM and/or the VFA

The carrying amount at the end of each reporting period of a group of insurance contracts issued is the sum of:

(a) The LRC, comprising:

    (i) The FCF related to future service allocated to the group at that date; and

    (ii) The CSM of the group at that date; and

(b) The LIC, comprising the FCF related to past service allocated to the group at the reporting date.

The carrying amount at the end of each reporting period of a group of reinsurance contracts held is the sum of:

(a) The remaining coverage, comprising:

    (i) The FCF related to future service allocated to the group at that date; and

    (ii) The CSM of the group at that date; and

(b) The incurred claims, comprising the FCF related to past service allocated to the group at the reporting date.

2. Material accounting policies (continued)

2.12 Insurance and investment contracts (continued)

(f) Measurement (continued)

<u>Subsequent measurement - Groups of contracts measured under the GMM and/or the VFA</u> (continued)

Changes in fulfilment cash flows

The FCF are updated by the Group for current assumptions at the end of every reporting period, using the current estimates of the amount, timing and uncertainty of future cash flows and of discount rates.

The way in which the changes in estimates of the FCF are treated depends on which estimate is being updated:

(a) Changes that relate to current or past service are recognised in profit or loss; and

(b) Changes that relate to future service are recognised by adjusting the CSM or the loss component within the LRC as per the policy below.

For insurance contracts under the GMM, the following adjustments relate to future service and thus adjust the CSM:

(a) Experience adjustments arising from premiums received in the period that relate to future service and related cash flows such as insurance acquisition cash flows and premium-based taxes;

(b) Changes in estimates of the present value of future cash flows in the LRC, except those described in the following paragraph;

(c) Differences between any investment component expected to become payable in the period and the actual investment component that becomes payable in the period, determined by comparing (i) the actual investment component that becomes payable in a period with (ii) the payment in the period that was expected at the start of the period plus any insurance finance income or expenses related to that expected payment before it becomes payable; and

(d) Changes in the risk adjustment for non-financial risk that relate to future service.

Adjustments (a), (b), and (d) are measured using the locked-in discount rates as described in the section 'Interest accretion on the CSM' below.

2. Material accounting policies (continued)

2.12 Insurance and investment contracts (continued)

(f) Measurement (continued)

Subsequent measurement - Groups of contracts measured under the GMM and/or the VFA (continued)

Changes in fulfilment cash flows (continued)

For insurance contracts under the GMM, the following adjustments do not relate to future service and thus do not adjust the CSM:

(a) Changes in the FCF for the effect of the time value of money and the effect of financial risk and changes thereof.

(b) Changes in the FCF relating to the LIC;

(c) Experience adjustments – arising from premiums received in the period that do not relate to future service and related cash flows, such as insurance acquisition cash flows and premium-based taxes; and

(d) Experience adjustments relating to insurance service expenses (excluding insurance acquisition cash flows).

When no commitment is specified, the effect of all changes in assumptions that relate to financial risk and changes thereof on the FCF is recognised in insurance finance income or expenses.

For insurance contracts under the VFA, the following adjustments relate to future service and thus adjust the CSM:

(a) Changes in the Group's share of the fair value of the underlying items; and

(b) Changes in the FCF that do not vary based on the returns of underlying items:

  (i) Changes in the effect of the time value of money and financial risks including the effect of financial guarantees;

  (ii) Experience adjustments arising from premiums received in the period that relate to future service and related cash flows such as insurance acquisition cash flows and premium-based taxes;

  (iii) Changes in estimates of the present value of future cash flows in the LRC, except those described in the following paragraph;

  (iv) Differences between any investment component expected to become payable in the period and the actual investment component that becomes payable in the period, determined by comparing (i) the actual investment component that becomes payable in a period with (ii) the payment in the period that was expected at the start of the period plus any insurance finance income or expenses related to that expected payment before it becomes payable; and

  (v) Changes in the risk adjustment for non-financial risk that relate to future service.

Adjustments (ii) to (v) are measured using the current discount rates.

2. Material accounting policies (continued)

2.12 Insurance and investment contracts (continued)

(f) Measurement (continued)

Subsequent measurement - Groups of contracts measured under the GMM and/or the VFA (continued)

Changes in fulfilment cash flows (continued)

For insurance contracts under the VFA, the following adjustments do not relate to future service and thus do not adjust the CSM:

(a) Changes in the obligation to pay the policyholder the amount equal to the fair value of the underlying items;

(b) Changes in the FCF that do not vary based on the returns of underlying items;

   (i) Changes in the FCF relating to the LIC; and

   (ii) Experience adjustments relating to insurance service expenses (excluding insurance acquisition cash flows).

The Group does not have any products with complex guarantees and does not use derivatives to economically hedge the risks.

Changes to the contractual service margin

For insurance contracts issued, at the end of each reporting period, the carrying amount of the CSM is adjusted by the Group to reflect the effect of the following changes:

(a) The effect of any new contracts added to the group.

(b) For contracts measured under the GMM, interest accrued on the carrying amount of the CSM.

(c) Changes in the FCF relating to future service are recognised by adjusting the CSM. Changes in the FCF are recognised in the CSM to the extent the CSM is available. When an increase in the FCF exceeds the carrying amount of the CSM, the CSM is reduced to zero, the excess is recognised in insurance service expenses and a loss component is recognised within the LRC. When the CSM is zero, changes in the FCF adjust the loss component within the LRC with correspondence to insurance service expenses. The excess of any decrease in the FCF over the loss component reduces the loss component to zero and reinstates the CSM.

(d) The effect of any currency exchange differences.

(e) The amount recognised as insurance revenue for services provided during the period determined after all other adjustments above.

2. Material accounting policies (continued)

2.12 Insurance and investment contracts (continued)

(f) Measurement (continued)

<u>Subsequent measurement - Groups of contracts measured under the GMM and/or the VFA</u> (continued)

Changes to the contractual service margin (continued)

For reinsurance contracts held, at the end of each reporting period, the carrying amount of the CSM is adjusted by the Group to reflect the effect of the following changes:

(a) The effect of any new contracts added to the group.

(b) Interest accreted on the carrying amount of the CSM.

(c) Income recognised in profit or loss when the entity recognises a loss on initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to that group. A loss-recovery component is established or adjusted within the remaining coverage for reinsurance contracts held for the amount of income recognised.

(d) Reversals of a loss-recovery component other than changes in the FCF of reinsurance contracts held.

(e) Changes in the FCF, to the extent that the change relates to future service, unless the change results from a change in FCF allocated to a group of underlying insurance contracts that does not adjust the CSM for the group of underlying insurance contracts.

(f) The effect of any currency exchange differences.

(g) The amount recognised in profit or loss for insurance contract services received during the period, determined after all other adjustments above.

Income referred to in (c) above is calculated by multiplying the loss recognised on underlying insurance contracts by the percentage of claims on underlying insurance contracts that the Group expects to recover from the reinsurance contract held that is entered into before or at the same time as the loss is recognised on the underlying insurance contracts.

For the purposes of (c)–(e) above, when underlying insurance contracts are included in the same group with insurance contracts issued that are not reinsured, the Group applies a systematic and rational method of allocation to determine the portion of losses that relates to underlying insurance contracts.

Refer to the Reinsurance contracts held – Loss recovery component section below for loss-recovery component accounting.

The Group does not have any reinsurance contracts held measured under the GMM with underlying contracts measured under the PAA.

2. Material accounting policies (continued)

2.12 Insurance and investment contracts (continued)

(f) Measurement (continued)

Subsequent measurement - Groups of contracts measured under the GMM and/or the VFA (continued)

Changes to the contractual service margin (continued)

Interest accretion on the CSM:

Under the GMM, interest is accreted on the CSM using discount rates determined at initial recognition that are applied to nominal cash flows that do not vary based on the returns of underlying items (locked-in discount rates).

Adjusting the CSM for changes in the FCF relating to future service:

The CSM is adjusted for changes in the FCF measured applying the discount rates as specified above in the 'Changes in fulfilment cash flows' section.

Release of the CSM to profit or loss:

The amount of the CSM recognised in profit or loss for services in the period is determined by the allocation of the CSM remaining at the end of the reporting period over the current and remaining expected coverage period of the group of insurance contracts based on coverage units.

The coverage period is defined as a period during which the entity provides insurance contract services. Insurance contract services include coverage for an insured event (insurance coverage), the generation of an investment return for the policyholder, if applicable (investment-return service) for the contracts under the GMM, and the management of underlying items on behalf of the policyholder (investment-related service) for the contracts under the VFA. The period of investment-return service or investment-related service ends at or before the date when all amounts due to current policyholders relating to those services have been paid. Investment-return services are provided only when an investment component exists in insurance contracts or the policyholder has a right to withdraw an amount, and the Group expects these amounts to include an investment return that is achieved by the Group by performing investment activities to generate that investment return.

For contracts issued, the Group determines the coverage period for the CSM recognition as follows:

(a) For life insurance contracts, the coverage period corresponds to the policy coverage for mortality risk for life insurance policies and longevity risk for deferred annuities; and

(b) For insurance contracts with investment components, the coverage period corresponds to the period in which insurance or investment return and investment related services are expected to be provided.

2. Material accounting policies (continued)

2.12 Insurance and investment contracts (continued)

(f) Measurement (continued)

<u>Subsequent measurement - Groups of contracts measured under the GMM and/or the VFA</u> (continued)

Changes to the contractual service margin (continued)

The total number of coverage units in a group is the quantity of coverage provided by the contracts in the group over the expected coverage period. In instances where multiple services are provided to a policyholder, the coverage units are calculated based on each rider, but aggregated to produce the total contract's coverage units. The coverage units are determined at each reporting period-end prospectively by considering:

(a) The quantity of benefits provided by contracts in the group;
(b) The expected coverage duration of contracts in the group; and
(c) The likelihood of insured events occurring, only to the extent that they affect the expected duration of contracts in the group.

The Group uses the amount that it expects the policyholder to be able to validly claim in each period if an insured event occurs at the basis for the quantity of benefits.

The Group determines coverage units as follows:

(a) For products under the "Traditional life" category, coverage units are determined based on the policies' face values that are equal to the fixed death benefit amounts;

(b) For products under the "Unit linked life" category, coverage units are based on the fixed death benefits amounts (during the insurance coverage period) plus policyholders' account values;

(c) For products under the "Annuities" category that are in the accumulation phase, coverage units are based on policy size (i.e., the value of the accumulated funds). When they are in the annuitisation phase, coverage units are based on the annuity payout. The coverage units were summed (weights are 50%/50%).

The Group reflects the time value of money in the allocation of the CSM to coverage units using discount rates that are applied to nominal cash flows that do not vary based on the returns of underlying items. For GMM contracts, these discount rates are determined at initial recognition, while for VFA contracts, current discount rates are applied.

For reinsurance contracts held, the CSM is released to profit or loss as services are received from the reinsurer in the period.

Coverage units for the proportionate term life reinsurance contracts are based on the insurance coverage provided by the reinsurer and are determined by the ceded policies' fixed face values taking into account new business projected within the reinsurance contract boundary.

2. Material accounting policies (continued)

2.12 Insurance and investment contracts (continued)

(f) Measurement (continued)

Subsequent measurement - Groups of contracts measured under the GMM and/or the VFA (continued)

Changes to the contractual service margin (continued)

The coverage period for these contracts is determined based on the coverage of all underlying contracts whose cash flows are included in the reinsurance contract boundary. Refer to the 'Contract boundary' section within this Note above.

Onerous contracts - Loss component:

When adjustments to the CSM exceed the amount of the CSM, the group of contracts becomes onerous and the Group recgonises the excess in insurance service expenses and records it as a loss component of the LRC.

When a loss component exists, the Group allocates the following between the loss component and the remaining component of the LRC for the respective group of contracts, based on the ratio of the loss component to the FCF relating to the expected future cash outflows:

(a) Expected incurred claims and expenses for the period;

(b) Changes in the risk adjustment for non-financial risk for the risk expired; and

(c) Finance income (expenses) from insurance contracts issued.

The amounts of loss component allocation in (a) and (b) above reduce the respective components of insurance revenue and are reflected in insurance services expenses.

Decreases in the FCF in subsequent periods reduce the remaining loss component and reinstate the CSM after the loss component is reduced to zero. Increases in the FCF in subsequent periods increase the loss component.

Reinsurance contracts held – Loss-recovery component:

A loss-recovery component is established or adjusted within the asset for remaining coverage for reinsurance contracts held for the amount of income recognised in profit or loss when the Group recognises a loss on initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to that group.

Subsequently, the loss-recovery component is adjusted to reflect changes in the loss component of an onerous group of underlying insurance contracts discussed in the Onerous contracts – Loss component section above. The loss-recovery component is further adjusted, if required, to ensure that it does not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the Group expects to recover from the group of reinsurance contracts held.

2. Material accounting policies (continued)

2.12 Insurance and investment contracts (continued)

(f) Measurement (continued)

Subsequent measurement - Groups of contracts measured under the GMM and/or the VFA (continued)

Changes to the contractual service margin (continued)

The loss-recovery component determines the amounts that are presented as a reduction of incurred claims recovery from reinsurance contracts held and are consequently excluded from the reinsurance expenses determination.

Initial and subsequent measurement - Groups of contracts measured under the PAA

The Group uses the PAA for measuring contracts with a coverage period of one year or less. The PAA eligibility test was applied to risk-attaching reinsurance contracts, and it was concluded that the PAA can also be used for such contracts.

For insurance contracts issued, insurance acquisition cash flows are deferred and recognised over the coverage period of contracts in a group.

For insurance contracts issued, on initial recognition, the Group measures the LRC at the amounts of premiums received, less any acquisition cash flows paid and any amounts arising from the derecognition of the prepaid acquisition cash flows asset and the derecognition of any other relevant pre-recognition cash flows.

For reinsurance contracts held, on initial recognition, the Group measures the remaining coverage at the amount of ceding premiums paid.

The carrying amount of a group of insurance contracts issued at the end of each reporting period is the sum of:

(a) The LRC; and

(b) The LIC, comprising the FCF related to past service allocated to the group at the reporting date.

The carrying amount of a group of reinsurance contracts held at the end of each reporting period is the sum of:

(a) The remaining coverage; and

(b) The incurred claims, comprising the FCF related to past service allocated to the group at the reporting date.

2. Material accounting policies (continued)

2.12 Insurance and investment contracts (continued)

(f) Measurement (continued)

Initial and subsequent measurement - Groups of contracts measured under the PAA (continued)

For insurance contracts issued, at each of the subsequent reporting dates, the LRC is:

(a) Increased for premiums received in the period, excluding amounts that relate to premium receivables included in the LIC;

(b) Decreased for insurance acquisition cash flows paid in the period;

(c) Decreased for the amounts of expected premiums received recognised as insurance revenue for the services provided in the period; and

(d) Increased for the amortisation of insurance acquisition cash flows in the period recgonised as insurance service expenses.

For reinsurance contracts held, at each of the subsequent reporting dates, the remaining coverage is:

(a) Increased for ceding premiums paid in the period; and

(b) Decreased for the amounts of ceding premiums recognised as reinsurance expenses for the services received in the period.

The Group does not adjust the LRC for insurance contracts issued and the remaining coverage for reinsurance contracts held for the effect of the time value of money as insurance premiums are due within the coverage of contracts, which is one year or less.

There are no investment components within insurance contracts issued and reinsurance contracts held that are measured under the PAA.

For contracts measured under the PAA, the LIC is measured similarly to the LIC's measurement under the GMM. The health insurance contracts typically have a settlement period of one year and less, and therefore the future cash flows are not adjusted for the time value of money. For group life insurance contracts, future cash flows are adjusted for the time value of money since these insurance contracts sometimes have claims with a settlement period of over one year.

2. Material accounting policies (continued)

2.12 Insurance and investment contracts (continued)

(f) Measurement (continued)

Initial and subsequent measurement - Groups of contracts measured under the PAA (continued)

If facts and circumstances indicate that a group of insurance contracts measured under the PAA is onerous on initial recognition or becomes onerous subsequently, the Group increases the carrying amount of the LRC to the amounts of the FCF determined under the GMM with the amount of such an increase recognised in insurance service expenses, and a loss component is established for the amount of the loss recognised. Subsequently, the loss component is remeasured at each reporting date as the difference between the amounts of the FCF determined under the GMM relating to the future service and the carrying amount of the LRC without the loss component. Where applicable, resulting changes in the loss component are disaggregated between insurance service expenses and insurance finance income or expenses for the effect of the time value of money, financial risk and effect of changes therein.

When a loss is recognised on initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to that group, the carrying amount of the asset for remaining coverage for reinsurance contracts held measured under the PAA is increased by the amount of income recognised in profit or loss and a loss-recovery component is established or adjusted for the amount of income recognised. The referred income is calculated by multiplying the loss recognised on underlying insurance contracts by the percentage of claims on underlying insurance contracts that the Group expects to recover from the reinsurance contract held that are entered into before or at the same time as the loss is recognised on the underlying insurance contracts.

When underlying insurance contracts are included in the same group with insurance contracts issued that are not reinsured, the Group applies a systematic and rational method of allocation to determine the portion of losses that relates to underlying insurance contracts.

Where applicable, changes in the loss-recovery component are disaggregated between net income from reinsurance contracts held (refer to Note 2.12 (g)) and insurance finance income or expenses for the effect of the time value of money, financial risk and effect of changes therein in proportion to the disaggregation applied to the changes in the underlying loss component.

The Group does not have any reinsurance contracts held measured under the PAA with underlying contracts measured under the GMM.

2. Material accounting policies (continued)

2.12 Insurance and investment contracts (continued)

(g) Amounts recognised in comprehensive income

Insurance service result from insurance contracts issued

Insurance revenue

As the Group provides services under the group of insurance contracts, it reduces the LRC and recgonises insurance revenue. The amount of insurance revenue recognised in the reporting period depicts the transfer of promised services at an amount that reflects the portion of consideration the Group expexts to be entitled to in an exchange for those services.

For contracts measured under the GMM and/or the VFA, insurance revenue comprises the following:

- ► Amounts relating to the changes in the LRC:

  a) Insurance claims and expenses incurred in the period measured at the amounts expected at the beginning of the period, excluding:
  - amounts related to the loss component;
  - repayments of investment components and policyholder rights to withdraw an amount;
  - amounts of transaction-based taxes collected in a fiduciary capacity; and
  - insurance acquisition expenses;
  - amounts related to the risk adjustment for non-financial risk (see (b));

  b) Changes in the risk adjustment for non-financial risk, excluding:
  - changes included in insurance finance income (expenses);
  - changes that relate to future coverage (which adjust the CSM); and
  - amounts allocated to the loss component;

  c) Amounts of the CSM recognised in profit or loss for the services provided in the period; and

  d) Experience adjustments arising from premiums received in the period that relate to past and current service and related cash flows such as insurance acquisition cash flows and premium-based taxes.

  e) Other amounts, including any other pre-recognition cash flows assets derecognised at the date of initial recognition.

- ► Insurance acquisition cash flows recovery is determined by allocating the portion of premiums related to the recovery of those cash flows on the basis of the passage of time over the expected coverage of a group of contracts.

For groups of insurance contracts measured under the PAA, the Group recognises insurance revenue based on the passage of time over the coverage period of a group of contracts.

2. Material accounting policies (continued)

2.12 Insurance and investment contracts (continued)

(g) Amounts recognised in comprehensive income (continued)

Insurance service result from insurance contracts issued (continued)

Insurance service expenses

Insurance service expenses include the following:

(a) Incurred claims and benefits excluding investment components reduced by loss component allocations;

(b) Other incurred directly attributable insurance service expenses, including amounts of any other pre-recognition cash flows assets (other than insurance acquisition cash flows) derecognised at the date of initial recognition;

(c) Amortisation of insurance acquisition cash flows;

(d) Changes that relate to past service (i.e. changes in the FCF relating to the LIC);

(e) Changes that relate to future service (i.e. losses/reversals on onerous groups of contracts from changes in the loss components); and

(f) Insurance acquisition cash flows assets impairment.

For contracts measured under the GMM and/or the VFA, amortisation of insurance acquisition cash flows is reflected in insurance service expenses in the same amount as insurance acquisition cash flows recovery reflected within insurance revenue as described above.

For contracts measured under the PAA, amortisation of insurance acquisition cash flows is based on the passage of time.

Other expenses not meeting the above categories are included in other operating expenses in the consolidated statement of profit or loss.

2. Material accounting policies (continued)

2.12 Insurance and investment contracts (continued)

(g) Amounts recognised in comprehensive income (continued)

Insurance service result from reinsurance contracts held

Net income/(expenses) from reinsurance contracts held

The Group presents financial performance of groups of reinsurance contracts held on a net basis in net income (expenses) from reinsurance contracts held, comprising the following amounts:

(a) Reinsurance expenses;

(b) Incurred claims recovery;

(c) Other incurred directly attributable insurance service expenses;

(d) Changes that relate to past service – changes in the FCF relating to incurred claims recovery;

(e) Effect of changes in risk of reinsurer non-performance;

(f) Amounts relating to accounting for onerous groups of underlying insurance contracts issued:

i. Income on initial recognition of onerous underlying contracts;

ii. Reinsurance contracts held under the GMM: reversals of a loss-recovery component other than changes in the FCF of reinsurance contracts held; and

iii. Reinsurance contracts held under the GMM: changes in the FCF of reinsurance contracts held from onerous underlying contracts.

Reinsurance expenses are recognised similarly to insurance revenue. The amount of reinsurance expenses recognised in the reporting period depicts the transfer of received services at an amount that reflects the portion of ceding premiums the Group expects to pay in exchange for those services.

2. Material accounting policies (continued)

2.12 Insurance and investment contracts (continued)

(g) Amounts recognised in comprehensive income (continued)

Insurance service result from reinsurance contracts held (continued)

Net income/(expenses) from reinsurance contracts held (continued)

For contracts measured under the GMM and/or the VFA, reinsurance expenses comprise the following amounts relating to changes in the remaining coverage:

(a) Claims and other directly attributable expenses recovery in the period, measured at the amounts expected to be incurred at the beginning of the period, excluding:

- Amounts allocated to the loss-recovery component;
- Repayments of investment components;
- Amounts related to the risk adjustment for non-financial risk (see (b));

(b) Changes in the risk adjustment for non-financial risk, excluding:

- Changes included in finance income (expenses) from reinsurance contracts held; and
- Changes that relate to future coverage (which adjust the CSM);
- Amounts allocated to the loss-recovery component;

(c) Amounts of the CSM recognised in profit or loss for the services received in the period; and

(d) Experience adjustments – arising from premiums paid in the period other than those that relate to future service.

For groups of reinsurance contracts held measured under the PAA, the Group recgonises reinsurance expenses based on the passage of time over the coverage period of a group of contracts.

Ceding commissions that are not contingent on claims of the underlying contracts issued reduce ceding premiums and are accounted for as part of reinsurance expenses. Ceding commissions that are contingent on claims of the underlying contracts issued reduce incurred claims recovery.

Insurance finance income or expenses

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from:

(a) The effect of the time value of money and changes in the time value of money; and

(b) The effect of financial risk and changes in financial risk.

2. Material accounting policies (continued)

2.12 Insurance and investment contracts (continued)

(g) Amounts recognised in comprehensive income (continued)

Insurance finance income or expenses (continued)

For contracts measured under the GMM, the main amounts within insurance finance income or expenses are:

(a) Interest accreted on the FCF and the CSM;

(b) The effect of changes in interest rates and other financial assumptions; and

(c) Foreign exchange differences arising from contracts denominated in a foreign currency.

For contracts measured under the VFA, insurance finance income or expenses comprise changes in the value of underlying items (excluding additions and withdrawals).

For contracts measured under the PAA, the main amounts within insurance finance income or expenses are:

(a) Interest accreted on the LIC; and

(b) The effect of changes in interst rates and other financial assumptions.

The Group does not disaggregate changes in the risk adjustment for non-financial risk between insurance service result and insurance finance income or expenses.

For the contracts measured under the VFA and the PAA, the Group includes all insurance finance income or expenses for the period in profit or loss (i.e. the profit or loss option (the PL option) is applied).

For the contracts measured using the GMM, the OCI option is applied. The investments held by the Group that are used to support the GMM portfolio are typically measured at amortised cost, therefore the use of the OCI option results in the elimination of accounting mismatches with the associated assets. When the OCI option is applied, the impact of the change in discount rate is posted to the OCI. The difference between the liability measured on current rates and the liabilities measured on current rates at any point in time represent the accumulation of amounts in OCI. Interest accreted on the BEL and CSM are also posted to OCI for these portfolios.

Groups of insurance and reinsurance contracts, including the CSM, that generate cash flows in a foreign currency are treated as monetary items. Where these groups of insurance and reinsurance contracts generate cash flows in multiple currencies, the Group has opted to maintain the underlying cash flows in their transactional currencies. The risk adjustment is also denominated in multiple currencies reflecting the currencies of its related fulfilment cash flows. The CSM, loss component, and the loss recovery component within each insurance and reinsurance group is however assigned a single currency ("the CSM Currency") in order to operate the mechanics of IFRS 17. This currency is determined separately for each insurance or reinsurance group based on the predominant currency in which the underlying cash flows are denominated.

2. Material accounting policies (continued)

2.12 Insurance and investment contracts (continued)

(g) Amounts recognised in comprehensive income (continued)

Insurance finance income or expenses (continued)

The impact of adjusting the CSM, loss component, or loss recovery component in the CSM Currency due to changes in the exchange rate between the currencies of the underlying cash flows and the CSM Currency are accounted for as changes in financial risk - i.e., within effects of changes in interest rates and other financial assumptions'. Applying IAS 21 at the end of the reporting period, the carrying amount of the group of insurance or reinsurance contracts (including the CSM, loss component, or loss recovery component) is translated into the functional currency at the closing rate, with the resulting impact presented as foreign exchange differences. Both the foreign exchange differences and changes in financial risk are accounted for within 'finance expenses from insurance contracts issued' for insurance contracts and 'finance income from reinsurance contracts held' for reinsurance contracts.

(h) 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 on a present value basis 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, 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.

2. Material accounting policies (continued)

2.12 Insurance and investment contracts (continued)

(i) Investment contracts

The Group issues investment contracts including deposit administration contracts and individual deferred annuity contracts. 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.

(j) 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.

(k) Receivables and payables other than those for contracts under IFRS 17

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

2.13 Financial liabilities

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).

2. Material accounting policies (continued)

2.13 Financial liabilities (continued)

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.

2.14 Taxation

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

Current income tax charges are based on taxable profits for the year, which differ from the profit before tax reported because it excludes items that are taxable or deductible in other years, and items that are never taxable or deductible. The 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.

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.

2.15 Employee benefits

(a) Pension plans

The Group operates two defined benefit 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 relevant Group companies 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.

2. Material accounting policies (continued)

2.15 Employee benefits (continued)

(a) Pension plans (continued)

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 plan 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.

2. Material accounting policies (continued)

2.15 Employee benefits (continued)

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

The Company's employees have the option to receive their bonuses in cash and/or ordinary shares of the company 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.

2.16 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.

2.17 Revenue recognition

Revenue comprises the fair value for services rendered after eliminating revenue within the Group. Revenue is recognised as follows:

(a) Insurance revenue

Insurance revenue is recognised in accordance with the requirements of IFRS 17 as laid out 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.

2. Material accounting policies (continued)

2.17 Revenue recognition (continued)

(c) Rental Income
Rental income is recognised on an accrual basis.

(d) Realised and unrealised investment gains and losses
Realised and unrealised gains and losses on investments measured at amortised cost or fair value through profit or loss are recognised in the 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.

(e) Commission income
Commissions are recognised on the accrual basis.

(f) Fee income
Fees are earned from the management of the assets of the segregated funds and deposit administration funds and from general policy administration and surrenders. Fees are recognised in the period in which the services are rendered.
For the asset management companies in the Group, portfolio, asset management fees and other management advisory and service fees are recognised based on the applicable service contracts over the period in which the service is provided. Management fees and commissions arising from negotiating, or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction.

2.18 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.

2. Material accounting policies (continued)

2.18 Leases (continued)

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 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.

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.

2. Material accounting policies (continued)

2.18 Leases (continued)

The Group as a lessee (continued)

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 2023 (2022: nil).

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 to leases that are considered to be low value. The Group recognises the lease payments associated with these leases as an expense on a straight line basis over the lease term.

The Group as a lessor

The Group leases out its investment properties. 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.

2.19 Dividend distributions

Dividend distributions to the Company'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.

2.20 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. Material accounting policies (continued)

2.21 Assets under management

The Group provides custody and trustee discretionary investment management services to third parties. Such assets under management represent the managed funds administered by the Trust company.

2.22 Comparative information

Where necessary, comparative data has been adjusted to conform with changes in presentation in the current year. In accordance with the transition requirements of IFRS 17, the Group is exempted from disclosing the impact of the adjustment arising from the implementation of IFRS 17 on each financial statement line affected and on earnings per share for the current period and for each period presented. Although exempted, the Group has presented the adjustments to the 31 December 2021 consolidated statement of financial position in Note 2.1

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.

(a) Insurance contracts

Definition and classification

Definition and classification determines whether contracts are in the scope of IFRS 17 and, for contracts determined to be in scope of IFRS 17, what measurement model is applicable.

Determining whether a contract issued accepts significant insurance risk and, similarly, whether a reinsurance contract held transfers significant insurance risk requires judgement. Refer to Note 2.12(b) which gives details on how the Group determines the classification of insurance products with investment components as insurance or investment contracts.

Determining whether a contract issued that does not transfer significant insurance risk meets the defintion of an investment contract with discretionary participation features requires judgement. The Group does not issue any investment contracts with discretionary participation features.

Determining whether contracts that were determined to be in the scope of IFRS 17 meet the definition of an insurance contract with direct participation features requires judgement:

a) Whether the pool of underlying items is clearly identified;
b) Whether amounts that an entity expects to pay to the policyholders constitute a substantial share of the fair value returns on the underlying items; and
c) Whether the Group expects the proportion of any change in the amounts to be paid to the policyholders that vary with the change in fair value of the underlying items to be substantial.

An assessment is performed for life contracts and direct participating contracts issued by the Group to determine whether the proportion to be paid to the policyholders is substantial. The Group has no investment contracts with discretionary participation features.

The Group applies the PAA to some insurance contracts with a coverage period of more than one year. The eligibility assessment involved significant judgement on whether the application of the PAA will produce a measurement of the liability for the LRC that would not differ materially from the one that would be produced applying the GMM.

Unit of account

Judgement is involved in combination of insurance contracts and separation of distinct components, however the Group neither separated components of its insurance contracts nor combined any insurance contracts.

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

(a) Insurance contracts (continued)

Unit of account (continued)

Judgements involved in the identification of portfolios of contracts, as required by paragraph 14 of IFRS 17 (that is, having similar risks and being managed together) are not an area of significant judgement for the Group. This is due to the Group historically managing its insurance and reinsurance portfolios in a way that, consistent with regulatory considerations, clearly distinguishes groups of products by their associated risks.

Judgement is required in aggregating insurance contracts issued on initial recognition into groups of onerous contracts, groups of contracts with no significant possibility of becoming onerous and groups of other contracts. A similar grouping assessment is required for reinsurance contracts held.

For contracts measured under the PAA, the assessment of the likelihood of adverse changes in applicable facts and circumstances is an area of judgement.

For insurance contracts issued measured under the PAA, management judgement is required to assess whether facts and circumstances indicate that a group of contracts has become onerous. Further, judgement is required to assess whether facts and circumstances indicate any changes in the onerous group's profitability and whether any loss component remeasurement is required. In 2022 and 2023, the Group did not identify any facts or circumstances that might have indicated that a group of contracts measured under the PAA had become onerous. All contracts measured by the Group in 2022 and 2023 under the PAA were determined to be non-onerous on initial recognition.

Measurement - Fulfilment cash flows

The concept of a contract boundary is used to determine which future cash flows should be considered in the measurement of a contract in the scope of IFRS 17. Judgements is involved to determine when the Group is capable of repricing the entire contracts to reflect the reassessed risks, when policyholders are obliged to pay premiums and when premiums reflect risks beyond the coverage period. Only those liabilities or assets relating to expected premiums or claims driven by substantive rights and obligations are recognised within the boundary of the insurance contract. The Group applied judgement to the determination of the contract boundaries of several deferred annuity products with guaranteed annuitisation rates.

The Group uses judgement to determine which cash flows within the boundary of insurance contracts are those that relate directly to fulfilment of the contract. The Group performs regular expense studies and uses judgement to determine the extent to which fixed and variable overheads are directly attributable to fulfilling insurance contracts. Refer to Note 3 (d).

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

(a) Insurance contracts (continued)

Financial performance

The Group applied significant judgements in the following aspects of the determination of the CSM amounts that were recognised in profit or loss in 2023 and 2022:

a) For individual life GMM contracts without any accumulating Fund - coverage units are determined based on the quantity of benefits provided via the Face Amount of the coverage.
b) For individual life contracts that have an accumulated Fund Balance, coverage units are determined based on the quantity of benefits provided via the Face Amount of the coverage plus the Fund Value.
c) For annuity contracts that are still in the accumulation phase, coverage units are determined based on the value of the fund accumulated to date.
d) For annuity contracts that are in the annuitisation phase, coverage units are determined based on the value of expected annuity payout.

In performing the above determination, management applied judgement that might significantly impact the CSM carying values and amounts of the CSM allocation recognised in profit or loss for the period.

(b) Discount rates

The bottom-up approach was used to derive the discount rate. Under this approach, the discount rate is determined as the Trinidad & Tobago ("T&T") government yield curve for the relevant territory, which is adjusted for a credit risk premium and an illiquidity premium. The credit risk premium is quantified by finding the average spread between the T&T government yield curve and that of the US Treasury on the assumption that the US Treasury yield curve is risk free. The illiquidity premium is determined by differences in liquidity characteristics beteen the financial assets used to derive the government yield and the relevant liability cash flows, as illustrated by government bond bid-ask spreads. TheT&T government yield curve and the relevant liability are denominated in the same currency as the product being measured for the portfolios denominated in Trinidad & Tobago dollars, with the Trinidad & Tobago curve used as a proxy for portfolios denominated in all other currencies. Given the limited term of the T&T government yield curive, for the unobservable period, the yield curve was interpolated between an ultimate rate and the last observable point using the Nielson Siegel method.

Observable market information was used from 2010 to capture the low interest environment that much of the world, including the Caribbean, has been in since the 2008 financial crisis. Going back further than this point was considered inappropriate as it is not reflective of the current economic environment.

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

(b) Discount rates (continued)

Cash flows varying based on underlying items are discounted using a discount rate that reflects the variability of the underlying assets. The participating contracts include investment components where cash flows vary based on the return of investment assets. The cash flows arising from the investment component are discounted using the expected return of the assets supporting the investment component. There are limited financial guarantees in these products. The liabilities associated with these guarantees are measured using a market consistent deterministic interest scenario.

The weighted average yield curves used to discount the estimates of future cash flows that do not vary based on the returns of the underling items are as follows:

	As at 31 December 2023				As at 31 December 2022			
	1 year	**5 years**	**10 years**	**20 years**	**1 year**	**5 years**	**10 years**	**20 years**
Traditional life	2.01% - 2.01%	3.77% - 6.77%	7.21% - 7.57%	6.03% - 7.31%	1.12% - 1.12%	3.22% - 6.66%	6.79% - 6.85%	6.84% - 6.84%
Annuities	2.39% - 2.39%	4.15% - 7.15%	7.60% - 7.95%	6.41% - 7.69%	1.50% - 1.50%	3.59% - 7.03%	7.17% - 7.22%	7.22% - 7.22%
Unit linked life	5.22% - 6.95%	4.50% - 7.67%	5.42% - 7.78%	5.52% - 7.63%	4.88% - 7.09%	4.75% - 7.60%	5.49% - 8.84%	5.46% - 9.11%

(c) Investment assets returns

For long-term insurance contracts with investment components (excluding investment contracts without discretionary participation features not in the scope of IFRS 17), assumptions about future underlying investment returns are made. Due to the measurement models applied and the nature of the products, particularly the determination of the discount rates used to discount future estimates of cash flows that vary with returns on underlying items, assumptions about underlying investment returns do not impact contract measurement significantly. There are limited financial guarantees in these products. The liabilities associated with these guarantees are measured using a market consistent deterministic interest scenario.

(d) Estimates of future cash flows to fulfil insurance contracts

Included in the measurement of each group of contracts in the scope of IFRS 17 are all the future cash flows within the boundary of each group of contracts. The estimates of these future cash flows are based on probability weighted expected future cash flows. The Group estimates which cash flows are expected and the probability that they will occur as at the measurement date. In making these expectations, the Group uses information about past events, current conditions and forecasts of future conditions. The Group's estimate of future cash flows is based on a best estimate deterministic scenario that specifies the amount, timing and probability of cash flows.

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

(d) Estimates of future cash flows to fulfil insurance contracts (continued)

Expenses related cash flows are determined at a cohort level and are allocated on a systematic basis similar to the activity based costing method. The Group has determined that this method results in a systematic and rational allocation. Similar methods are consistently applied to allocate expenses of a similar nature. Acquisition cash flows and expenses of an administrative policy maintenance nature are allocated to groups of contracts based on the number of contracts initiated for the period, and in force for the period, respectively. Claims settlement related expense are allocated based on the number of claims incurred.

For the long-term insurance contracts without investment components, uncertainy in the estimation of future claims and benefit payments and premium receipts arises primarily from the unpredictability of long-term changes in the mortality rates, the variability in the policyholder behaviour and uncertainties regarding future inflation rates and expenses growth.

Uncertainty of future claims and benefit payments arises primarily from the variability in policyholder behaviour. The interest rate guarantee embedded in insurance contracts was measured using a best estimate deterministic scenario, representing the most likely future interest rate environment.

For the short-term insurance contracts, uncertainty in the estimation of future claims and benefit payments arises primarily from the severity and frequency of claims and uncertainties regarding future inflation rates leading to claims and claims-handling expenses growth.

Assumptions used to develop estimates about future cash flows are reassessed at each reporting date and adjusted where required.

(e) Methods used to measure the risk adjustment for non-financial risk

The risk adjustment for non-financial risk is the compensation that is required for bearing the uncertainty about the amount and timing of cash flows that arises from non-financial risk as the insurance contract is fulfilled. Because the risk adjustment represents compensation for uncertainty, estimates are made on the degree of diversification benefits and expected favourable and unfavourable outcomes in a way that reflects the Group's degree of risk aversion. The Group estimates an adjustment for non-financial risk separately from all other estimates.

The risk adjustment was calculated on a full contract basis, thereby considering risks that may emerge over the entire life of the insurance contract. Given the long-term nature of the related risks, this approach is appropriate to capture the uncertainty embedded in the underlying contracts, without adding the complexity of performing projections on an annual basis. The risk adjustment is further calculated at a coverage level in accordance with the related risk profile, and then aggregated up to profitability groups, cohorts, and portfolios. To determine the variability of the the reserves, the risk margin approach was used.

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

(e) Methods used to measure the risk adjustment for non-financial risk (continued)

With the risk margin approach, the risk adjustment is determined by calculating and combining explicit risk margins for non-financial risks as outlined in guidance provided by the Central Bank of Trinidad and Tobago. Quantification of the confidence level is done using a quantile technique based on an underlying normal probability distribution assumption for the future cash flows. The Group's confidence level corresponding to the results of this technique was 76% (2022: 76%). Consideration of the amount of diversification benefit is done at the entity level reflecting the diversification in contracts sold across portfolios as this reflects the potential for risk reduction when the entity has a diversified portfolio of insurance contracts.

The methods and assumptions used to determine the risk adjustment for non-financial risk were not changed in 2023 and 2022.

(f) Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. 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).

(g) 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 reported fair value of financial assets. Key assumptions are based on current market yields. At 31 December 2023, the carrying amount of financial assets that were fair valued using an internally developed bond valuation model was $9.4 billion (2022: $9.8 billion).The following table shows the effect on the profit or loss and fair value reserve to changes in the market yields.

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

(g) Fair valuation of financial assets (continued)

	Effect on consolidated income	
	2023	**2022**
	$'000	**$'000**
1% increase in market yields	(11,998)	(11,257)
1% decrease in market yields	13,377	12,530

(h) Impairment losses on financial assets

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

The 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.

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

(h) Impairment losses on financial assets (continued)

Forward-looking macroeconomic variables

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

Scenarios are reassessed on at least an annual basis and more frequently if conditions warrant. Scenarios are probability-weighted separately for each territory modelled 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.

The carrying amounts of expected credit loss allowance on financial assets are disclosed in Note 4.2.3(e).

(i) 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. 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.

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

(j) Determining the lease term of contracts with extension and termination options – Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. The Group considers factors such as penalties to terminate, historical lease durations and the costs and business disruption required to replace leased assets. Extension options in most office space leases have been included in the lease liability.

As at 31 December 2023, potential future cash outflows of $28,209,000 (undiscounted) (2022: $28,034,000) have not been included in the lease liability because it is not reasonably certain that the leases will be extended.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

(k) 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 10 and Note 19.

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.

4. Management of Insurance and Financial Risk (continued)

4.1 Insurance risk (continued)

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.

4.1.1 Short term Group life and Health contracts

(a) Exposures to risks and how they arise

Short-duration life insurance contracts are contracts that are typically of a short tenure. 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.

(b) Objectives, policies and processes for managing risks

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

Short-duration life insurance risk concentration by geography is included in the tables below with reference to the carrying amount of the insurance contract liabilities arising from these contracts.

	2023 $'000	2022 $'000
Trinidad & Tobago	69,491	92,296
Other territories	18,300	8,964
	87,791	101,260

(c) Methods used to measure risks

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 conservative assumptions.

(d) Changes in assumptions

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

4. Management of Insurance and Financial Risk (continued)

4.1 Insurance risk (continued)

4.1.1 Short term Group life and Health contracts (continued)

(e) Sensitivity analysis

The following table presents information on how reasonably possible changes in assumptions made by the group with regard to underwriting risk variables impact profit or loss and equity before and after risk mitigation by reinsurance contracts held. These contracts are measured under the PAA, and thus, only the LIC component of insurance liabilities is sensitive to possible changes in underwriting risk variables.

	2023		2022	
	Profit or loss impact $'000	**Equity impact $'000**	**Profit or loss impact $'000**	**Equity impact $'000**
Worsening of unpaid claims and expenses - 5% increase				
- Net insurance contract liabilities	(5,739)	(4,870)	(7,020)	(5,964)
- Net reinsurance contract assets	3,061	2,602	2,254	1,916

4.1.2 Long-term insurance contracts

(a) Exposures to risks and how they arise

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.

(b) Objectives, policies and processes for managing risks

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.

4. Management of Insurance and Financial Risk (continued)

4.1 Insurance risk (continued)

4.1.2 Long-term insurance contracts (continued)

(b) Objectives, policies and processes for managing risks (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.

	2023 - Total benefits insured			
	Before reinsurance		After reinsurance	
Benefits assured per life	**$'000**	**%**	**TT$'000**	**%**
$'000				
0 - 250	21,104,878	23%	20,679,388	28%
251 - 500	26,928,437	30%	23,899,699	33%
501 - 1,000	23,987,939	26%	18,734,592	26%
1,001 - 3,000	13,593,309	15%	8,758,309	12%
3,001 and over	5,574,161	6%	1,127,297	1%
Total	91,188,724	100%	73,199,285	100%

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

	2022 - Total benefits insured			
	Before reinsurance		After reinsurance	
Benefits assured per life	**$'000**	**%**	**TT$'000**	**%**
$'000				
0 - 250	21,340,023	24%	20,880,812	30%
251 - 500	26,339,651	30%	23,163,241	33%
501 - 1,000	22,740,291	26%	17,288,139	25%
1,001 - 3,000	12,054,913	14%	7,329,246	11%
3,001 and over	5,240,289	6%	865,475	1%
Total	87,715,167	100%	69,526,913	100%

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.

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.

4. Management of Insurance and Financial Risk (continued)

4.1 Insurance risk (continued)

4.1.2 Long-term insurance contracts (continued)

(b) Objectives, policies and processes for managing risks (continued)

	Total annuities payable per annum			
	2023		2022	
	$'000	%	$'000	%
Annuity payable per annum per life $'000				
0 - 5,000	7,251	3.5%	7,164	3.8%
5,001 - 10,000	28,184	13.4%	25,396	13.4%
10,001 - 20,000	49,052	23.4%	43,833	23.2%
More than 20,000	125,277	59.7%	112,673	59.6%
Total	209,764	100.0%	189,066	100.0%

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

(c) Methods used to measure risks

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 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.

4. Management of Insurance and Financial Risk (continued)

4.1 Insurance risk (continued)

4.1.2 Long-term insurance contracts (continued)

(c) Methods used to measure risks (continued)

- **Mortality & morbidity** (continued)

  Assumptions and methods used to derive mortality and morbidity assumptions did not change during the year. The following assumptions were used:

Gender	Smoker Status	Mortality Table	% of table
As at 31 December 2023			
Male	Non-smoker	MNS 2010-2015	95-97%
	Smoker	MS 2010-2015	93-97%
Female	Non-smoker	FNS 2010-2015	94-97%
	Smoker	FS 2010-2015	93-96%
As at 31 December 2022			
Male	Non-smoker	MNS 2010-2015	95-97%
	Smoker	MS 2010-2015	93-97%
Female	Non-smoker	FNS 2010-2015	94-97%
	Smoker	FS 2010-2015	93-96%

  A possible increase in mortality rates increases estimates of future cash outflows and thus decreases the CSM. For a sensitivity analysis, refer to Note 4.1.2(d).

- **Terminations**

  Estimates of the amounts and timings of future benefit and premium payments are based on Group experience over extended periods. Terminations (lapses and surrenders) and variable premium assumptions vary by product type and policy duration.

- **Policy maintenance expense and inflation**

  Amounts are included in policyholders' liabilities to provide for the future costs of administering policies in force. Expenses comprise expenses directly attributable to the groups of contracts including an allocation of fixed and variable overheads. The expense base is determined from a review of current, recent and expected Group expense levels and allowance is made for future expense inflation.

4. Management of Insurance and Financial Risk (continued)

4.1 Insurance risk (continued)

4.1.2 Long-term insurance contracts (continued)

(c) Methods used to measure risks (continued)

- **Policy maintenance expense and inflation** (continued)

  Inflation rates are sourced from various international and regional economic journals and reports. These inflation rates assumed are summarised in the following table.

	2023	2022
Inflation rate	2.00%	2.0%

- **Tax**

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

(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. These 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.

	2023		2022	
Traditional life	**Impact on profit $'000**	**Impact on equity $'000**	**Impact on profit $'000**	**Impact on equity $'000**
+ 10% Worsening Mortality				
- Net Insurance contract liabilities/assets	(4,803)	(4,083)	(7,943)	(6,752)
- Net Reinsurance contract assets/liabilities	(6,125)	(5,206)	(7,058)	(5,999)
	(10,928)	(9,289)	(15,001)	(12,751)
+1% Increase in Interest rates				
- Net Insurance contract liabilities/assets	-	(31,219)	-	(35,933)
- Net Reinsurance contract assets/liabilities	537	3,211	(114)	1,962
	537	(28,008)	(114)	(33,971)

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)

	2023		2022	
Traditional life (continued)	**Impact on profit $'000**	**Impact on equity $'000**	**Impact on profit $'000**	**Impact on equity $'000**
+ 5% Worsening of base renewal expense level				
- Net Insurance contract liabilities/assets	(447)	(380)	(726)	(617)
- Net Reinsurance contract assets/liabilities	1	1	1	1
	(446)	(379)	(725)	(616)
+1% Worsening of expense inflation rate				
- Net Insurance contract liabilities/assets	(845)	(718)	(1,318)	(1,120)
- Net Reinsurance contract assets/liabilities	3	3	4	3
	(842)	(715)	(1,314)	(1,117)
Unit linked life				
+ 10% Worsening Mortality				
- Net Insurance contract liabilities/assets	(14,698)	(12,493)	(12,878)	(10,946)
- Net Reinsurance contract assets/liabilities	(4,093)	-	(4,426)	-
	(18,791)	(12,493)	(17,304)	(10,946)
+1% Increase in Interest Rates				
- Net Insurance contract liabilities/assets	(21,112)	(17,945)	8,697	7,392
- Net Reinsurance contract assets/liabilities	537	-	(114)	-
	(20,575)	(17,945)	8,583	7,392
+ 5% Worsening of base renewal expense level				
- Net Insurance contract liabilities/assets	(2,338)	(1,987)	(2,130)	(1,811)
- Net Reinsurance contract assets/liabilities	–	–	-	-
	(2,338)	(1,987)	(2,130)	(1,811)

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)

	2023		2022	
Unit linked life (continued)	**Impact on profit $'000**	**Impact on equity $'000**	**Impact on profit $'000**	**Impact on equity $'000**
+1% Worsening of expense inflation rate				
- Net Insurance contract liabilities/assets	(4,365)	(3,710)	(3,743)	(3,182)
- Net Reinsurance contract assets/liabilities	1	-	1	-
	(4,364)	(3,710)	(3,742)	(3,182)
Annuities				
+ 10% Worsening Mortality				
- Net Insurance contract liabilities/assets	(249)	(212)	(284)	(241)
- Net Reinsurance contract assets/liabilities	-	-	-	-
	(249)	(212)	(284)	(241)
+ 0.5% Improvement in annuitant mortality				
- Net Insurance contract liabilities/assets	(3,991)	(3,392)	(7,187)	(6,109)
- Net Reinsurance contract assets/liabilities	-	-	-	-
	(3,991)	(3,392)	(7,187)	(6,109)
-1% Lowering of investment returns				
- Net Insurance contract liabilities/assets	(15,906)	(99,044)	(34,609)	(213,766)
- Net Reinsurance contract assets/liabilities	-	-	-	-
	(15,906)	(99,044)	(34,609)	(213,766)
+5% Worsening of base renewal				
- Net Insurance contract liabilities/assets	(1,628)	(1,384)	(1,783)	(1,516)
- Net Reinsurance contract assets/liabilities	–	–	–	–
	(1,628)	(1,384)	(1,783)	(1,516)
+ 5% Worsening of base renewal expense level				
- Net Insurance contract liabilities/assets	(2,902)	(2,467)	(2,906)	(2,470)
- Net Reinsurance contract assets/liabilities	-	-	-	-
	(2,902)	(2,467)	(2,906)	(2,470)

4. Management of Insurance and Financial Risk (continued)

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 Committee ("EIC") and Actuarial departments of operating units 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.

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.

4.2.1 Market risk (continued)

(a) Currency risk

The Group takes on exposure to effects of fluctuations in the prevailing foreign currency rates on its financial position and cash flows. The Group's main operations are in the Caribbean. The main exposure to risks are in respect to the US dollar, Jamaican dollar, Euro and the British pound. The Group's strategy for dealing with foreign exchange risk is to offset, as far as possible, foreign currency liabilities with assets denominated in the same currency.

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

The tables below summarises the Group’s exposure to foreign currency exchange rate risk as at 31 December. 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	JMD $'000	GBP $'000	Euro $'000	BBD $'000	Other $'000	Total $'000
As at 31 December 2023								
Total assets	9,434,128	2,841,231	76,857	5	51,168	286,156	332,951	13,022,496
Total liabilities	10,704,662	49,239	329	–	–	157,259	29,391	10,940,880
	(1,270,534)	2,791,992	76,528	5	51,168	128,897	303,560	2,081,616
As at 31 December 2022								
Total assets	9,366,518	2,571,301	86,797	5,098	48,880	216,501	309,987	12,605,082
Total liabilities	10,292,663	45,284	4,531	–	–	145,323	11,415	10,499,216
	(926,145)	2,526,017	82,266	5,098	48,880	71,178	298,572	2,105,866

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	**USD**	**JMD**	**GBP**	**Euro**	**BBD**	**Other**
2023	1.3%	-3.6%	-2.1%	-4.0%	7.8%	0.7% to1.4%
2022	0.9%	-3.9%	-4.4%	-3.9%	3.5%	-0.4% to 1.8%

4. Management of Insurance and Financial Risk (continued)

4.2 Financial risk (continued)

4.2.1 Market risk (continued)

(a) Currency risk (continued)

	USD TT$'000	JMD TT$'000	GBP TT$'000	Euro TT$'000	BBD TT$'000	Other TT$'000	Total TT$'000
Impact on statement of income							
2023	30,646	–	–	–	–	–	30,646
2022	28,585	–	–	–	–	2	28,587
Impact on net equity							
2023	28,212	(25,898)	–	(2,047)	10,054	11,878	22,199
2022	17,541	(26,897)	(224)	(1,906)	2,491	4,500	(4,495)

The following table presents analysis of how a possible shift in market currency exchange rates might impact the insurance contract liability balances and the respective underlying assets, as well as the net impact on profit or loss and equity. Transactions or balances not within the scope of IFRS 17 are not subject to currency risk.

For the year 2023:	USD TT$'000	JMD TT$'000	GBP TT$'000	Euro TT$'000	BBD TT$'000	Other TT$'000	Total TT$'000
Impact on profit or loss							
- Insurance contract liability measured using VFA	(5,685)	–	–	–	(4,775)	–	(10,460)
- Underlying investment assets	–	–	–	–	–	–	–
- Net impact	(5,685)	–	–	–	(4,775)	–	(10,460)
Impact on equity							
- Insurance contract liability measured using VFA	(4,832)	–	–	–	(4,059)	–	(8,891)
- Underlying investment assets	1,512	(4,189)	(2,443)	(4,654)	9,075	5,701	5,002
- Net impact	(3,320)	(4,189)	(2,443)	(4,654)	5,016	5,701	(3,889)

4. Management of Insurance and Financial Risk (continued)

4.2 Financial risk (continued)

4.2.1 Market risk (continued)

(a) Currency risk (continued)

For the year 2022:	USD TT$'000	JMD TT$'000	GBP TT$'000	Euro TT$'000	BBD TT$'000	Other TT$'000	Total TT$'000
Impact on profit or loss							
- Insurance contract liability measured using VFA	(1,058)	–	–	–	(1,062)	–	(2,120)
- Underlying investment assets	–	–	–	–	–	–	–
- Net impact	(1,058)	–	–	–	(1,062)	–	(2,120)
Impact on equity							
- Insurance contract liability measured using VFA	(899)	–	–	–	(903)	–	(1,802)
- Underlying investment assets	798	(3,458)	(3,902)	(3,458)	3,103	(4,114)	(11,031)
- Net impact	(101)	(3,458)	(3,902)	(3,458)	2,200	(4,114)	(12,833)

(b) Interest rate risk

Underlying assets are those assets that are either contractually linked to the relevant insurance contracts or they are specifically used to back insurance contracts.

The analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions might be correlated. No changes were made by the Group in the methods and assumptions used in preparing the above analysis.

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.

4. Management of Insurance and Financial Risk (continued)

4.2 Financial risk (continued)

4.2.1 Market risk (continued)

(b) Interest rate risk (continued)

The following table presents analysis of how a possible shift in market interest rates might impact the balances of contracts within the scope of IFRS 17 and investment assets, as well as the net impact on profit or loss and equity. Insurance and reinsurance contracts measured under the GMM are moderately sensitive to changes in market interest rates due to the discounting of the future expected cash flows. Insurance contracts measured under the VFA are highly sensitive to changes in market interest rates due both to the discounting of the future expected cash flows, but also due to the impact on the expected performance of the underlying assets. The Group’s other financial assets and liabilities are not significantly sensitive to interest rates. For the sensitivity analysis, a 1% movement in interest rates was used for 2023 (2022 - 1%). The following table shows the estimated effect of an increase or decrease in the above rates on the profit or loss and equity.

	2023				2022			
	Profit or loss		Equity		Profit or loss		Equity	
	Net insurance contract liability $'000	Invest-ment securities $'000	Net insurance contract liability $'000	Invest-ment securities $'000	Net insurance contract liability $'000	Invest-ment securities $'000	Net insurance contract liability $'000	Invest-ment securities $'000
Increase in interest rates	37,018	(1,002)	148,208	(852)	25,912	(1,537)	242,306	(1,306)
Decrease in interest rates	(37,018)	933	(148,208)	793	(25,912)	1,498	(242,306)	1,273

The analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions might be correlated. No changes were made by the Group in the methods and assumptions used in preparing the above analysis.

(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.

4. Management of Insurance and Financial Risk (continued)

4.2 Financial risk (continued)

4.2.1 Market risk (continued)

(c) Other price risk (continued)

The following table presents analysis of how a possible shift in market equity prices might impact insurance contract balances and the respective underlying financial assets held, as well as the net impact on profit or loss and equity.

		2023				2022			
		Profit or loss		Equity		Profit or loss		Equity	
Stock exchanges and markets	**Change in Equity prices**	**Net insurance contract liability $'000**	**Invest-ment Securities $'000**	**Net insurance contract liability $'000**	**Invest-ment Securities $'000**	**Net insurance contract liability $'000**	**Invest-ment Securities $'000**	**Net insurance contract liability $'000**	**Invest-ment Securities $'000**
Trinidad and Tobago	2.5%	(36,481)	33,788	(31,009)	28,720	(30,105)	57,953	(25,589)	49,260
Jamaica	15.0%	–	5,006	–	4,255	–	6,167	–	5,242
Other	1% - 6.0%	–	59,450	–	50,533	–	23,560	–	20,026
		(36,481)	98,244	(31,009)	83,508	(30,105)	87,680	(25,589)	74,528

The analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions might be correlated. No changes were made by the Group in the methods and assumptions used in preparing the above analysis.

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. The EIC 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.

4. Management of Insurance and Financial Risk (continued)

4.2 Financial risk (continued)

4.2.2 Liquidity risk (continued)

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 investment contracts are at expected undiscounted cash flows. Insurance contract liabilities include both actual and expected contractual undiscounted cash flows as they relate to both the LRC and the LIC.

			Contractual/Expected Undiscounted Cash Flows					
As at 31 December 2023	**Carrying amount $'000**	**On demand $'000**	**1 years $'000**	**2 years $'000**	**3 years $'000**	**4 years $'000**	**5 years $'000**	**Over 5 years $'000**
Traditional life	523,907	1,912,870	(103,021)	(99,055)	(87,706)	(75,129)	(64,205)	1,095,975
Annuities	7,395,027	8,612,956	245,468	302,019	305,058	332,822	347,104	13,997,229
Unit linked life	1,474,315	2,131,663	39,155	65,073	77,154	113,923	122,299	3,957,047
Short term Group life and Health contracts	98,357	–	61,399	–	–	–	–	–
Reinsurance contract liabilities	820	–	10,196	9,355	10,163	9,613	9,766	146,281
Investment contracts	1,025,417	–	61,788	56,164	31,160	52,513	59,374	764,418
Medium-term borrowings	34,486	–	–	–	–	–	–	34,486
Lease liabilities	12,913	–	1,863	2,022	4,220	5,514	355	364
Other liabilities	149,678	–	149,678	–	–	–	–	–
	10,714,920	12,657,489	466,526	335,578	340,049	439,256	474,693	19,995,800
As at 31 December 2022								
Traditional life	518,837	1,872,058	(87,271)	(80,229)	(69,108)	(58,481)	(48,391)	712,487
Annuities	7,069,949	9,475,628	273,099	262,032	302,752	305,060	346,840	13,176,770
Unit linked life	1,275,445	2,026,576	18,555	51,294	58,109	78,650	95,861	3,935,811
Short term Group life and Health contracts	101,260	–	106,348	–	–	–	–	–
Reinsurance contract liabilities	8,717	–	8,120	7,717	6,287	6,557	8,087	117,342
Investment contracts	1,073,848	–	91,316	52,680	55,620	31,941	53,145	789,146
Medium-term borrowings	34,617	–	–	–	–	–	–	34,617
Lease liabilities	20,763		7,931	7,180	5,799	1,671	619	927
Other liabilities	155,068		155,068	–	–	–	–	–
	10,258,504	13,374,262	573,166	300,674	359,459	365,398	456,161	18,767,100

Short-term group life and health contracts issued and reinsurance contracts held have zero amounts payable on demand.

4. Management of Insurance and Financial Risk (continued)

4.2 Financial risk (continued)

4.2.2 Liquidity risk (continued)

For insurance contracts issued that are traditional life and annuities, the amount payable on demand represents the policyholders' cash surrender values less applicable surrender fees. For insurance contracts that are unit-linked, the amount payable on demand represents the policyholders' fund balances, plus cash surrender values, if any, less applicable surrender fees.

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 EIC sets credit limits and monitors exposure by constraining the magnitude and tenor of the exposure to counterparties and issuers. Some of the credit risk mitigation techniques include, where appropriate, the right to require initial collateral or margin, the right to terminate transactions, and the right to obtain collateral (including guarantees) should unfavourable events occur.

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

(a) Credit risk management and exposures for insurance and reinsurance assets

The Group has significant credit risk arising from reinsurance contracts held. Credit risk associated with future premium inflows from insurance contracts issued is mitigated by the Group's ability to terminate insurance contract services when policyholders fail to meet their premium payment obligations.

The Group structures the levels of credit risk arising from ceded reinsurance by incorporating limits into its reinsurance treaties on the maximum size of policy and maximum amount of benefits that can be provided per insured life. The Group does not seek to manage its credit risk via other characteristics such as limiting exposure to a single counterparty or groups of counterparties, given the relative size of the Group to its reinsurers.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Group's liability as the primary insurer. If a reinsurer fails to pay a claim for any reason, the Group remains liable for the payment to the policyholder.

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.

4. Management of Insurance and Financial Risk (continued)

4.2 Financial risk (continued)

4.2.3 Credit risk (continued)

(b) Assets bearing credit risk

Below is an analysis of assets bearing credit risk.

	Gross exposure		Net carrying amount	
	2023	**2022**	**2023**	**2022**
	$'000	**$'000**	**$'000**	**$'000**
Investment securities measured at fair value through profit or loss (excluding equity instruments)	5,123,612	4,388,674	5,123,612	4,388,674
Investment securities measured at amortised cost	3,169,695	3,063,481	3,156,841	3,051,383
Loans and receivables	232,305	226,952	185,686	185,195
Reinsurance contract assets	115,176	48,980	115,176	48,980
Due from related companies	61,962	60,350	61,950	60,339
Cash and cash equivalents	798,173	1,376,701	792,491	1,369,635
	9,500,923	9,165,138	9,435,756	9,104,206

(c) Credit quality of reinsurance and financial assets

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

AAA

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

AA

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

A

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

BBB

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

4. Management of Insurance and Financial Risk (continued)

4.2 Financial risk (continued)

4.2.3 Credit risk (continued)

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

Below BBB

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

Not Rated

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

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

		Lifetime ECL		
Investment securities measured at amortised cost	**12-month ECL $'000**	**Not credit impaired $'000**	**Credit impaired $'000**	**Total $'000**
As at 31 December 2023				
AA	94,087	–	–	94,087
A	21,782	–	–	21,782
BBB	2,583,996	–	–	2,583,996
Below BBB	425,772	31,104	12,954	469,830
Gross carrying amount	3,125,637	31,104	12,954	3,169,695
Loss allowance	(6,160)	(4,092)	(2,602)	(12,854)
Net carrying amount	3,119,477	27,012	10,352	3,156,841
As at 31 December 2022				
AA	33,314	–	–	33,314
A	21,148	–	–	21,148
BBB	2,481,004	–	–	2,481,004
Below BBB	465,776	47,732	14,507	528,015
Gross carrying amount	3,001,242	47,732	14,507	3,063,481
Loss allowance	(3,949)	(5,487)	(2,663)	(12,099)
Net carrying amount	2,997,293	42,245	11,844	3,051,382

4. Management of Insurance and Financial Risk (continued)

4.2 Financial risk (continued)

4.2.3 Credit risk (continued)

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

	12-month ECL $'000	Lifetime ECL Not credit impaired $'000	Lifetime ECL Credit impaired $'000	Total $'000
Loans and receivables				
As at 31 December 2023				
Below BBB	93,238	1,945	–	95,183
Not rated	–	98,619	38,503	137,122
Gross carrying amount	93,238	100,564	38,503	232,305
Loss allowance	(340)	(9,751)	(36,528)	(46,619)
Net carrying amount	92,898	90,813	1,975	185,686
As at 31 December 2022				
Below BBB	93,887	777	–	94,664
Not rated	–	97,597	34,691	132,288
Gross carrying amount	93,887	98,374	34,691	226,952
Loss allowance	(374)	(7,767)	(33,616)	(41,757)
Net carrying amount	93,513	90,607	1,075	185,195
Cash and cash equivalents				
As at 31 December 2023				
AAA	2,802	–	–	2,802
AA	61,987	–	–	61,987
BBB	227,936	–	–	227,936
Below BBB	346,651	–	–	346,651
Not rated	158,797	–	–	158,797
Gross carrying amount	798,173	–	–	798,173
Loss allowance	(5,682)	–	–	(5,682)
Net carrying amount	792,491	–	–	792,491

4. Management of Insurance and Financial Risk (continued)

4.2 Financial risk (continued)

4.2.3 Credit risk (continued)

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

Cash and cash equivalents (continued)	**12-month ECL**	**Total**
As at 31 December 2022		
A	44,540	44,540
BBB	541,570	541,570
Below BBB	618,715	618,715
Not rated	171,876	171,876
Gross carrying amount	1,376,701	1,376,701
Loss allowance	(7,066)	(7,066)
Net carrying amount	1,369,635	1,369,635

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

	AAA $'000	AA $'000	A $'000	BBB $'000	Below BBB $'000	Not rated $'000	Total $'000
As at 31 December 2023							
Investment securities at fair value through profit or loss (excluding equities)	–	195,181	3,179	3,907,668	1,008,026	9,558	5,123,612
Reinsurance assets	–	–	114,582	–	–	594	115,176
	–	195,181	117,761	3,907,668	1,008,026	10,152	5,238,788
As at 31 December 2022							
Investment securities at fair value through profit or loss (excluding equities)	–	158,374	3,045	2,943,560	1,274,574	9,121	4,388,674
Reinsurance assets	–	–	48,955	–	–	25	48,980
	–	158,374	52,000	2,943,560	1,274,574	9,146	4,437,654

4. Management of Insurance and Financial Risk (continued)

4.2 Financial risk (continued)

4.2.3 Credit risk (continued)

(d) Credit-impaired financial assets and collateral held

Assets that are credit-impaired and related collateral held in order to mitigate potential losses are shown below.

	Gross exposure $'000	Net carrying amount $'000	Fair value of collateral held $'000
As at 31 December 2023			
Investment securities measured at amortised cost	12,954	10,352	14,124
Loans and receivables	38,503	1,975	–
	51,457	12,327	14,124
As at 31 December 2022			
Investment securities measured at amortised cost	14,507	11,844	12,644
Loans and receivables	34,691	1,075	–
	49,198	12,919	12,644

(e) Loss allowance

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

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

4. Management of Insurance and Financial Risk (continued)

4.2 Financial risk (continued)

4.2.3 Credit risk (continued)

(e) Loss allowance

		Lifetime ECL		
Investment securities measured at amortised cost	**12-month ECL $'000**	**Not credit impaired $'000**	**Credit impaired $'000**	**Total $'000**
Year ended 31 December 2023				
Balance at beginning of year	3,949	5,487	2,663	12,099
New assets originated or purchased	1,607	–	–	1,607
Transfer to 12-month ECL	1,635	(1,635)	–	–
Remeasurements	(899)	240	(62)	(721)
Exchange rate adjustments	(132)	–	1	(131)
Balance at end of year	6,160	4,092	2,602	12,854
Contractual amounts outstanding on assets written off during the year but still subject to enforcement activity				–
Year ended 31 December 2022				
Balance at beginning of year	6,418	2,517	5,737	14,672
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)
Exchange rate adjustments	693	42	–	735
Balance at end of year	3,949	5,487	2,663	12,099
Contractual amounts outstanding on assets written off during the year but still subject to enforcement activity				–

4. Management of Insurance and Financial Risk (continued)

4.2 Financial risk (continued)

4.2.3 Credit risk (continued)

(e) Loss allowance (continued)

		Lifetime ECL		
Loans and receivables	**12-month ECL $'000**	**Not credit impaired $'000**	**Credit impaired $'000**	**Total $'000**
Year ended 31 December 2023				
Balance at beginning of year	374	7,767	33,616	41,757
New assets originated or purchased	55	–	–	55
Transfer to 12-month ECL	102	(102)	–	–
Transfer to lifetime ECL - not credit impaired	(1)	1	–	–
Remeasurements	(233)	4,435	2,912	7,114
Exchange rate adjustments	43	(2,350)	–	(2,307)
Balance at end of year	340	9,751	36,528	46,619
Contractual amounts outstanding on assets written off during the year but still subject to enforcement activity				–
Year ended 31 December 2022				
Balance at beginning of year	371	20,551	32,231	53,153
New assets originated or purchased	85	–	–	85
Assets derecognised (excluding write-offs)	(61)	(67)	–	(128)
Transfer to 12-month ECL	411	(411)	–	–
Transfer to lifetime ECL - not credit impaired	(2)	2	–	–
Remeasurements	(430)	(15,867)	1,385	(14,912)
Exchange rate adjustments	–	3,559	–	3,559
Balance at end of year	374	7,767	33,616	41,757
Contractual amounts outstanding on assets written off during the year but still subject to enforcement activity				–

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.

4. Management of Insurance and Financial Risk (continued)

4.2 Financial risk (continued)

4.2.3 Credit risk (continued)

(e) Loss allowance (continued)

Cash and cash equivalents (continued)

The impairment allowance on cash and cash equivalents as at 31 December 2023 is $5,682,000 (2022: $7,065,000). The Group recognised a net impairment gain of $1,363,000 for the year ended 31 December 2023 (2022: loss of $3,321,000).

Credit Risk - Economic Variable Assumptions

The most significant period-end assumptions used for the ECL estimate as at 31 December 2023 and 2022 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 table below for the ranges applied to each scenario for the two most significant assumptions. The weighting assigned to each scenario vary by jurisdiction.

	2023 Assumptions			**2022 Assumptions**		
Scenario	**GDP growth**	**Inflation**	**Weights**	**GDP growth**	**Inflation**	**Weigths**
Base	Stable	Positive	60%-70%	Stable	Positive	50%-65%
Optimistic	Positive	Positive	5%-25%	Positive	Positive	7.5%-40%
Pessimistic	Negative	Negative	10%-20%	Negative	Negative	5%-25%
Acute pessimistic	Negative	Negative	5%	Negative	Negative	5%-7.5%

4. Management of Insurance and Financial Risk (continued)

4.2 Financial risk (continued)

4.2.3 Credit risk (continued)

(e) 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 PDs used by the Group.

	Actual PDs applied		Change in PD	Impact on	
	2023	2022		2023 $'000	2022 $'000
Investment securities measured at amortised cost	0.094% - 32.104%	0.101% - 33.117%	+/- 20%	1,211	780
Loans and receivables	0.272% - 1.875%	0.216%	+/- 20%	167	2
Cash and cash equivalents	0.050% - 7.090%	0.0003%- 7.467%	+/- 20%	1,084	1,411
				2,462	2,193

(f) Financial assets subject to ECL

The following tables show an analysis of changes in the gross carrying amount of investment securities and loans and receivables subject to ECL.

		Lifetime ECL		
	12-month ECL	Not credit impaired	Credit impaired	Total
Investment securities measured at amortised cost				
Year ended 31 December 2023				
Balance at beginning of year	3,001,242	47,732	14,507	3,063,481
New assets originated or purchased	1,058,487	–	–	1,058,487
Assets derecognised (excluding write-offs)	(952,243)	(34)	–	(952,277)
Transfer to 12-month ECL	17,371	(17,371)	–	–
Transfer to lifetime ECL - not credit impaired	(1,164)	1,164	–	–
Other movements	2,295	(387)	173	2,081
Exchange rate adjustments	(351)	–	(1,726)	(2,077)
Balance at end of year	3,125,637	31,104	12,954	3,169,695

4. Management of Insurance and Financial Risk (continued)

4.2 Financial risk (continued)

4.2.3 Credit risk (continued)

(f) Financial assets subject to ECL (continued)

		Lifetime ECL		
Investment securities measured at amortised cost (continued)	**12-month ECL**	**Not credit impaired**	**Credit impaired**	**Total**
Year ended 31 December 2022				
Balance at beginning of year	2,780,545	22,883	14,374	2,817,802
New assets originated or purchased	1,013,613	–	–	1,013,613
Assets derecognised (excluding write-offs)	(765,034)	(28)	–	(765,062)
Transfer to lifetime ECL - not credit impaired	(24,171)	24,171	–	–
Other movements	(3,788)	706	389	(2,693)
Exchange rate adjustments	77	–	(256)	(179)
Balance at end of year	3,001,242	47,732	14,507	3,063,481
Loans and other receivables				
Year ended 31 December 2023				
Balance at beginning of year	93,887	98,374	34,691	226,952
New assets originated or purchased	12,384	8,797	3,812	24,993
Assets derecognised (excluding write-offs)	(16,660)	(10,785)	–	(27,445)
Transfer to 12-month ECL	1,940	(1,940)	–	–
Transfer to lifetime ECL - not credit impaired	(48)	48	–	–
Other movements	–	7,037	–	7,037
Exchange rate adjustments	1,735	(967)	–	768
Balance at end of year	93,238	100,564	38,503	232,305
Year ended 31 December 2022				
Balance at beginning of year	91,134	57,106	33,366	181,606
New assets originated or purchased	15,247	8,610	1,325	25,182
Assets derecognised (excluding write-offs)	(19,566)	(3,249)	–	(22,815)
Transfer to 12-month ECL	7,402	(7,402)	–	–
Transfer to lifetime ECL - not credit impaired	(330)	330	–	–
Other movements	–	42,877	–	42,877
Exchange rate adjustments	–	102	–	102
Balance at end of year	93,887	98,374	34,691	226,952

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

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

4. Management of Insurance and Financial Risk (continued)

4.2 Financial risk (continued)

4.2.3 Credit risk (continued)

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

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

	2023 $'000	2022 $'000
Financial services	1,025,417	1,891,903
Manufacturing	72,974	–
Real estate	723,093	734,802
Wholesale and retail trade	–	3,416
Public sector	6,925,869	5,983,867
Insurance and reinsurance	122,092	53,969
Utilities	–	16,999
Other industries	566,311	419,250
	9,435,756	9,104,206

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. 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 2023.

4. Management of Insurance and Financial Risk (continued)

4.2 Financial risk (continued)

4.2.4 Capital management (continued)

The table below summarises the minimum required capital across the main territories 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 subsidiary in each country subject to local regulatory requirements (current or prospective), which may differ from jurisdiction to jurisdiction.

	Minimum regulatory capital	
	2023	**2022**
	$'000	**$'000**
Guardian Life (OECS) Limited	2,612	3,273
Guardian Life of the Caribbean Limited	729,931	700,930

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 2023					
Balance at beginning of year	141,982	32,223	341	20,068	194,614
Revaluation loss	(3,994)	–	–	–	(3,994)
Additions	147	2,501	–	2,475	5,123
Disposals and adjustments	–	(10)	–	–	(10)
Depreciation charge	(4,513)	(9,151)	(70)	–	(13,734)
Exchange rate adjustments	(34)	(31)	(10)	–	(75)
Balance at end of year	133,588	25,532	261	22,543	181,924
At 31 December 2023					
Cost or valuation	197,446	193,091	1,261	22,543	414,341
Accumulated depreciation	(63,858)	(167,559)	(1,000)	–	(232,417)
Balance at end of year	133,588	25,532	261	22,543	181,924
Year ended 31 December 2022					
Balance at beginning of year	141,821	38,978	48	12,531	193,378
Revaluation surplus	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)
Exchange rate adjustments	(1)	134	–	–	133
Balance at end of year	141,982	32,223	341	20,068	194,614
At 31 December 2022					
Cost or valuation	201,468	190,986	1,306	20,068	413,828
Accumulated depreciation	(59,486)	(158,763)	(965)	–	(219,214)
Balance at end of year	141,982	32,223	341	20,068	194,614

The following are the dates of the last valuation of properties in the Group:

Guardian Life of the Caribbean Limited - September 2023

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 $13,734,000 (2022 - $15,219,000) has been charged in operating expenses.

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

	2023 $'000	2022 $'000
Cost	192,383	192,237
Accumulated depreciation	(117,690)	(118,106)
Net book value	74,693	74,131

6. Leases

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

(a) Right-of-use assets	Leasehold properties $'000	Motor vehicles $'000	Total $'000
Year ended 31 December 2023			
Balance at beginning of year	12,873	1,682	14,555
Additions	–	786	786
Disposals and adjustments	–	(146)	(146)
Modification of lease term	(2,540)	–	(2,540)
Depreciation charge	(3,001)	(708)	(3,709)
Exchange rate adjustments	(179)	–	(179)
Balance at end of year	7,153	1,614	8,767
At 31 December 2023			
Cost	26,390	5,003	31,393
Accumulated depreciation	(19,237)	(3,389)	(22,626)
Balance at end of year	7,153	1,614	8,767

6. Leases (continued)

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

(b) Lease liabilities	**2023 $'000**	**2022 $'000**
Balance at beginning of year	20,763	21,070
Additions	787	6,166
Interest expense (Note 28)	1,219	1,777
Lease payments	(7,039)	(7,577)
Effect of modification to lease terms	(2,699)	(656)
Exchange rate adjustments	(118)	(17)
Balance at end of year	12,913	20,763
Current	5,204	6,521
Non-current	7,709	14,242
	12,913	20,763

(c) Amounts recognised in the consolidated statement of income

Interest expense on lease liabilities	1,219	1,777
Depreciation charge of right-of-use assets	3,709	5,142
Expense relating to short-term leases	8,448	6,373
	13,376	13,292

6. Leases (continued)

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

The Group had total cash outflows for leases of $15,237,000 in 2023 (2022: $13,952,000).

7. Investment properties

	2023 $'000	2022 $'000
Investment properties	870,680	832,282
Balance at beginning of year	832,282	788,158
Additions	231	5,116
Fair value adjustments (Notes 23, 30)	50,710	32,161
Exchange rate adjustments	(12,543)	6,847
Balance at end of year	870,680	832,282
Residential properties	149,141	148,720
Commercial properties	721,539	683,562
	870,680	832,282
Rental income	47,968	43,248
Operating expenses incurred in respect of investment properties that generated rental income during the year	2,619	2,093
Operating expenses incurred in respect of investment properties that did not generate rental income during the year	2,516	576

Valuations are conducted by external valuators. All valuators are accredited, specializing in the valuation of commercial, residential and 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 throughout the Group range from 7.5% to 10.5% (2022: 7.5% to 10.5%) as deemed most appropriate by the valuators in the respective territories.

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 valuators, range from 7.5% to 10.5% (2022: 7.5% to 10.5%) across the Group.

No investment property in the Group is subject to any liens or mortgages and the Group has no restrictions 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:

	2023 $'000	2022 $'000
Within one year	27,769	37,268

8. Investment securities

	2023		2022	
	Carrying value $'000	Fair value $'000	Carrying value $'000	Fair value $'000
Investment securities	10,564,884	10,596,318	9,646,964	9,612,203
Investment securities of mutual fund unit holders	106,072	106,072	97,444	97,444
	10,670,956	10,702,390	9,744,408	9,709,647
Investment securities mandatorily measured at fair value through profit or loss (FVPL-M)	7,514,115	7,514,115	6,693,025	6,693,025
Investment securities measured at amortised cost (AC)	3,156,841	3,188,275	3,051,383	3,016,622
Total investment securities	10,670,956	10,702,390	9,744,408	9,709,647

8. Investment securities (continued)

	Carrying value		Fair value
	FVPL-M	**AC**	**AC**
	2023	**2023**	**2023**
	$'000	**$'000**	**$'000**
Equity securities:			
- Listed	2,053,088	–	–
- Unlisted	204,445	–	–
	2,257,533	–	–
Debt securities:			
- Government securities	4,510,338	2,541,557	2,550,941
- Debentures and corporate bonds	555,836	513,616	522,817
	5,066,174	3,055,173	3,073,758
Deposits (more than 90 days)	203	35,949	35,945
Other	132,970	39,837	39,836
	133,173	75,786	75,781
	7,456,880	3,130,959	3,149,539
Interest receivable	57,235	38,736	38,736
Loss allowance	–	(12,854)	–
	7,514,115	3,156,841	3,188,275
Current	372,126	289,623	
Non-current	7,141,989	2,867,218	
	7,514,115	3,156,841	

There were no investment securities pledged as collateral in 2023 (2022: nil).

8. Investment securities (continued)

	Carrying Value		Fair value
	FVPL-M 2022 $'000	**AC 2022 $'000**	**AC 2022 $'000**
Equity securities:			
- Listed	1,987,512	–	–
- Unlisted	190,802	–	–
	2,178,314	–	–
Debt securities:			
- Government securities	3,680,422	2,461,254	2,424,575
- Debentures and corporate bonds	477,790	450,132	439,953
	4,158,212	2,911,386	2,864,528
Deposits (more than 90 days)	172,010	115,428	115,427
Other	126,037	–	–
	298,047	115,428	115,427
	6,634,573	3,026,814	2,979,955
Interest receivable	58,452	36,668	36,667
Loss allowance	–	(12,099)	–
	6,693,025	3,051,383	3,016,622
Current	421,984	330,679	
Non-current	6,271,041	2,720,704	
	6,693,025	3,051,383	

8. Investment securities (continued)

For insurance contracts measured using the VFA, the fair value of the financial assets by product line is as follows:

	Annuities 2023 $'000	Unit linked life 2023 $'000	Annuities 2022 $'000	Unit linked life 2022 $'000
Equity securities:				
- Listed	1,543,586	346,212	1,516,799	341,163
- Unlisted	56,490	9,575	60,459	9,045
	1,600,076	355,787	1,577,258	350,208
Debt securities:				
- Government securities	3,033,798	1,428,181	2,494,230	1,116,864
- Debentures and corporate bonds	380,165	194,469	324,095	137,970
	3,413,963	1,622,650	2,818,325	1,254,834
Deposits (more than 90 days)	–	223	92,132	79,878
Other	–	–	–	–
	–	223	92,132	79,878
	5,014,039	1,978,660	4,487,715	1,684,920
Interest receivable	38,351	18,444	38,036	18,140
Loss allowance	–	–	–	–
	5,052,390	1,997,104	4,525,751	1,703,060
Current	–	203	92,132	79,878
Non-current	5,052,390	1,996,901	4,433,619	1,623,182
	5,052,390	1,997,104	4,525,751	1,703,060

9. Loans and receivables

	2023 $'000	2022 $'000
Mortgage loans	108,090	111,752
Commercial and other loans	7,474	7,981
Interest receivable	521	672
Other receivables	116,220	106,547
Due from related companies (Note 35)	61,950	60,339
Loss allowance	(46,619)	(41,757)
	247,636	245,534
Current	143,320	140,484
Non-current	104,316	105,050
	247,636	245,534

The carrying amounts of loans and receivables are reasonable approximations of their fair values. There were no loans and receivables pledged as collateral for liabilities at year end (2022: nil).

10. 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)	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Fair value of pension plan assets	62,663	55,330	300,528	290,638	363,191	345,968
Less: Present value of funded obligations	(57,715)	(48,715)	(311,839)	(313,990)	(369,554)	(362,705)
	4,948	6,615	(11,311)	(23,352)	(6,363)	(16,737)

10. Pension plan assets/liabilities (continued)

	2023 $'000	**2022 $'000**
The amount in the consolidated statement of income is made up as follows:		
Net interest expense	(760)	(1,185)
Current service cost	(12,230)	(12,272)
Past service cost	(444)	–
Administration expenses	(963)	(643)
Total pension cost (Note 27)	(14,397)	(14,100)

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

	2023 $'000	2022 $'000
Actuarial gains and losses arising during the period from:		
- changes in financial assumptions	7,832	12,982
- experience adjustment	(1,045)	(13,819)
	6,787	(837)

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

	2023 $'000	2022 $'000
Balance at beginning of year	345,968	338,620
Administration expenses	(963)	(643)
Benefit payments	(15,580)	(13,838)
Company contributions	18,010	17,662
Contributions by plan participants	357	297
Remeasurement arising from experience adjustment	(9,079)	(18,971)
Interest income	24,766	22,850
Exchange rate adjustments	(288)	(9)
Balance at end of year	363,191	345,968

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

	2023 $'000	2022 $'000
Balance at beginning of year	362,705	358,080
Current service cost	12,230	12,272
Interest cost	25,526	24,035
Past service cost	444	–
Contributions by plan participants	357	297
Remeasurement arising from changes in financial assumptions	(7,832)	(12,982)
Remeasurement arising from experience adjustment	(8,034)	(5,152)
Benefits paid	(15,580)	(13,838)
Exchange rate adjustments	(262)	(7)
Balance at end of year	369,554	362,705

10. Pension plan assets/liabilities (continued)

The principal actuarial assumptions used for accounting purposes were:

	2023	2022
Discount rates	5.60% -7.60%	5.70% -10.80%
Future salary increases	4.60% - 5.30%	4.60% - 5.00%
Post-retirement mortality	GAM94/NIS2012	GAM94/NIS2012
Pre-retirement mortality	GAM94/NIS2012	GAM94/NIS2012
Withdrawal from service	Yes	Yes
Future pension increases	3.50%	3.50%
Proportion of employees opting for early retirement	None	None
Life expectancy of pensioners at the age of 65 - male	17.4-18.3	17.3-18.3
Life expectancy of pensioners at the age of 65 - female	21.8-22.2	21.8-22.1

The actual return on plan assets was $15,688,000 (2022: $3,878,000).

	2023		2022	
Pension plan assets are comprised as follows:	$'000	%	$'000	%
Equity securities				
- Trinidad and Tobago	89,256	24.6%	94,483	27.3%
- Non-Caribbean	16,178	4.5%	14,121	4.1%
Government securities				
- Trinidad and Tobago	116,575	32.1%	108,316	31.3%
Corporate bonds				
- Trinidad and Tobago	27,472	7.6%	29,787	8.6%
- Non-Caribbean	5,314	1.5%	6,921	2.0%
Cash and cash equivalents	13,697	3.8%	9,438	2.7%
Property	28,584	7.9%	24,155	7.0%
Other	66,115	18.0%	58,747	17.0%
	363,191	100.0%	345,968	100.0%

The defined benefit plan assets as at 31 December 2023 include investments in the Group's managed mutual funds of $11,065,000 (2022: $10,807,000). Included in the plan's assets is a property with a fair value of $44,050,000 (2022: $37,050,000), 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 2024 are $16,726,000.

The duration of the defined benefit plans obligation at the end of the reporting period is 12.5 to 20.7 years (2022: 13.0 to 19.5 years).

10. Pension plan assets/liabilities (continued)

A quantitative sensitivity analysis for significant assumptions as at 31 December 2023 is shown below:

	Impact on the net defined benefit	
	Increase $'000	Decrease $'000
1% increase/decrease in discount rate	(38,304)	47,476
1% increase/decrease in future salary increases	11,317	(10,001)
1% increase/decrease in future pension increases	26,811	(23,021)
Life expectancy increase/decrease by 1 year - male	2,656	(2,749)
Life expectancy increase/decrease by 1 year - female	6,140	(6,300)

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.

11. Deferred taxation

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

	2023 $'000	2022 $'000
Deferred tax assets:		
- To be recovered after more than 12 months	18,112	23,100
- To be recovered within 12 months	107	100
	18,219	23,200
Deferred tax liabilities:		
- Crystallizing after more than 12 months	(25,521)	(22,945)
- Crystallizing within 12 months	(7)	(17)
	(25,528)	(22,962)
Net deferred tax liability	(7,309)	238

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.

11. Deferred taxation (continued)

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

	2023 $'000	2022 $'000
Balance at beginning of year	238	(8,210)
(Charged)/credited to:		
- statement of income (Note 29)	(6,518)	8,424
- other comprehensive income	(1,019)	22
Exchange rate adjustments	(10)	2
Balance at end of year	(7,309)	238

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

		Credited/(charged) to			
	Balance at beginning of year $'000	Statement of income $'000	Other comprehensive income $'000	Exchange rate adjustment $'000	Balance at end year $'000
For the year ended 31 December 2023					
Accelerated tax depreciation	(1,995)	2,328	–	–	333
Investments at fair value through profit or loss	(18,808)	(5,245)	–	–	(24,053)
Investments at fair value through other comprehensive income	213	–	11	(5)	219
Allowance for expected credit losses	3,415	(189)	–	–	3,226
Other	17,413	(3,413)	(1,030)	(4)	12,966
	238	(6,519)	(1,019)	(9)	(7,309)
For the year ended 31 December 2022					
Accelerated tax depreciation	(1,290)	(708)	–	3	(1,995)
Investments at fair value through profit or loss	(32,421)	13,613	–	–	(18,808)
Investments at fair value through other		–	–	–	
comprehensive income	43	–	168	2	213
Allowance for expected credit losses	7,290	(3,870)	–	(5)	3,415
Other	18,168	(611)	(146)	2	17,413
	(8,210)	8,424	22	2	238

12. Insurance contracts

12.1 Composition of the consolidated statement of financial position

As at 31 December 2023	Traditional life $'000	Annuities $'000	Unit linked life $'000	Short term Group life and Health contracts $'000	Total $'000
Net Insurance contract liabilities					
Insurance contract liabilities excluding insurance acquisition cash flows assets and other pre-recognition cash flows	462,568	7,395,027	1,474,315	87,791	9,419,701
As represented by:					
- Insurance contract liability	523,907	7,395,027	1,474,315	98,357	9,491,606
- Insurance contract asset	(61,339)	–	–	(10,566)	(71,905)
	462,568	7,395,027	1,474,315	87,791	9,419,701
As at 31 December 2022					
Net Insurance contract liabilities					
Insurance contract liabilities excluding insurance acquisition cash flows assets and other	441,588	7,069,949	1,275,445	101,260	8,888,242
As represented by:					
- Insurance contract liability	518,837	7,069,949	1,275,445	110,209	8,974,440
- Insurance contract asset	(77,249)	–	–	(8,949)	(86,198)
	441,588	7,069,949	1,275,445	101,260	8,888,242

Insurance contract liability	2023 $'000	2022 $'000
Current portion	310,733	370,145
Non-current portion	9,180,873	8,604,295
	9,491,606	8,974,440
Insurance contract asset		
Current portion	25,073	27,218
Non-current portion	46,832	58,980
	71,905	86,198

12. Insurance contracts (continued)

12.1 Composition of the consolidated statement of financial position (continued)

Net Reinsurance contract assets	**Long-term business $'000**	**Short term Group life and Health contracts $'000**	**Total $'000**
As at 31 December 2023			
Reinsurance contract assets excluding other pre-recognition cash flows	48,906	65,450	114,356
As represented by:			
- Reinsurance contract liability	(751)	(69)	(820)
- Reinsurance contract asset	49,657	65,519	115,176
	48,906	65,450	114,356
As at 31 December 2022			
Reinsurance contract assets excluding other pre-recognition cash flows	(2,474)	42,737	40,263
As represented by:			
- Reinsurance contract liability	(8,096)	(621)	(8,717)
- Reinsurance contract asset	5,622	43,358	48,980
	(2,474)	42,737	40,263

	2023 $'000	**2022 $'000**
Reinsurance contract liability		
Current portion	108	1,047
Non-current portion	712	7,670
	820	8,717
Reinsurance contract asset		
Current portion	67,608	43,654
Non-current portion	47,568	5,326
	115,176	48,980

12. Insurance contracts (continued)

12.2 Insurance revenue and expenses

12.2.1 Insurance revenue and insurance service result

For the year ended 31 December 2023	Traditional life $'000	Annuities $'000	Unit linked life $'000	Short term Group life and Health contracts $'000	Total $'000
Insurance revenue					
Amounts relating to the charges in the LRC:					
- Expected incurred claims and other directly attributable expenses	42,512	252,499	176,243	–	471,254
- Change in the risk adjustment for non-financial risk for the risk expired	9,256	8,497	27,241	–	44,994
- CSM recognised for the services provided	18,511	51,155	64,875	–	134,541
- Insurance acquisition cash flows recovery	11,470	7,607	24,184	–	43,261
Insurance revenue from contracts not measured under the PAA	81,749	319,758	292,543	–	694,050
Insurance revenue from contracts measured under the PAA	–	–	–	689,057	689,057
Total insurance revenue	81,749	319,758	292,543	689,057	1,383,107
Insurance service expenses					
Incurred claims and other directly attributable expenses	(66,585)	(225,673)	(311,280)	(623,367)	(1,226,905)
Changes that relate to past service – changes in the FCF relating to the LIC	–	–	–	29,752	29,752
Losses on onerous contracts and reversal of those losses	(1,901)	(66,014)	(3,261)	–	(71,176)
Insurance acquisition cash flows amortisation	(11,470)	(7,607)	(24,184)	(97,595)	(140,856)
Total insurance service expenses	(79,956)	(299,294)	(338,725)	(691,210)	(1,409,185)

12. Insurance contracts (continued)

12.2 Insurance revenue and expenses (continued)

12.2.1 Insurance revenue and insurance service result (continued)

For the year ended 31 December 2023 (continued)	**Traditional life $'000**	**Annuities $'000**	**Unit linked life $'000**	**Short term Group life and Health contracts $'000**	**Total $'000**
Net income/(expenses) from reinsurance contracts held					
Amounts relating to the changes in the remaining coverage:					
- Expected incurred claims and other directly attributable expenses recovery	(55,038)	–	–	–	(55,038)
- Change in the risk adjustment for non-financial risk for the risk expired	(3,910)	–	–	–	(3,910)
- CSM recognised for the services received	(3,118)	–	–	–	(3,118)
Reinsurance expenses - contracts not measured under PAA	(62,066)	–	–	–	(62,066)
Reinsurance expenses - contracts measured under the PAA	–	–	–	(57,065)	(57,065)
Other incurred directly attributable expenses	(2,310)	–	–	(765)	(3,075)
Incurred claims recovery	214,928	–	–	51,409	266,337
Changes that relate to past service – changes in the FCF relating to incurred claims recovery	–	–	–	(1,641)	(1,641)
Reinsurance contracts held under the GMM: Reversals of a loss-recovery component other than changes in the FCF of reinsurance contracts held	18	–	–	–	18
Total net income/(expenses) from reinsurance contracts held	150,570	–	–	(8,062)	142,508
Total insurance service result	152,363	20,464	(46,182)	(10,215)	116,430

12. Insurance contracts (continued)

12.2 Insurance revenue and expenses (continued)

12.2.1 Insurance revenue and insurance service result (continued)

For the year ended 31 December 2022	Traditional life $'000	Annuities $'000	Unit linked life $'000	Short term Group life and Health contracts $'000	Total $'000
Insurance revenue					
Amounts relating to the charges in the LRC:					
- Expected incurred claims and other directly attributable expenses	36,559	228,222	154,531	–	419,312
- Change in the risk adjustment for non-financial risk for the risk expired	7,874	9,991	28,353	–	46,218
- CSM recognised for the services provided	8,586	67,851	75,425	–	151,862
Insurance acquisition cash flows recovery	1,546	1,087	220	–	2,853
Insurance revenue from contracts not measured under the PAA	54,565	307,151	258,529	–	620,245
Insurance revenue from contracts measured under the PAA	–	–	–	624,184	624,184
Total insurance revenue	54,565	307,151	258,529	624,184	1,244,429
Insurance service expenses					
Incurred claims and other directly attributable	(61,421)	(212,173)	(201,944)	(523,552)	(999,090)
Changes that relate to past service – changes in the FCF relating to the LIC	–	–	–	20,424	20,424
Losses on onerous contracts and reversal of those losses	(2,620)	(44,328)	(658)	–	(47,606)
Insurance acquisition cash flows amortisation	(1,546)	(1,087)	(220)	(72,129)	(74,982)
Total insurance service expenses	(65,587)	(257,588)	(202,822)	(575,257)	(1,101,254)

12. Insurance contracts (continued)

12.2 Insurance revenue and expenses (continued)

12.2.1 Insurance revenue and insurance service result (continued)

For the year ended 31 December 2022 (continued)	**Traditional life**	**Annuities**	**Unit linked life**	**Short term Group life and Health contracts**	**Total**
Net income/(expenses) from reinsurance contracts held	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Amounts relating to the changes in the remaining coverage:					
- Expected incurred claims and other directly attributable expenses recovery	(52,326)	–	–	–	(52,326)
- Change in the risk adjustment for non-financial risk for the risk expired	(3,986)	–	–	–	(3,986)
- CSM recognised for the services received	251	–	–	–	251
Reinsurance expenses - contracts not measured under PAA	(56,061)	–	–	–	(56,061)
Reinsurance expenses - contracts measured under the PAA		–	–	(60,357)	(60,357)
Other incurred directly attributable expenses	(3,539)	–	–	(1,150)	(4,689)
Incurred claims recovery	62,863	–	–	45,392	108,255
Changes that relate to past service – changes in the FCF relating to incurred claims recovery	–	–	–	(1,002)	(1,002)
Total net income/(expenses) from reinsurance contracts held	3,263	–	–	(17,117)	(13,854)
Total insurance service result	(7,759)	49,563	55,707	31,810	129,321

12. Insurance contracts (continued)

12.2 Insurance revenue and expenses (continued)

12.2.2 Amounts determined on transition to IFRS 17

For insurance contracts measured under the GMM and/or the VFA, an analysis of insurance revenue for insurance contracts issued and the CSM by transition method is included in the following tables. Insurance contracts measured under the PAA are not included in these tables because the Company applied the full retrospective approach to such contracts (refer to Note 2.1 (a)).

	2023			
Insurance contracts issued	**Traditional life $'000**	**Annuities $'000**	**Unit linked life $'000**	**Total $'000**
Insurance revenue				
- New contracts and contracts measured under the full retrospective approach at transition	35,502	12,643	52,218	100,363
- Contracts measured under the fair value approach at transition	46,247	307,115	240,325	593,687
	81,749	319,758	292,543	694,050
CSM as at 31 December				
- New contracts and contracts measured under the full retrospective approach at transition	117,903	77,201	69,216	264,320
- Contracts measured under the fair value approach at transition	42,737	945,224	593,976	1,581,937
	160,640	1,022,425	663,192	1,846,257
Reinsurance contracts held				
CSM as at 31 December				
- New contracts and contracts measured under the full retrospective approach at transition	(113)	–	–	(113)
- Contracts measured under the fair value approach at transition	(47,170)	–	–	(47,170)
	(47,283)	–	–	(47,283)

12. Insurance contracts (continued)

12.2 Insurance revenue and expenses (continued)

12.2.2 Amounts determined on transition to IFRS 17 (continued)

	2022			
	Traditional life $'000	**Annuities $'000**	**Unit linked life $'000**	**Total $'000**
Insurance contracts issued				
Insurance revenue				
- New contracts and contracts measured under the full retrospective approach at transition	10,900	6,645	20,410	37,955
- Contracts measured under the fair value approach at transition	43,665	300,506	238,119	582,290
	54,565	307,151	258,529	620,245
CSM as at 31 December				
- New contracts and contracts measured under the full retrospective approach at transition	44,472	28,655	23,046	96,173
- Contracts measured under the fair value approach at transition	39,543	584,948	594,643	1,219,134
	84,015	613,603	617,689	1,315,307
Reinsurance contracts held				
CSM as at 31 December				
- Contracts measured under the fair value approach at transition	2,422	–	–	2,422

12. Insurance contracts (continued)

12.2 Insurance revenue and expenses (continued)

12.2.3 Expected recognition of the contractual service margin

An analysis of the expected recognition of the CSM remaining at the end of the reporting period in profit or loss is provided in the following table:

	Insurance contracts issued			
Number of years until expected to be recognised	**Traditional life $'000**	**Annuities $'000**	**Unit linked life $'000**	**Total CSM for insurance contracts issued $'000**
As at 31 December 2023				
Up to 1 year	22,443	73,105	75,278	170,826
1 to 3 years	34,793	126,753	126,969	288,515
3 to 5 years	25,429	102,280	100,895	228,604
5 to 15 years	77,975	720,287	360,050	1,158,312
Total	160,640	1,022,425	663,192	1,846,257
As at 31 December 2022				
Up to 1 year	12,647	63,116	70,260	146,023
1 to 3 years	19,443	110,357	118,762	248,562
3 to 5 years	13,831	89,530	94,157	197,518
5 to 15 years	38,094	350,600	334,510	723,204
Total	84,015	613,603	617,689	1,315,307

	Reinsurance contracts held - Long-term	
Number of years until expected to be recognised	**2023 $'000**	**2022 $'000**
As at 31 December 2023		
Up to 1 year	(6,038)	478
1 to 3 years	(9,846)	792
3 to 5 years	(7,508)	601
5 to 15 years	(23,891)	551
Total	(47,283)	2,422

12. Insurance contracts (continued)

12.3 Traditional life - Insurance contracts issued

12.3.1 Reconciliation of the liability for remaining coverage and the liability for incurred claims

	LRC			
For the year ended 31 December 2023	**Excluding loss component**	**Loss component**	**LIC**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Opening insurance contract liabilities	54,647	21	464,169	518,837
Opening insurance contract asset	(111,331)	3,465	30,617	(77,249)
Net balance at 1 January	(56,684)	3,486	494,786	441,588
Insurance revenue	(81,749)	–	–	(81,749)
Insurance service expenses				
Incurred claims and other directly attributable expenses	–	(717)	67,302	66,585
Losses on onerous contracts and reversal of those losses	–	1,901	–	1,901
Insurance acquisition cash flows amortisation	11,470	–	–	11,470
Insurance service expenses	11,470	1,184	67,302	79,956
Insurance service result	(70,279)	1,184	67,302	(1,793)
Finance (income)/expenses from insurance contracts issued	(5,380)	116	–	(5,264)
Total amounts recognised in comprehensive income	(75,659)	1,300	67,302	(7,057)
Investment components	2,942	–	(2,942)	–
Cash flows				
Premiums received	143,874	–	–	143,874
Claims and other directly attributable expenses paid	–	–	(55,069)	(55,069)
Insurance acquisition cash flows	(61,141)	–	–	(61,141)
Total cash flows	82,733	–	(55,069)	27,664
Exchange rate adjustments	562	(9)	(180)	373
Net balance as at 31 December	(46,106)	4,777	503,897	462,568
Closing insurance contract liabilities	58,320	122	465,465	523,907
Closing insurance contract assets	(104,426)	4,655	38,432	(61,339)
Net balance as at 31 December	(46,106)	4,777	503,897	462,568

GUARDIAN LIFE OF THE CARIBBEAN LIMITED GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023
Expressed in Trinidad and Tobago Dollars
(Continued)

12. Insurance contracts (continued)

12.3 Traditional life - Insurance contracts issued (continued)

12.3.1 Reconciliation of the liability for remaining coverage and the liability for incurred claims (continued)

	LRC			
For the year ended 31 December 2022	**Excluding loss component**	**Loss component**	**LIC**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Opening insurance contract liabilities	(73,782)	–	489,989	416,207
Opening insurance contract asset	–	–	–	–
Net balance at 1 January	(73,782)	–	489,989	416,207
Insurance revenue	(54,565)	–	–	(54,565)
Insurance service expenses				
Incurred claims and other directly attributable expenses	–	862	60,559	61,421
Losses on onerous contracts and reversal of those losses	–	2,620	–	2,620
Insurance acquisition cash flows amortisation	1,546	–	–	1,546
Insurance service expenses	1,546	3,482	60,559	65,587
Insurance service result	(53,019)	3,482	60,559	11,022
Finance (income)/expenses from insurance contracts issued	57	5	–	62
Total amounts recognised in comprehensive income	(52,962)	3,487	60,559	11,084
Investment components	2,117	–	(2,117)	–
Cash flows				
Premiums received	114,559	–	–	114,559
Claims and other directly attributable expenses paid	–	–	(53,632)	(53,632)
Insurance acquisition cash flows	(46,647)	–	–	(46,647)
Total cash flows	67,912	–	(53,632)	14,280
Exchange rate adjustments	31	(1)	(13)	17
Net balance as at 31 December	(56,684)	3,486	494,786	441,588
Closing insurance contract liabilities	54,647	21	464,169	518,837
Closing insurance contract assets	(111,331)	3,465	30,617	(77,249)
Net balance as at 31 December	(56,684)	3,486	494,786	441,588

12. Insurance contracts (continued)

12.3 Traditional life - Insurance contracts issued (continued)

12.3.2 Reconciliation of the measurement components of insurance contract balances

For the year ended 31 December 2023	Present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
	$'000	$'000	$'000	$'000
Opening insurance contract liabilities	508,995	398	9,444	518,837
Opening insurance contract asset	(191,794)	39,974	74,571	(77,249)
Net balance at 1 January	317,201	40,372	84,015	441,588
Changes that relate to current service				
CSM recognised for the services provided	–	–	(18,511)	(18,511)
Change in the risk adjustment for non-financial risk for the risk expired	–	(9,256)	–	(9,256)
Experience adjustments – relating to insurance service expenses	24,073	–	–	24,073
	24,073	(9,256)	(18,511)	(3,694)
Changes that relate to future service				
Changes in estimates that adjust the CSM	(14,825)	4,945	9,880	–
Changes in estimates that result in onerous contract losses or reversal of losses	1,721	(367)	–	1,354
Contracts initially recognised in the period	(95,801)	15,934	80,414	547
	(108,905)	20,512	90,294	1,901
Insurance service result	(84,832)	11,256	71,783	(1,793)
Finance (income)/expenses from insurance contracts issued	(10,238)	1,363	3,611	(5,264)
Total amounts recognised in comprehensive income	(95,070)	12,619	75,394	(7,057)
Cash flows				
Premiums received	143,874	–	–	143,874
Claims and other directly attributable expenses paid	(55,069)	–	–	(55,069)
Insurance acquisition cash flows	(61,141)	–	–	(61,141)
Total cash flows	27,664	–	–	27,664
Exchange rate adjustments	(1,780)	922	1,231	373
Net balance as at 31 December	248,015	53,913	160,640	462,568
Closing insurance contract liabilities	509,593	457	13,857	523,907
Closing insurance contract assets	(261,578)	53,456	146,783	(61,339)
Net balance as at 31 December	248,015	53,913	160,640	462,568

12. Insurance contracts (continued)

12.3 Traditional life - Insurance contracts issues (continued)

12.3.2 Reconciliation of the measurement components of insurance contract balances (continued)

For the year ended 31 December 2022	Present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
	$'000	$'000	$'000	$'000
Opening insurance contract liabilities	362,405	36,695	17,107	416,207
Opening insurance contract asset	–	–	–	–
Net balance at 1 January	362,405	36,695	17,107	416,207
Changes that relate to current service				
CSM recognised for the services provided	–	–	(8,586)	(8,586)
Change in the risk adjustment for non-financial risk for the risk expired	–	(7,874)	–	(7,874)
Experience adjustments – relating to insurance service expenses	24,862	–	–	24,862
	24,862	(7,874)	(8,586)	8,402
Changes that relate to future service				
Changes in estimates that adjust the CSM	(15,966)	(2,309)	18,275	–
Changes in estimates that result in onerous contract losses or reversal of losses	653	838	–	1,491
Contracts initially recognised in the period	(67,563)	12,067	56,625	1,129
	(82,876)	10,596	74,900	2,620
Insurance service result	(58,014)	2,722	66,314	11,022
Finance (income)/expenses from insurance contracts issued	(946)	419	589	62
Total amounts recognised in comprehensive income	(58,960)	3,141	66,903	11,084
Cash flows				
Premiums received	114,559	–	–	114,559
Claims and other directly attributable expenses paid	(53,632)	–	–	(53,632)
Insurance acquisition cash flows	(46,647)	–	–	(46,647)
Total cash flows	14,280	–	–	14,280
Exchange rate adjustments	(524)	536	5	17
Net balance as at 31 December	317,201	40,372	84,015	441,588
Closing insurance contract liabilities	508,995	398	9,444	518,837
Closing insurance contract assets	(191,794)	39,974	74,571	(77,249)
Net balance as at 31 December	317,201	40,372	84,015	441,588

12. Insurance contracts (continued)

12.3 Traditional life - Insurance contracts issues (continued)

12.3.3 Impact of contracts recognised for the year

	2023			2022		
	Non-onerous contracts	Onerous contracts originated	Total	Non-onerous contracts	Onerous contracts originated	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Estimates of the present value of future cash outflows						
- Insurance acquisition cash flows	32,638	1,665	34,303	27,758	1,539	29,297
- Claims and other directly attributable expenses	162,513	2,979	165,492	117,076	2,208	119,284
Estimates of the present value of future cash outflows	195,151	4,644	199,795	144,834	3,747	148,581
Estimates of the present value of future cash inflows	(291,253)	(4,343)	(295,596)	(213,315)	(2,829)	(216,144)
Risk adjustment for non-financial risk	15,688	246	15,934	11,856	211	12,067
CSM	80,414	–	80,414	56,625	–	56,625
Increase in insurance contract liabilities from contracts recognised in the period	–	547	547	–	1,129	1,129

12. Insurance contracts (continued)

12.3 Traditional life - Insurance contracts issues (continued)

12.3.4 Amounts determined on transition to IFRS 17

	2023			2022		
	New contracts and contracts measured under the full retro-spective approach	Contracts measured under the fair value approach	Total	New contracts and contracts measured under the full retro-spective approach	Contracts measured under the fair value approach	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Insurance revenue	35,502	46,247	81,749	10,900	43,665	54,565
CSM as at 1 January	44,472	39,543	84,015	–	17,107	17,107
Changes that relate to current service						
CSM recognised for the services provided	(12,082)	(6,429)	(18,511)	(2,727)	(5,859)	(8,586)
Changes that relate to future service						
Changes in estimates that adjust the CSM	3,005	6,875	9,880	(9,657)	27,932	18,275
Contracts initially recognised in the period	80,414	–	80,414	56,625	–	56,625
	71,337	446	71,783	44,241	22,073	66,314
Finance expense from insurance contracts issued	2,094	1,517	3,611	231	358	589
Total amounts recognised in comprehensive income	73,431	1,963	75,394	44,472	22,431	66,903
Exchange rate adjustments	–	1,231	1,231	–	5	5
CSM as at 31 December	117,903	42,737	160,640	44,472	39,543	84,015

The methods and assumptions applied by the Group in applying the fair value approach on transition are disclosed in note 2.1(a).

12. Insurance contracts (continued)

12.4 Long-term business - Reinsurance contracts held

12.4.1 Reconciliation of the remaining coverage and incurred claims

For the year ended 31 December 2023	Remaining coverage: Excluding loss-recovery component	Remaining coverage: Loss-recovery component	Incurred claims	Total
	$'000	$'000	$'000	$'000
Opening reinsurance contract asset	4,484	–	1,138	5,622
Opening reinsurance contract liability	(37,327)	–	29,231	(8,096)
Net balance as at 1 January	(32,843)	–	30,369	(2,474)
Net (income)/expenses from reinsurance contracts held				
- Reinsurance expenses	(62,066)	–	–	(62,066)
- Other incurred directly attributable expenses	–	–	(2,310)	(2,310)
- Incurred claims recovery	–	(8)	214,936	214,928
- Reversals of a loss-recovery component other than changes in the FCF of reinsurance contracts held	–	18	–	18
Net (income)/expenses from reinsurance contracts held	(62,066)	10	212,626	150,570
Finance income from reinsurance contracts held	(2,549)	–	–	(2,549)
Total amounts recognised in comprehensive income	(64,615)	10	212,626	148,021
Cash flows				
Premiums paid net of ceding commissions and other directly attributable expenses paid	79,771	–	2,107	81,878
Recoveries from reinsurance	–	–	(178,561)	(178,561)
Total cash flows	79,771	–	(176,454)	(96,683)
Exchange rate adjustment	70	–	(28)	42
Net balance as at 31 December	(17,617)	10	66,513	48,906
Closing reinsurance contract assets	(16,550)	10	66,197	49,657
Closing reinsurance contract liabilities	(1,067)	–	316	(751)
Net balance as at 31 December	(17,617)	10	66,513	48,906

12. Insurance contracts (continued)

12.4 Long-term business - Reinsurance contracts held (continued)

12.4.1 Reconciliation of the remaining coverage and incurred claims (continued)

	Remaining coverage			
For the year ended 31 December 2022	**Excluding loss-recovery component $'000**	**Loss-recovery component $'000**	**Incurred claims $'000**	**Total $'000**
Opening reinsurance contract asset	(61,326)	–	24,609	(36,717)
Opening reinsurance contract liability	–	–	–	–
Net balance as at 1 January	(61,326)	–	24,609	(36,717)
Net (income)/expenses from reinsurance contracts held				
- Reinsurance expenses	(56,061)	–	–	(56,061)
- Other incurred directly attributable expenses	–	–	(3,539)	(3,539)
- Incurred claims recovery	–	–	62,863	62,863
Net (income)/expenses from reinsurance contracts held	(56,061)	–	59,324	3,263
Finance income from reinsurance contracts held	(725)		–	(725)
Total amounts recognised in comprehensive income	(56,786)	–	59,324	2,538
Cash flows				
Premiums paid net of ceding commissions and other directly attributable expenses paid	85,265	–	3,395	88,660
Recoveries from reinsurance	–	–	(56,958)	(56,958)
Total cash flows	85,265	–	(53,563)	31,702
Exchange rate adjustment	4	–	(1)	3
Net balance as at 31 December	(32,843)	–	30,369	(2,474)
Closing reinsurance contract assets	4,484	–	1,138	5,622
Closing reinsurance contract liabilities	(37,327)	–	29,231	(8,096)
Net balance as at 31 December	(32,843)	–	30,369	(2,474)

12. Insurance contracts (continued)

12.4 Long-term business - Reinsurance contracts held (continued)

12.4.2 Reconciliation of the measurement components of reinsurance contract balances

For the year ended 31 December 2023	Present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
	$'000	$'000	$'000	$'000
Opening reinsurance contract asset	4,423	–	1,199	5,622
Opening reinsurance contract liability	(33,851)	29,376	(3,621)	(8,096)
Net balance as at 1 January	(29,428)	29,376	(2,422)	(2,474)
Changes that relate to current service				
- CSM recognised for the services received	–	–	(3,118)	(3,118)
- Change in the risk adjustment for non-financial risk for the risk expired	–	(3,910)	–	(3,910)
- Experience adjustments – relating to incurred claims and other directly attributable expenses recovery	157,580	–	–	157,580
	157,580	(3,910)	(3,118)	150,552
Changes that relate to future service				
- Changes in estimates that adjust the CSM	(53,779)	1,155	52,624	–
- Contracts initially recognised in the period	22	(135)	113	–
- Reversals of a loss-recovery component other than changes in the FCF of reinsurance contracts held	–	–	18	18
	(53,757)	1,020	52,755	18
Net (income)/expenses from reinsurance contracts held	103,823	(2,890)	49,637	150,570
- Finance (income)/expenses from reinsurance contracts held	(4,313)	1,471	293	(2,549)
Total amounts recognised in comprehensive income	99,510	(1,419)	49,930	148,021
Cash flows				
-Premiums paid net of ceding commissions and other directly attributable expenses paid	81,878	–	–	81,878
- Recoveries from reinsurance	(178,561)	–	–	(178,561)
Total cash flows	(96,683)	–	–	(96,683)
Exchange rate adjustment	24	243	(225)	42
Net balance as at 31 December	(26,577)	28,200	47,283	48,906
Closing reinsurance contract assets	(25,220)	27,936	46,941	49,657
Closing reinsurance contract liabilities	(1,357)	264	342	(751)
Net balance as at 31 December	(26,577)	28,200	47,283	48,906

12. Insurance contracts (continued)

12.4 Long-term business - Reinsurance contracts held (continued)

12.4.2 Reconciliation of the measurement components of reinsurance contract balances (continued)

For the year ended 31 December 2022	Present value of future cash flows $'000	Risk adjustment for non-financial risk $'000	CSM $'000	Total $'000
Opening reinsurance contract asset	(69,946)	33,229	–	(36,717)
Opening reinsurance contract liability	–	–	–	–
Net balance as at 1 January	(69,946)	33,229	–	(36,717)
Changes that relate to current service				
- CSM recognised for the services received	–	–	251	251
- Change in the risk adjustment for non-financial risk for the risk expired	–	(3,986)	–	(3,986)
- Experience adjustments – relating to incurred claims and other directly attributable expenses recovery	6,998	–	–	6,998
	6,998	(3,986)	251	3,263
Changes that relate to future service				
- Changes in estimates that adjust the CSM	3,002	(338)	(2,664)	–
- Contracts initially recognised in the period	(84)	84	–	–
	2,918	(254)	(2,664)	–
Net (income)/expenses from reinsurance contracts held	9,916	(4,240)	(2,413)	3,263
- Finance (income)/expenses from reinsurance contracts held	(1,103)	387	(9)	(725)
Total amounts recognised in comprehensive income	8,813	(3,853)	(2,422)	2,538
Cash flows				
- Premiums paid net of ceding commissions and other directly attributable expenses paid	88,660	–	–	88,660
- Recoveries from reinsurance	(56,958)	–	–	(56,958)
Total cash flows	31,702	–	–	31,702
Exchange rate adjustment	3	–	–	3
Net balance as at 31 December	(29,428)	29,376	(2,422)	(2,474)
Closing reinsurance contract assets	4,423	–	1,199	5,622
Closing reinsurance contract liabilities	(33,851)	29,376	(3,621)	(8,096)
Net balance as at 31 December	(29,428)	29,376	(2,422)	(2,474)

12. Insurance contracts (continued)

12.4 Long-term business - Reinsurance contracts held (continued)

12.4.3 Impact of contracts recognised in the year

	2023			2022		
	Contracts originated not in a net gain	**Contracts originated in a net gain**	**Total**	**Contracts originated not in a net gain**	**Contracts originated in a net gain**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Estimates of the present value of future cash outflows	(96)	(2,110)	(2,206)	(84)	–	(84)
Estimates of the present value of future cash inflows	143	2,085	2,228	–	–	–
Risk adjustment for non-financial risk	(11)	(124)	(135)	84	–	84
CSM	(36)	149	113	–	–	–
Increase in reinsurance contract assets from contracts recognised in the period	–	–	–	–	–	–

12. Insurance contracts (continued)

12.4 Long-term business - Reinsurance contracts held (continued)

12.4.4 Amounts determined on transition to IFRS 17

	2023			2022		
	New contracts and contracts measured under the full retro-spective approach	Contracts measured under the fair value approach	Total	New contracts and contracts measured under the full retro-spective approach	Contracts measured under the fair value approach	Total
	$'000	$'000	$'000	$'000	$'000	$'000
CSM as at 1 January	–	(2,422)	(2,422)	–	–	–
Changes that relate to current						
- CSM recognised for the services received	–	(3,118)	(3,118)	–	251	251
Changes that relate to future service						
- Changes in estimates that adjust the CSM	–	52,624	52,624	–	(2,664)	(2,664)
- Contracts initially recognised in the period	113	–	113	–	–	–
- Experience adjustments – arising from ceded premiums paid in the period that relate to future service	–	18	18	–	–	–
	113	49,524	49,637	–	(2,413)	(2,413)
Finance (income)/expenses from reinsurance contracts held	–	293	293	–	(9)	(9)
Total amounts recognised in comprehensive income	113	49,817	49,930	–	(2,422)	(2,422)
Exchange rate adjustment	–	(225)	(225)	–	–	–
CSM as at 31 December	113	47,170	47,283	–	(2,422)	(2,422)

The methods and assumptions applied by the Group in applying the fair value approach on transition are disclosed in note 2.1(a).

12. Insurance contracts (continued)

12.5 Unit Linked life - Insurance contracts issued

12.5.1 Reconciliation of the liability for remaining coverage and the liability for incurred claims

	LRC			
For the year ended 31 December 2023	**Excluding loss component**	**Loss component**	**LIC**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Opening insurance contract liabilities	1,116,653	706	158,086	1,275,445
Opening insurance contract assets	–	–	–	–
Net balance as at 1 January	1,116,653	706	158,086	1,275,445
Insurance revenue	(292,543)	–	–	(292,543)
Insurance service expenses				
Incurred claims and other directly attributable expenses	–	(1,192)	312,472	311,280
Losses on onerous contracts and reversal of those losses	–	3,261	–	3,261
Insurance acquisition cash flows	24,184	–	–	24,184
Insurance service expenses	24,184	2,069	312,472	338,725
Insurance service result	(268,359)	2,069	312,472	46,182
Finance (income)/expenses from insurance contracts issued	117,853	21	–	117,874
Total amounts recognised in comprehensive income	(150,506)	2,090	312,472	164,056
Investment components	(205,424)	–	205,424	–
Cash flows				
Premiums received	634,418	–	–	634,418
Claims and other directly attributable expenses paid	–	–	(480,065)	(480,065)
Insurance acquisition cash flows	(119,400)	–	–	(119,400)
Total cash flows	515,018	–	(480,065)	34,953
Exchange rate adjustment	458	(133)	(464)	(139)
Net balance as at 31 December	1,276,199	2,663	195,453	1,474,315
Closing insurance contract liabilities	1,276,199	2,663	195,453	1,474,315
Closing insurance contract assets	–	–	–	–
Net balance as at 31 December	1,276,199	2,663	195,453	1,474,315

12. Insurance contracts (continued)

12.5 Unit Linked life - Insurance contracts issued (continued)

12.5.1 Reconciliation of the liability for remaining coverage and the liability for incurred claims (continued)

	LRC			
For the year ended 31 December 2022	**Excluding loss component**	**Loss component**	**LIC**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Opening insurance contract liabilities	1,061,822	–	173,591	1,235,413
Opening insurance contract assets	–	–	–	–
Net balance as at 1 January	1,061,822	–	173,591	1,235,413
Insurance revenue	(258,529)	–	–	(258,529)
Insurance service expenses				
Incurred claims and other directly attributable expenses	–	50	201,894	201,944
Losses on onerous contracts and reversal of those losses	–	658	–	658
Insurance acquisition cash flows	220	–	–	220
Insurance service expenses	220	708	201,894	202,822
Insurance service result	(258,309)	708	201,894	(55,707)
Finance (income)/expenses from insurance contracts issued	11,971	–	–	11,971
Total amounts recognised in comprehensive income	(246,338)	708	201,894	(43,736)
Investment components	(204,337)	–	204,337	–
Cash flows				
Premiums received	619,068	–	–	619,068
Claims and other directly attributable expenses paid	–		(421,707)	(421,707)
Insurance acquisition cash flows	(113,590)	–	–	(113,590)
Total cash flows	505,478	–	(421,707)	83,771
Exchange rate adjustment	28	(2)	(29)	(3)
Net balance as at 31 December	1,116,653	706	158,086	1,275,445
Closing insurance contract liabilities	1,116,653	706	158,086	1,275,445
Closing insurance contract assets	–	–	–	–
Net balance as at 31 December	1,116,653	706	158,086	1,275,445

12. Insurance contracts (continued)

12.5 Unit Linked life - Insurance contracts issued (continued)

12.5.2 Reconciliation of the measurement components of insurance contract balances

For the year ended 31 December 2023	Present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
	$'000	$'000	$'000	$'000
Opening insurance contract liabilities	481,474	176,282	617,689	1,275,445
Opening insurance contract assets	–	–	–	–
Net balance as at 1 January	481,474	176,282	617,689	1,275,445
Changes that relate to current service				
- CSM recognised for the services provided	–	–	(64,875)	(64,875)
- Change in the risk adjustment for non-financial risk for the risk expired	–	(27,241)	–	(27,241)
- Experience adjustments – relating to insurance service expenses	135,037	–	–	135,037
	135,037	(27,241)	(64,875)	42,921
Changes that relate to future service				
- Changes in estimates that adjust the CSM	(105,048)	1,359	103,689	–
- Changes in estimates that result in onerous contract losses or reversal of losses	(1,417)	4,506	–	3,089
- Contracts initially recognised in the period	(28,389)	21,518	7,043	172
	(134,854)	27,383	110,732	3,261
Insurance service result	183	142	45,857	46,182
Finance (income)/expenses from insurance contracts issued	117,874	–	–	117,874
Total amounts recognised in comprehensive income	118,057	142	45,857	164,056
Cash flows				
Premiums received	634,418	–	–	634,418
Claims and other directly attributable expenses paid	(480,065)	–	–	(480,065)
Insurance acquisition cash flows	(119,400)	–	–	(119,400)
Total cash flows	34,953	–	–	34,953
Exchange rate adjustment	5,727	(5,512)	(354)	(139)
Net balance as at 31 December	640,211	170,912	663,192	1,474,315
Closing insurance contract liabilities	640,211	170,912	663,192	1,474,315
Closing insurance contract assets	–	–	–	–
Net balance as at 31 December	640,211	170,912	663,192	1,474,315

12. Insurance contracts (continued)

12.5 Unit Linked life - Insurance contracts issued (continued)

12.5.2 Reconciliation of the measurement components of insurance contract balances

For the year ended 31 December 2022	Present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
	$'000	$'000	$'000	$'000
Opening insurance contract liabilities	406,419	184,940	644,054	1,235,413
Opening insurance contract assets	–	–	–	–
Net balance as at 1 January	406,419	184,940	644,054	1,235,413
Changes that relate to current service				
- CSM recognised for the services provided	–	–	(75,425)	(75,425)
- Change in the risk adjustment for non-financial risk for the risk expired	–	(28,353)	–	(28,353)
- Experience adjustments – relating to insurance service expenses	47,413	–	–	47,413
	47,413	(28,353)	(75,425)	(56,365)
Changes that relate to future service				
- Changes in estimates that adjust the CSM	(16,674)	(1,628)	18,302	–
- Changes in estimates that result in onerous contract losses or reversal of losses	736	(78)	–	658
- Contracts initially recognised in the period	(52,036)	21,377	30,659	–
	(67,974)	19,671	48,961	658
Insurance service result	(20,561)	(8,682)	(26,464)	(55,707)
Finance expenses from insurance contracts issued	11,971	–	–	11,971
Total amounts recognised in comprehensive income	(8,590)	(8,682)	(26,464)	(43,736)
Cash flows				
Premiums received	619,068	–	–	619,068
Claims and other directly attributable expenses paid	(421,707)	–	–	(421,707)
Insurance acquisition cash flows	(113,590)	–	–	(113,590)
Total cash flows	83,771	–	–	83,771
Exchange rate adjustment	(126)	24	99	(3)
Net balance as at 31 December	481,474	176,282	617,689	1,275,445
Closing insurance contract liabilities	481,474	176,282	617,689	1,275,445
Closing insurance contract assets	–	–	–	–
Net balance as at 31 December	481,474	176,282	617,689	1,275,445

12. Insurance contracts (continued)

12.5 Unit Linked life - Insurance contracts issued (continued)

12.5.3 Impact of contracts recognised for the year

	2023			2022		
	Non-onerous contracts	Onerous contracts originated	Total	Non-onerous contracts	Onerous contracts originated	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Estimates of the present value of future cash outflows						
- Insurance acquisition cash flows	102,910	27,327	130,237	113,952	–	113,952
- Claims and other directly attributable expenses	212,461	43,193	255,654	238,237	–	238,237
Estimates of the present value of future cash outflows	315,371	70,520	385,891	352,189	–	352,189
Estimates of the present value of future cash inflows	(339,456)	(74,824)	(414,280)	(404,225)	–	(404,225)
Risk adjustment for non-financial risk	17,042	4,476	21,518	21,377	–	21,377
CSM	7,043	–	7,043	30,659	–	30,659
Increase in insurance contract liabilities from contracts recognised in the period	–	172	172	–	–	–

12. Insurance contracts (continued)

12.5 Unit Linked life - Insurance contracts issued (continued)

12.5.4 Amounts determined on transition to IFRS 17

	2023			2022		
	New contracts and contracts measured under the full retro-spective approach	Contracts measured under the fair value approach	Total	New contracts and contracts measured under the full retro-spective approach	Contracts measured under the fair value approach	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Insurance revenue	52,218	240,325	292,543	20,410	238,119	258,529
CSM as at 1 January	23,046	594,643	617,689	–	644,054	644,054
Changes that relate to current service						
CSM recognised for the services provided	(2,306)	(62,569)	(64,875)	(1,255)	(74,170)	(75,425)
Changes that relate to future service						
Changes in estimates that adjust the CSM	41,433	62,256	103,689	(6,358)	24,660	18,302
Contracts initially recognised in the period	7,043	–	7,043	30,659	–	30,659
Total amounts recognised in comprehensive income	46,170	(313)	45,857	23,046	(49,510)	(26,464)
Exchange rate adjustment	–	(354)	(354)	–	99	99
CSM as at 31 December	69,216	593,976	663,192	23,046	594,643	617,689

The methods and assumptions applied by the Group in applying the fair value approach on transition are disclosed in note 2.1(a).

12. Insurance contracts (continued)

12.6 Annuities - Insurance contracts issued

12.6.1 Reconciliation of the liability for remaining coverage and the liability for incurred claims

	LRC			
For the year ended 31 December 2023	**Excluding loss component**	**Loss component**	**LIC**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Opening insurance contract liabilities	6,795,595	44,250	230,104	7,069,949
Opening insurance contract assets	–	–	–	–
Net balance as at 1 January	6,795,595	44,250	230,104	7,069,949
Insurance revenue	(319,758)	–	–	(319,758)
Insurance service expenses				
Incurred claims and other directly attributable expenses	–	(8,372)	234,045	225,673
Losses on onerous contracts and reversal of those losses	–	66,014	–	66,014
Insurance acquisition cash flows amortisation	7,607	–	–	7,607
Insurance service expenses	7,607	57,642	234,045	299,294
Insurance service result	(312,151)	57,642	234,045	(20,464)
Finance expenses from insurance contracts issued	286,479	88,185	–	374,664
Total amounts recognised in comprehensive income	(25,672)	145,827	234,045	354,200
Investment components	(644,233)	–	644,233	–
Cash flows				
Premiums received	910,194	–	–	910,194
Claims and other directly attributable expenses paid	–	–	(893,177)	(893,177)
Insurance acquisition cash flows	(41,581)	–	–	(41,581)
Total cash flows	868,613	–	(893,177)	(24,564)
Exchange rate adjustment	(3,748)	(100)	(710)	(4,558)
Net balance as at 31 December	6,990,555	189,977	214,495	7,395,027
Closing insurance contract liabilities	6,990,555	189,977	214,495	7,395,027
Closing insurance contract assets	–	–	–	–
Net balance as at 31 December	6,990,555	189,977	214,495	7,395,027

GUARDIAN LIFE OF THE CARIBBEAN LIMITED GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023
Expressed in Trinidad and Tobago Dollars
(Continued)

12. Insurance contracts (continued)

12.6 Annuities - Insurance contracts issued (continued)

12.6.1 Reconciliation of the liability for remaining coverage and the liability for incurred claims (continued)

For the year ended 31 December 2022	LRC Excluding loss component	LRC Loss component	LIC	Total
	$'000	$'000	$'000	$'000
Opening insurance contract liabilities	7,011,881	–	186,741	7,198,622
Opening insurance contract assets	–	–	–	–
Net balance as at 1 January	7,011,881	–	186,741	7,198,622
Insurance revenue	(307,151)	–	–	(307,151)
Insurance service expenses				
Incurred claims and other directly attributable expenses	–	(153)	212,326	212,173
Losses on onerous contracts and reversal of those losses	–	44,328	–	44,328
Insurance acquisition cash flows amortisation	1,087	–	–	1,087
Insurance service expenses	1,087	44,175	212,326	257,588
Insurance service result	(306,064)	44,175	212,326	(49,563)
Finance (income)/expenses from insurance contracts issued	(95,318)	48	–	(95,270)
Total amounts recognised in comprehensive income	(401,382)	44,223	212,326	(144,833)
Investment components	(756,735)	–	756,735	–
Cash flows				
Premiums received	996,224	–	–	996,224
Claims and other directly attributable expenses paid	–	–	(925,666)	(925,666)
Insurance acquisition cash flows	(54,318)	–	–	(54,318)
Total cash flows	941,906	–	(925,666)	16,240
Exchange rate adjustment	(75)	27	(32)	(80)
Net balance as at 31 December	6,795,595	44,250	230,104	7,069,949
Closing insurance contract liabilities	6,795,595	44,250	230,104	7,069,949
Closing insurance contract assets	–	–	–	–
Net balance as at 31 December	6,795,595	44,250	230,104	7,069,949

12. Insurance contracts (continued)

12.6 Annuities - Insurance contracts issued (continued)

12.6.2 Reconciliation of the measurement components of insurance contract balances

For the year ended 31 December 2023	Present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
	$'000	$'000	$'000	$'000
Opening insurance contract liabilities	6,371,523	84,823	613,603	7,069,949
Opening insurance contract assets	–	–	–	–
Net balance as at 1 January	6,371,523	84,823	613,603	7,069,949
Changes that relate to current service				
provided	–	–	(51,155)	(51,155)
- Change in the risk adjustment for non-financial risk for the risk expired	–	(8,497)	–	(8,497)
- Experience adjustments – relating to insurance service expenses	(26,826)	–	–	(26,826)
	(26,826)	(8,497)	(51,155)	(86,478)
Changes that relate to future service				
- Changes in estimates that adjust the CSM	(406,169)	(1,917)	408,085	(1)
- Changes in estimates that result in onerous contract losses or reversal of losses	64,108	(8,333)	–	55,775
- Contracts initially recognised in the period	(33,008)	5,752	37,496	10,240
	(375,069)	(4,498)	445,581	66,014
Insurance service result	(401,895)	(12,995)	394,426	(20,464)
Finance expenses from insurance contracts issued	368,595	2,385	3,684	374,664
Total amounts recognised in comprehensive income	(33,300)	(10,610)	398,110	354,200
Cash flows				
Premiums received	910,194	–	–	910,194
Claims and other directly attributable expenses paid	(893,177)	–	–	(893,177)
Insurance acquisition cash flows	(41,581)	–	–	(41,581)
Total cash flows	(24,564)	–	–	(24,564)
Exchange rate adjustment	(22,202)	6,932	10,712	(4,558)
Net balance as at 31 December	6,291,457	81,145	1,022,425	7,395,027
Closing insurance contract liabilities	6,291,457	81,145	1,022,425	7,395,027
Closing insurance contract assets	–	–	–	–
Net balance as at 31 December	6,291,457	81,145	1,022,425	7,395,027

Adjustment to the CSM in 2023 within the annuities category was primarily driven by model refinements within the period.

12. Insurance contracts (continued)

12.6 Annuities - Insurance contracts issued (continued)

12.6.2 Reconciliation of the measurement components of insurance contract balances (continued)

For the year ended 31 December 2022	Present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
	$'000	$'000	$'000	$'000
Opening insurance contract liabilities	6,506,503	90,326	601,793	7,198,622
Opening insurance contract assets	–	–	–	–
Net balance as at 1 January	6,506,503	90,326	601,793	7,198,622
Changes that relate to current service				
provided	–	–	(67,851)	(67,851)
- Change in the risk adjustment for non-financial risk for the risk expired	–	(9,991)	–	(9,991)
- Experience adjustments – relating to insurance service expenses	(16,049)	–	–	(16,049)
	(16,049)	(9,991)	(67,851)	(93,891)
Changes that relate to future service				
- Changes in estimates that adjust the CSM	(49,034)	(1,166)	50,200	–
- Changes in estimates that result in onerous contract losses or reversal of losses	32,176	(1,338)	–	30,838
- Contracts initially recognised in the period	(20,221)	6,105	27,606	13,490
	(37,079)	3,601	77,806	44,328
Insurance service result	(53,128)	(6,390)	9,955	(49,563)
Finance (income)/expenses from insurance contracts issued	(96,711)	339	1,102	(95,270)
Total amounts recognised in comprehensive income	(149,839)	(6,051)	11,057	(144,833)
Cash flows				
Premiums received	996,224	–	–	996,224
Claims and other directly attributable expenses paid	(925,666)	–	–	(925,666)
Insurance acquisition cash flows	(54,318)	–	–	(54,318)
Total cash flows	16,240	–	–	16,240
Exchange rate adjustment	(1,381)	548	753	(80)
Net balance as at 31 December	6,371,523	84,823	613,603	7,069,949
Closing insurance contract liabilities	6,371,523	84,823	613,603	7,069,949
Closing insurance contract assets	–	–	–	–
Net balance as at 31 December	6,371,523	84,823	613,603	7,069,949

12. Insurance contracts (continued)

12.6 Annuities - Insurance contracts issued (continued)

12.6.3 Impact of contracts recognised for the year

	2023			**2022**		
	Non-onerous contracts	**Onerous contracts originated**	**Total**	**Non-onerous contracts**	**Onerous contracts originated**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Estimates of the present value of						
- Insurance acquisition cash flows	20,680	2,906	23,586	20,453	9,723	30,176
- Claims and other directly attributable expenses	319,023	31,595	350,618	277,652	152,215	429,867
Estimates of the present value of future cash outflows	339,703	34,501	374,204	298,105	161,938	460,043
Estimates of the present value of future cash inflows	(382,453)	(24,759)	(407,212)	(330,015)	(150,249)	(480,264)
Risk adjustment for non-financial risk	5,254	498	5,752	4,304	1,801	6,105
CSM	37,496	–	37,496	27,606	–	27,606
Increase in insurance contract liabilities from contracts recognised in the period	–	10,240	10,240	–	13,490	13,490

12. Insurance contracts (continued)

12.6 Annuities - Insurance contracts issued (continued)

12.6.4 Amounts determined on transition to IFRS 17

	2023			2022		
	New contracts and contracts measured under the full retro-spective approach	Contracts measured under the fair value approach	Total	New contracts and contracts measured under the full retro-spective approach	Contracts measured under the fair value approach	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Insurance revenue	12,643	307,115	319,758	6,645	300,506	307,151
CSM as at 1 January	28,655	584,948	613,603	–	601,793	601,793
Changes that relate to current service						
- CSM recognised for the services provided	(2,355)	(48,800)	(51,155)	(591)	(67,260)	(67,851)
Changes that relate to future service						
- Changes in estimates that adjust the CSM	12,629	395,456	408,085	1,609	48,591	50,200
- Contracts initially recognised in the period	37,496	–	37,496	27,606	–	27,606
	47,770	346,656	394,426	28,624	(18,669)	9,955
Finance expenses from insurance contracts issued	776	2,908	3,684	31	1,071	1,102
Total amounts recognised in comprehensive income	48,546	349,564	398,110	28,655	(17,598)	11,057
Exchange rate adjustment	–	10,712	10,712	–	753	753
CSM as at 31 December	77,201	945,224	1,022,425	28,655	584,948	613,603

The methods and assumptions applied by the Group in applying the fair value approach on transition are disclosed in note 2.1(a).

12. Insurance contracts (continued)

12.7 Short Term Group Life and Health - Insurance contracts issued

12.7.1 Reconciliation of the liability for remaining coverage and the liability for incurred claims

	LRC		LIC		
For the year ended 31 December 2023	**Excluding loss component**	**Loss component**	**Present value of future cash flows**	**Risk adjustment for non-financial risk**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Opening insurance contract liabilities	27,233	–	78,970	4,006	110,209
Opening insurance contract assets	(66,463)	–	54,775	2,739	(8,949)
Net balance as at 1 January	(39,230)	–	133,745	6,745	101,260
Insurance revenue	(689,057)	–	–	–	(689,057)
Insurance service expenses					
Incurred claims and other directly attributable expenses	–	–	594,980	28,387	623,367
Changes that relate to past service – changes in the FCF relating to the LIC	–	–	–	(29,752)	(29,752)
Insurance acquisition cash flows amortisation	97,595	–	–	–	97,595
Insurance service expenses	97,595	–	594,980	(1,365)	691,210
Insurance service result / Total amounts recognised in comprehensive income	(591,462)	–	594,980	(1,365)	2,153
Cash flows					
Premiums received	696,819	–	–	–	696,819
Claims and other directly attributable expenses paid	–	–	(615,658)	–	(615,658)
Insurance acquisition cash flows	(97,225)	–	–	–	(97,225)
Total cash flows	599,594	–	(615,658)	–	(16,064)
Exchange rate adjustment	4,043	–	(3,583)	(18)	442
Net balance as at 31 December	(27,055)	–	109,484	5,362	87,791
Closing insurance contract liabilities	669	–	93,136	4,552	98,357
Closing insurance contract assets	(27,724)	–	16,348	810	(10,566)
Net balance as at 31 December	(27,055)	–	109,484	5,362	87,791

12. Insurance contracts (continued)

12.7 Short Term Group Life and Health - Insurance contracts issued (continued)

12.7.1 Reconciliation of the liability for remaining coverage and the liability for incurred claims (continued)

	LRC		LIC		
For the year ended 31 December 2022	**Excluding loss component**	**Loss component**	**Present value of future cash flows**	**Risk adjustment for non-financial risk**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Opening insurance contract liabilities	43,030	–	72,044	3,605	118,679
Opening insurance contract assets	–	–	–	–	–
Net balance as at 1 January	43,030	–	72,044	3,605	118,679
Insurance revenue	(624,184)	–	–	–	(624,184)
Insurance service expenses					
Incurred claims and other directly attributable expenses	–	–	499,980	23,572	523,552
Changes that relate to past service – changes in the FCF relating to the LIC	–	–	–	(20,424)	(20,424)
Insurance acquisition cash flows amortisation	72,129	–	–	-	72,129
Insurance service expenses	72,129	–	499,980	3,148	575,257
Insurance service result / Total amounts recognised in comprehensive income	(552,055)	–	499,980	3,148	(48,927)
Cash flows					
Premiums received	541,353	–	–	–	541,353
Claims and other directly attributable expenses paid	–	–	(437,789)	–	(437,789)
Insurance acquisition cash flows	(72,062)	–	–	–	(72,062)
Total cash flows	469,291	–	(437,789)	–	31,502
Exchange rate adjustment	504	–	(490)	(8)	6
Net balance as at 31 December	(39,230)	–	133,745	6,745	101,260
Closing insurance contract liabilities	27,233	–	78,970	4,006	110,209
Closing insurance contract assets	(66,463)	–	54,775	2,739	(8,949)
Net balance as at 31 December	(39,230)	–	133,745	6,745	101,260

12. Insurance contracts (continued)

12.8 Short Term Group Life and Health - Reinsurance contracts held

12.8.1 Reconciliation of the remaining coverage and incurred claims

	Remaining coverage		Incurred claims		
For the year ended 31 December 2023	**Excluding loss-recovery component**	**Loss-recovery component**	**Present value of future cash flows**	**Risk adjustment for non-financial risk**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Opening reinsurance contract assets	(1,128)	–	42,367	2,119	43,358
Opening reinsurance contract liabilities	(1,276)	–	623	32	(621)
Net balance as at 1 January	(2,404)	–	42,990	2,151	42,737
Net (income)/expenses from reinsurance contracts held					
- Reinsurance expenses	(57,065)	–	–	–	(57,065)
- Other incurred directly attributable expenses	–	–	(765)	–	(765)
- Incurred claims recovery	–	–	48,961	2,448	51,409
- Changes that relate to past service – changes in the FCF relating to incurred claims recovery	–	–	–	(1,641)	(1,641)
Total amounts recognised in comprehensive income	(57,065)	–	48,196	807	(8,062)
Cash flows					
Premiums paid net of ceding commissions and other directly attributable expenses paid	62,610	–	720	–	63,330
Recoveries from reinsurance	–	–	(32,700)	–	(32,700)
Total cash flows	62,610	–	(31,980)	–	30,630
Exchange rate adjustment	469	–	(313)	(11)	145
Net balance as at 31 December	3,610	–	58,893	2,947	65,450
Closing reinsurance contract assets	3,676	–	58,896	2,947	65,519
Closing reinsurance contract liabilities	(66)	–	(3)	–	(69)
Net balance as at 31 December	3,610	–	58,893	2,947	65,450

12. Insurance contracts (continued)

12.8 Short Term Group Life and Health - Reinsurance contracts held (continued)

12.8.1 Reconciliation of the remaining coverage and incurred claims (continued)

	Remaining coverage		Incurred claims		
For the year ended 31 December 2022	**Excluding loss-recovery component**	**Loss-recovery component**	**Present value of future cash flows**	**Risk adjustment for non-financial risk**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Opening reinsurance contract assets	(7,814)	–	19,942	997	13,125
Opening reinsurance contract liabilities	–	–	–	–	–
Net balance as at 1 January	(7,814)	–	19,942	997	13,125
Net (income)/expenses from reinsurance contracts held					
- Reinsurance expenses	(60,357)	–	–	–	(60,357)
- Other incurred directly attributable expenses	–	–	(1,150)	–	(1,150)
- Incurred claims recovery	–	–	43,231	2,161	45,392
- Changes that relate to past service – changes in the FCF relating to incurred claims recovery	–	–	–	(1,002)	(1,002)
Total amounts recognised in comprehensive income	(60,357)	–	42,081	1,159	(17,117)
Cash flows					
Premiums paid net of ceding commissions and other directly attributable expenses paid	65,695	–	1,101	–	66,796
Recoveries from reinsurance	–	–	(20,045)	–	(20,045)
Total cash flows	65,695	–	(18,944)	–	46,751
Exchange rate adjustment	72	–	(89)	(5)	(22)
Net balance as at 31 December	(2,404)	–	42,990	2,151	42,737
Closing reinsurance contract assets	(1,128)	–	42,367	2,119	43,358
Closing reinsurance contract liabilities	(1,276)	–	623	32	(621)
Net balance as at 31 December	(2,404)	–	42,990	2,151	42,737

12. Insurance contracts (continued)

12.9 Investment income and insurance finance expenses

For the year ended 31 December 2023	Traditional life $'000	Annuities $'000	Unit linked life $'000	Short term Group life and Health contracts $'000	Other $'000	Total $'000
Net investment income/ (expenses) - underlying assets						
- Investment income	22,532	398,217	60,103	1,942	–	482,794
- Net realised losses on financial assets measured at amortised cost	(233)	(4,118)	(621)	(20)	–	(4,992)
- Net impairment losses on financial assets	(311)	(5,501)	(830)	(27)	–	(6,669)
- Net fair value gains	7,947	140,464	21,200	685	–	170,296
- Other income	1,589	28,112	4,243	137	–	34,081
	31,524	557,174	84,095	2,717	–	675,510
Net investment income/ (expenses) - other investments						
- Investment income	–	–	–	17	2,988	3,005
- Net impairment losses on financial assets	–	–	–	(42)	17	(25)
- Net fair value losses	–	–	–	–	(45)	(45)
	–	–	–	(25)	2,960	2,935
Net investment income/ (expenses) - other						
- Fee income	–	–	–	–	1,785	1,785
- Other income	–	–	–	342	42,571	42,913
- Net change in investment contract liabilities	–	–	–	–	(26,041)	(26,041)
- Net gains from fair value adjustments to investment properties	–	–	–	–	44,072	44,072
	–	–	–	342	62,387	62,729
Total net investment income	31,524	557,174	84,095	3,034	65,347	741,174

Underlying assets are those assets that are either contractually linked to the relevant insurance contracts or they are specifically used to back insurance contracts.

12. Insurance contracts (continued)

12.9 Investment income and insurance finance expenses (continued)

For the year ended 31 December 2023 (continued)	**Traditional life $'000**	**Annuities $'000**	**Unit linked life $'000**	**Short term Group life and Health contracts $'000**	**Other $'000**	**Total $'000**
Finance income/(expenses) from insurance contracts issued						
- Changes in fair value of underlying assets of contracts measured under the VFA	–	(315,161)	(117,874)	–	–	(433,035)
- Interest accreted	815	(42,973)	–	–	–	(42,158)
- Effect of changes in interest rates and other financial assumptions	4,449	(16,530)	–	–	–	(12,081)
	5,264	(374,664)	(117,874)	–	–	(487,274)
Finance income/(expenses) from reinsurance contracts held						
- Interest accreted	(1,592)	–	–	–	–	(1,592)
- Effect of changes in interest rates and other financial assumptions	(957)	–	–	–	–	(957)
	(2,549)	–	–	–	–	(2,549)
Net insurance finance income/ (expenses)	2,715	(374,664)	(117,874)	–	–	(489,823)
Summary of the amounts recognised in profit or loss						
- Net investment income - underlying assets	31,524	557,174	84,095	2,717	–	675,510
- Net investment income/ (expenses) - other investments	–	–	–	(25)	3,005	2,980
- Net investment income - other	–	–	–	342	62,387	62,729
- Finance expenses from insurance contracts issued	815	(358,152)	(117,874)	–	–	(475,211)
- Finance expenses from reinsurance contracts issued	(2,549)	–	–	–	–	(2,549)
	29,790	199,022	(33,779)	3,034	65,392	263,459

12. Insurance contracts (continued)

12.9 Investment income and insurance finance expenses (continued)

For the year ended 31 December 2023 (continued)	**Traditional life $'000**	**Annuities $'000**	**Unit linked life $'000**	**Short term Group life and Health contracts $'000**	**Other $'000**	**Total $'000**
Summary of the amounts recognised in OCI						
- Net investment income - underlying assets	–	–	–	–	(45)	(45)
- Finance income/(expenses) from insurance contracts issued	4,449	(16,512)	–	–	–	(12,063)
	4,449	(16,512)	–	–	(45)	(12,108)
Summary of the amounts recognised						
- Insurance service result	152,363	20,464	(46,182)	(10,215)	–	116,430
- Net investment income	31,524	557,174	84,095	3,034	65,347	741,174
- Finance income/(expenses) from insurance contracts issued	5,264	(374,664)	(117,874)	–	–	(487,274)
- Finance expenses from reinsurance contracts held	(2,549)	–	–	–	–	(2,549)
Net insurance income/(expenses) and investment result	186,602	202,974	(79,961)	(7,181)	65,347	367,781
For the year ended 31 December 2022						
Net investment income/ (expenses) - underlying assets						
- Investment income	17,875	112,757	287,228	1,557	–	419,417
- Net realised gains on financial assets measured at amortised cost	(1,013)	(6,389)	(16,274)	(88)	–	(23,764)
- Net impairment losses on financial assets	586	3,697	9,417	51	–	13,751
- Net fair value losses	(16,517)	(104,190)	(265,408)	(1,438)	–	(387,553)
- Other income	81	509	1,295	7	–	1,892
	1,012	6,384	16,258	89	–	23,743

12. Insurance contracts (continued)

12.9 Investment income and insurance finance expenses (continued)

For the year ended 31 December 2022 (continued)	Traditional life $'000	Annuities $'000	Unit linked life $'000	Short term Group life and Health contracts $'000	Other $'000	Total $'000
Net investment income/(expenses) - other investments						
- Investment income	–	–	–	5	2,557	2,562
- Net impairment losses on financial assets	–	–	–	314	98	412
- Net fair value losses	–	–	–	–	(668)	(668)
	–	–	–	319	1,987	2,306
Net investment income/(expenses) - other						
- Fee income	–	–	–	–	3,149	3,149
- Other income	–	–	–	180	38,428	38,608
- Net change in investment contract liabilities	–	–	–	–	(25,778)	(25,778)
- Net gains from fair value adjustments to investment properties	–	–	–	–	28,587	28,587
	–	–	–	180	44,386	44,566
Total net investment income	1,012	6,384	16,258	588	46,373	70,615
Finance income/(expenses) from insurance contracts issued						
- Changes in fair value of underlying assets of contracts measured under the VFA	–	113,305	(11,971)	–	–	101,334
- Interest accreted	670	(17,913)	–	–	–	(17,243)
- Effect of changes in interest rates and other financial assumptions	(732)	(122)	–	–	–	(854)
	(62)	95,270	(11,971)	-	-	83,237

12. Insurance contracts (continued)

12.9 Investment income and insurance finance expenses (continued)

For the year ended 31 December 2022 (continued)	Traditional life $'000	Annuities $'000	Unit linked life $'000	Short term Group life and Health contracts $'000	Other $'000	Total $'000
Finance income/(expenses) from reinsurance contracts held						
- Interest accreted	(762)	–	–	–	–	(762)
- Effect of changes in interest rates and other financial assumptions	37	–	–	–	–	37
	(725)	–	–	–	–	(725)
Net insurance finance income/ (expenses)	(787)	95,270	(11,971)	–	–	82,512
Summary of the amounts recognised in profit or loss						
- Net investment income - underlying assets	1,012	6,384	16,258	89	–	23,743
- Net investment income - other investments	–	–	–	319	2,655	2,974
- Net investment income - other	–	–	–	180	44,386	44,566
- Finance income/(expenses) from insurance contracts issued	670	95,374	(11,971)	–	–	84,073
- Finance income/(expenses) from reinsurance contracts issued	(725)	–	–	–	–	(725)
	957	101,758	4,287	588	47,041	154,631
Summary of the amounts recognised in OCI						
- Net investment income - underlying assets	–	–	–	–	(668)	(668)
- Finance expenses from insurance contracts issued	(732)	(104)	–	–	–	(836)
	(732)	(104)	–	–	(668)	(1,504)

12. Insurance contracts (continued)

12.9 Investment income and insurance finance expenses (continued)

For the year ended 31 December 2022 (continued)	**Traditional life $'000**	**Annuities $'000**	**Unit linked life $'000**	**Short term Group life and Health contracts $'000**	**Other $'000**	**Total $'000**
Summary of the amounts recognised						
- Insurance service result	(7,759)	49,563	55,707	31,810	–	129,321
- Net investment income	1,012	6,384	16,258	588	46,373	70,615
- Finance income/(expenses) from insurance contracts issued	(62)	95,270	(11,971)	–	–	83,237
- Finance expenses from reinsurance contracts held	(725)	–	–	–	–	(725)
Net insurance and investment result	(7,534)	151,217	59,994	32,398	46,373	282,448

12. Insurance contracts (continued)

12.10 Claims development tables - short-term insurance contracts (non-life)

The development of insurance liabilities provides a measure of the Group's ability to estimate the ultimate value of claims. Claims development tables are disclosed on an accident year basis (where the reference is to the actual date of the event that caused the claim), with the exception of international property and casualty claims, which is disclosed by underwriting year account.

	Total $'000
Insurance claims - gross - by accident year	108,340
Insurance claims - net - by accident year	47,163

The Group provides information on the gross and net claims development for the current reporting period and seven years prior to it. The Group considers that there is no significant uncertainty with regard to claims that were incurred more than six years before the reporting period.

The top half of each table below illustrates how the Group's estimate of total claims outstanding for each accident year/underwriting year has changed at successive year-ends. The bottom half of the table reconciles the cumulative claims to the amount appearing on the consolidated statement of financial position as per summary below.

Insurance claims - gross **Accident year**	**2016** **$'000**	**2017** **$'000**	**2018** **$'000**	**2019** **$'000**	**2020** **$'000**	**2021** **$'000**	**2022** **$'000**	**2023** **$'000**	**Total** **$'000**
Estimate of ultimate claims costs:									
- at end of accident year	361,116	335,475	387,938	419,128	360,209	371,282	515,811	680,160	3,431,119
- one year later	361,116	335,475	387,938	419,128	360,209	371,282	515,811		2,750,959
- two years later	361,116	335,475	387,938	419,128	360,209	371,282			2,235,148
- three years later	361,116	335,475	387,938	419,128	360,209				1,863,866
- four years later	361,116	335,052	387,938	419,128					1,503,234
- five years later	361,116	335,052	387,938						1,084,106
Cumulative gross claims	361,116	335,052	387,938	419,128	360,209	371,282	515,811	680,160	3,430,695
Cumulative payments to date	(361,116)	(335,052)	(387,938)	(419,128)	(360,209)	(371,282)	(515,811)	(576,879)	(3,327,414)
Gross cumulative claims liabilities - 2016 to 2023	–	–	–	–	–	–	–	103,281	103,281
Effect of the risk adjustment margin for non-financial risk									5,059
Gross LIC for contracts originated									108,340

12. Insurance contracts (continued)

12.10 Claims development tables - short-term insurance contracts (non-life) (continued)

Insurance claims - net **Accident year**	**2016** **$'000**	**2017** **$'000**	**2018** **$'000**	**2019** **$'000**	**2020** **$'000**	**2021** **$'000**	**2022** **$'000**	**2023** **$'000**	**Total** **$'000**
Estimate of ultimate claims costs:									
- at end of accident year	323,190	311,253	363,801	393,582	341,266	346,586	455,688	592,921	3,128,287
- one year later	323,190	311,253	363,801	393,582	341,266	346,586	455,688		2,535,366
- two years later	323,190	311,253	363,801	393,582	341,266	346,586			2,079,678
- three years later	323,190	311,253	363,801	393,582	341,266				1,733,092
- four years later	323,190	310,830	363,801	393,582					1,391,403
- five years later	323,190	310,830	363,801						997,821
Cumulative gross claims	323,190	310,830	363,801	393,582	341,266	346,586	455,688	592,921	3,127,863
Cumulative payments to date	(323,190)	(310,830)	(363,801)	(393,582)	(341,266)	(346,586)	(455,688)	(547,900)	(3,082,842)
Gross cumulative claims liabilities - 2016 to 2023	–	–	–	–	–	–	–	45,021	45,021
Effect of the risk adjustment margin for non-financial risk									2,142
Gross LIC for contracts originated									47,163

13. Cash and cash equivalents

	2023 $'000	2022 $'000
Cash and cash equivalents	749,482	1,084,145
Cash and cash equivalents in mutual funds	43,009	285,490
	792,491	1,369,635
Cash at bank and in hand	606,301	658,559
Short-term deposits (90 days or less)	148,858	432,151
Cash and cash equivalents	755,159	1,090,710
Cash and cash equivalents in mutual funds	43,014	285,991
Loss allowance	(5,682)	(7,066)
Net cash and cash equivalents	792,491	1,369,635
At beginning of year	1,369,635	1,743,038
Net impairment (loss)/gain	1,363	(3,321)
Exchange rate adjustments	444	(1,012)
	1,371,442	1,738,705
At end of year	792,491	1,369,635
Net decrease in cash used in cash flow	(578,951)	(369,070)

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.

Cash and cash equivalents include deposits pledged with regulatory authorities in countries in which the Group is authorised to conduct business, as security for its policyholders. These deposits are subject to regulatory restrictions and are therefore not available for general use by the Group. Cash and cash equivalents pledged as at 31 December 2023 was $23,742,000 (2022: $36,383,000).

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

14. Share capital

	2023 $'000	2022 $'000
Authorised		
An unlimited number of ordinary shares of no par value		
An unlimited number of preferred shares of no par value		
Issued and fully paid		
31,677,062 ordinary shares of no par value (2022: 31,677,062 ordinary shares)	100,465	100,465

14. Share capital (continued)

	Number of shares (thousands)	Share capital $'000
Balance at 1 January 2023	31,677	100,465
Balance at 31 December 2023	31,677	100,465
Balance at 1 January 2022	31,677	100,465
Balance at 31 December 2022	31,677	100,465

The number of shares in the table above is net of unallocated shares, which are units acquired by the Group's Employee Share Ownership Plan that are held in trust for future distribution to employees.

15. Reserves

	Fair value reserve $'000	Property revaluation reserve $'000	Translation reserve $'000	Insurance Finance Reserve $'000	Total $'000
Balance at 1 January 2023	(331)	35,447	(113,011)	(5,838)	(83,733)
Other comprehensive loss	(18)	(3,994)	(28,389)	(12,063)	(44,464)
Balance at 31 December 2023	(349)	31,453	(141,400)	(17,901)	(128,197)
Balance at 1 January 2022	(62)	30,368	(125,171)	(5,002)	(99,867)
Other comprehensive income/(loss)	(269)	5,079	12,160	(836)	16,134
Balance at 31 December 2022	(331)	35,447	(113,011)	(5,838)	(83,733)

16. Non-controlling interests in subsidiaries

	2023 $'000	2022 $'000
Non-controlling interests in subsidiaries	310,878	292,049

At the end of the year, the non-controlling interest balance represents a 46.2% shareholding in Guardian Resorts International Inc.

17. Financial liabilities

	2023 $'000	2022 $'000
Non-current borrowings related to subsidiaries	34,486	34,617

18. Investment contract liabilities

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

	2023 $'000	2022 $'000
Balance at beginning of year	1,073,848	1,064,392
Contributions received	67,743	92,635
Benefits paid	(108,062)	(71,421)
Investment return from underlying assets	26,041	25,778
Asset management fees charged	(2,557)	(5,649)
Other movements	(31,596)	(31,887)
Balance at end of year	1,025,417	1,073,848

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

19. Post-retirement medical benefit obligations

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

	2023 $'000	2022 $'000
Present value of obligations	33,024	34,545
The amount in the consolidated statement of income is made up as follows:		
Interest cost	2,462	2,336
Current service cost	534	606
Cost for the year (Note 27)	2,996	2,942
The movement in the liability is as follows:		
Balance at beginning of year	34,545	34,643
Remeasurement of obligation (actuarial losses)	(3,711)	(2,277)
Employer contributions	(806)	(763)
Expense as per above	2,996	2,942
Balance at end of year	33,024	34,545

19. Post-retirement medical benefit obligations (continued)

	2023	2022
The principal actuarial assumptions used were as follows:		
Discount rate	7.4%	7.1%
Healthcare cost escalation	6.3%	6.0%
Retiree premium escalation:		
- Existing retirees	6.3%	6.0%
- Future retirees	6.3%	6.0%
Pre-retirement mortality	Ignored	Ignored
Post-retirement mortality	GAM94	GAM94

A quantitative sensitivity analysis for significant assumptions as at 31 December 2023 is shown below:

	Impact on the obligation	
	Increase $'000	Decrease $'000
1% increase/decrease in discount rate	(4,979)	6,427
1% increase/decrease in medical cost trend rate	6,433	(5,066)

Expected contributions to post-employment benefit plans for the year ending 31 December 2024 are $16,726,000.

20. Other liabilities

	2023 $'000	2022 $'000
Accounts payable and accruals	140,090	148,422
Due to related parties	9,588	6,646
	149,678	155,068

The carrying amounts of other liabilities approximate their fair value.

21. Investment income

	2023 $'000	2022 $'000
Interest income from:		
- Amortised cost investment securities	169,718	144,648
- Loans and receivables	6,485	7,477
- Cash and cash equivalents	5,601	14,891
- Other assets	1,131	1,139
	182,935	168,155
Interest income from fair value through profit or loss debt securities	244,939	222,491
Dividend income from fair value through profit or loss equity securities	67,767	51,678
Investment expenses	(9,842)	(20,345)
	302,864	253,824
Total investment income	485,799	421,979

22. Net realised gains/(losses) on financial assets measured at amortised cost

	2023 $'000	2022 $'000
Government securities	–	4,472
Other	(4,992)	(28,236)
	(4,992)	(23,764)

23. Net fair value gains/(losses)

	2023 $'000	2022 $'000
Net fair value gains/(losses) on:		
- Investment securities measured mandatorily at fair value through profit or loss	163,658	(391,127)
Fair value adjustment on investment properties	50,710	32,161
	214,368	(358,966)

24. Fee income

	2023 $'000	2022 $'000
Policy administration and asset management services:		
- Investment contracts without a discretionary participation feature	1,379	1,455
Other	406	1,694
	1,785	3,149

25. Other income

	2023 $'000	2022 $'000
Rental income	48,293	43,587
Foreign exchange gains/(losses)	17,675	(10,710)
Other income	11,026	7,623
	76,994	40,500

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

	2023 $'000	2022 $'000
Investment securities measured at amortised cost	(886)	2,657
Loans and receivables	(7,171)	14,828
Cash and cash equivalents	1,363	(3,322)
	(6,694)	14,163

27. Operating expenses

	2023 $'000	2022 $'000
Staff cost	142,500	162,611
Depreciation and amortisation	17,443	20,365
Auditors’ remuneration	8,786	3,850
Directors’ fees	1,200	982
Other expenses	234,765	255,619
	404,694	443,427
Represented by:		
Insurance service expenses		
Amounts attributed to insurance acquisition cash flows incurred during the year	125,621	128,856
Other directly attributable expenses	119,757	140,414
	245,378	269,270
Other expenses	159,316	174,157
	404,694	443,427

27. Operating expenses (continued)

	2023 $'000	2022 $'000
Staff cost includes:		
- Wages, salaries and bonuses	104,102	119,135
- Health and medical	6,589	6,829
- Staff training	865	260
- National insurance	10,463	10,531
- Pension costs (Note 10)	14,397	14,100
- Post-retirement medical benefit obligations (Note 19)	2,996	2,942
- Termination benefits	265	3,467
- Other	2,823	5,347
	142,500	162,611

Expenses attributed to insurance acquisition cash flows and other directly attributable expenses comprise expenses incurred by the Group in the reporting period that relate directly to the fulfilment of contracts issued within IFRS 17's scope and reinsurance contracts held. These expenses are recognised in the consolidated statement of profit or loss based on IFRS 17 measurement requirements. Refer to Note 2.12 (f) and Note 12.2.1.

28. Finance charges

	2023 $'000	2022 $'000
Interest on leasing arrangements (Note 6(b))	1,219	1,777

29. Taxation

	2023 $'000	2022 $'000
Current tax	37,380	44,359
Prior year taxation adjustment	(396)	(75,514)
Deferred tax (Note 11)	6,518	(8,424)
	43,502	(39,579)

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

	2023 $'000	2022 $'000
Profit before taxation	219,354	108,018
Prima facie tax calculated at domestic corporation tax rate of 30%	65,806	32,404
Effect of different tax rate of life insurance companies	(25,295)	(55,179)
Effect of different tax rate in other countries	(5,113)	(11,860)
Income not subject to tax	(340,681)	(337,941)
Expenses not deductible for tax purposes	332,813	301,785
Net adjustment to recognised and unrecognised tax losses	70	–
Tax reliefs and deductions	(2,012)	(2,186)
Prior year taxation adjustment	(396)	(75,514)
Tax on dividend	16,600	15,556
Other	1,710	93,356
Tax charge for the year	43,502	(39,579)

30. Adjustment for non-cash items in operating profit

	2023 $'000	2022 $'000
Net fair value (gains)/losses on financial and other assets (Note 23)	(163,658)	391,127
Net realised losses on financial and other assets (Note 22)	4,992	23,764
Net impairment gains/(losses) of financial assets (Note 26)	6,694	(14,163)
Net loss for the year on post-employment benefits	17,393	17,043
Depreciation and amortisation (Note 27)	17,443	20,365
(Gain)/loss on disposal of property, plant & equipment	(92)	868
Change in fair value of other investment properties (Notes 7, 23)	(50,710)	(32,161)
Foreign exchange (gains)/ losses	(9,293)	38,076
	(177,231)	444,919

31. 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 $'000	Level 2 $'000	Level 3 $'000	Total fair value $'000
At 31 December 2023				
Assets measured at fair value:				
Freehold properties	–	–	125,279	125,279
Investment properties	–	–	870,680	870,680
Investment securities at fair value through profit or loss:				
Equity securities	2,058,393	66,689	132,451	2,257,533
Government securities	432,635	4,077,703	–	4,510,338
Debentures & corporate bonds	93,872	461,964	–	555,836
Deposits (more than 90 days)	–	203	–	203
Other	–	132,970	–	132,970
	2,584,900	4,739,529	1,128,410	8,452,839
At 31 December 2022				
Assets measured at fair value:				
Freehold properties	–	–	130,779	130,779
Investment properties	–	–	832,282	832,282
Investment securities at fair value through profit or loss:				
Equity securities	1,973,174	74,981	130,159	2,178,314
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	5,093	120,944	–	126,037
	2,436,387	4,068,027	1,093,220	7,597,634

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

31. Fair value measurement (continued)

Reconciliation of movements in level 3 assets measured at fair value

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

			Investment securities	
	Freehold properties $'000	Investment properties $'000	Equity securities $'000	Total $'000
At 31 December 2023				
Balance at beginning of year	130,779	832,282	130,159	1,093,220
Total gains or losses:				
in profit or loss	(1,506)	50,710	(9,239)	39,965
in other comprehensive income	(3,994)	–	–	(3,994)
Purchases	–	231	8,698	8,929
Exchange rate adjustments	–	(12,543)	2,833	(9,710)
Balance at end of year	125,279	870,680	132,451	1,128,410
At 31 December 2022				
Balance at beginning of year	127,013	788,158	149,659	1,064,830
Total gains or losses:				
in profit or loss	(1,524)	32,161	(2,758)	27,879
in other comprehensive income	5,079	–	–	5,079
Purchases	211	5,116	13,436	18,763
Sales	–	–	(26,793)	(26,793)
Exchange rate adjustments	–	6,847	(3,385)	3,462
Balance at end of year	130,779	832,282	130,159	1,093,220

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:

	2023 $'000	2022 $'000
Total gains or losses recognised in consolidated statement of income		
Net fair value gains	41,471	25,918
Operating expenses	(1,506)	(1,524)
	39,965	24,394

31. Fair value measurement (continued)

	2023 $'000	2022 $'000
Total gains or losses recognised in consolidated statement of comprehensive income		
Gains/(losses) on property revaluation	(3,994)	5,079

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

	2023 $'000	2022 $'000
Assets measured at fair value:		
Freehold properties	125,279	130,779
Investment properties	870,680	832,282
Investment securities:		
Equity securities	2,257,533	2,178,314
Government securities	4,510,338	3,680,422
Debentures & corporate bonds	555,836	477,790
Deposits (more than 90 days)	203	172,010
Other	132,970	126,037
	8,452,839	7,597,634

For properties classified as level 3, an increase/decrease in the discount rates or capitalisation rates, will result in a decrease/increase in the property values.

The Group's equity securities classified as level 3 would increase/decrease in value by $6,623,000 (2022: $6,508,000) should there be a 5% increase/decrease in value.

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.

31. Fair value measurement (continued)

At 31 December 2023	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total fair value $'000
Assets for which fair values are disclosed:				
Investment securities measured at amortised cost:				
Government securities	345,013	2,205,928	–	2,550,941
Debentures & corporate bonds	91,146	431,671	–	522,817
Deposits (more than 90 days)	20,270	15,675	–	35,945
Other	–	39,836	–	39,836
Loans and receivables	–	–	105,552	105,552
	456,429	2,693,110	105,552	3,255,091
Liabilities for which fair values are disclosed:				
Medium-term borrowings	–	1,025,417	–	1,025,417
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)	20,021	95,406	–	115,427
Other	–	–	–	–
Loans and receivables	–	–	109,300	109,300
	304,983	2,674,972	109,300	3,089,255
Liabilities for which fair values are disclosed:				
Medium-term borrowings	–	1,073,848	–	1,073,848

32. Segment information

	Total revenue from external customers		Non current assets	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Trinidad and Tobago	1,981,480	996,673	500,283	508,117
Jamaica	87,678	67,724	555,932	524,893
Barbados	32,264	76,850	5,071	8,301
Other Countries	55,639	186,080	85	140
	2,157,061	1,327,327	1,061,371	1,041,451

32. Segment information (continued)

The total revenue information above consists of insurance 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, right-of-use assets and investment properties.

33. Contingent liabilities

Legal proceedings

Group companies are defendants and plaintiffs in various legal actions. In the opinion of the Directors, after taking legal advice, the outcome of such actions will not give rise to any material 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.

34. Commitments

Capital commitments

As at the year end, the Group had entered into a development contract and agreement have been entered into in respect of a property project. The commitments not recognised in these consolidated financial statements are as follows:

	2023 $'000	**2022 $'000**
Property renovations	4,759	4,762

Operating lease commitments – where a Group company is the lessee

The Group entered into operating lease arrangements, which has not yet commenced but to which the Group is committed. The future cashflows outflows (undiscounted payments) to which the Group is potentially exposed that are not reflected in the measurement of lease liabilities are as follows:

	2023 $'000	**2022 $'000**
Not later than one year	4,759	4,762

35. Related party disclosures

These consolidated financial statements include the financial statements of the subsidiaries listed in the following table.

Name	Country of Incorporation	Percentage of interest held 2023	2022
Guardian Life (OECS) Limited	Grenada	100.00%	100.00%
Guardian Resorts International Inc.	St. Lucia	53.85%	53.85%

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.

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

The following transactions were carried out with related parties:	2023 $'000	2022 $'000
(a) Dividend income from:		
- Other related parties	1,100	2,606
(b) Interest income from:		
- Key associates	20,260	10,200
- Other related parties	980	623
(c) Key management personnel compensation:		
- Salaries and other short-term employee benefits	11,443	7,125
- Post-employment benefits	257	500
- Other long-term benefits	1,178	701
(d) Financial assets of:		
- Key associates	215,374	210,209
- Parent company	92,762	119,077
- Other related parties	148,087	121,400
Loans to key management of the Group:		
Balance at beginning of year	27,742	28,313
Loans advanced during the year	2,753	6,936
Loan repayments received	(7,613)	(7,507)
Interest charged	1,141	912
Interest received	(1,141)	(912)
Balance at end of year	22,882	27,742

There was no provision for doubtful debts at the reporting date and no bad debt expense in the year (2022: Nil).

Loans to key management and other related parties of the Group are secured and settlement occurs in cash.

35. Related party disclosures (continued)	**2023 $'000**	**2022 $'000**
Due from parent and affiliated companies		
Guardian Insurance Limited	25,482	–
Guardian Holdings Limited	23,853	19,218
Bancassurance Caribbean Limited	10,736	14,253
Guardian Shared Services Limited	1,256	2,553
Guardian Asset Management and Investment Services Limited	437	21
Guardian Group Trust Limited	186	11
Almi Holdings Limited	–	24,024
Fatum Holding N.V.	–	259
	61,950	60,339
Due to parent and affiliated companies		
Fatum Holdings N.V.	9,101	574
Guardian General Insurance Limited	296	751
Guardian Life Limited	191	5,081
Guardian Holdings Limited	–	240
	9,588	6,646

36. 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	
	2023 $'000	**2022 $'000**
Cash and short-term investments	932	1,122
Investments	5,612	5,703
Interest and other receivables	1,027	1,021
	7,571	7,846

37. 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:

	2023 **$'000**	**2022** **$'000**
Statutory deposits/funds	216,639	151,207

38. Subsequent events

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