British-American Insurance Company (Trinidad) Limited

Audited Financial Statements

For the year ended 31 December 2021

(Expressed in Trinidad and Tobago Dollars)

British-American Insurance Company (Trinidad) Limited

Audited Financial Statements
For the year ended 31 December 2021
(Expressed in Trinidad and Tobago Dollars)

Contents | **Page (s)**

BRITISH-AMERICAN INSURANCE COMPANY (TRINIDAD) LIMITED

Year ended December 31st, 2021

ACTUARIAL CERTIFICATE

I hereby certify that I have made a valuation, under Statutory Accounting Principles, of the policyholder liabilities of British-American Insurance Company (Trinidad) Limited at 31st December, 2021, and that, in my opinion, the aggregate amount of the policyholder liabilities of the Company at the above date did not exceed the aggregate amount of the liabilities shown in the balance sheet of the Company, i.e., T&T$473,063,468.

Richard Leiser-Banks

Richard W. Leiser-Banks
Fellow of the Faculty of Actuaries
Triangle Actuarial Services

March 18th, 2022

Date

Tel: +1 (868) 625 8662
Fax: +1 (868) 627 6515
www.bdo.tt

2nd Floor CIC Building
122-124 Frederic Street
Port-of-Spain
Trinidad and Tobago

Independent Auditor's Report

To the shareholders of
British-American Insurance Company (Trinidad) Limited

Qualified Opinion

We have audited the financial statements of British-American Insurance Company (Trinidad) Limited (the "Company"), which comprise the statement of financial position as at 31 December 2021 and the statement of comprehensive income, statement of changes in equity, statement of cash flows, and notes to the financial statements, including a summary of significant accounting policies for the year then ended.

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Qualified Opinion

Mortgages on real estate is carried at $44,308,969 as at 31 December 2021. Included within this balance are several impaired project financing facilities, with a total carrying value of $42,921,184 as at 31 December 2021. As explained in Note 7 to the financial statements, there is a high estimation uncertainty relating to the recoverable amounts from impaired project financing facilities as independent valuations were not carried out on the valuation of the collateral expected to be realised for the project financing facilities. In the absence of such valuations as well as subsequent settlement evidence by the borrowers, we are unable to satisfy ourselves as to the carrying value of mortgages on real estate.

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") and we have fulfilled our ethical responsibilities in accordance with the IESBA Code.

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

Emphasis of Matter

We draw attention to Note 2 to these financial statements, which indicates the dates and steps taken to illustrate that the Company is in the process of winding down its operations. These financial statements have been prepared on a basis other than going concern in the current and prior years. Our opinion is not qualified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Independent Auditor's Report (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

BDO

March 31, 2022

Port of Spain
Trinidad and Tobago

British-American Insurance Company (Trinidad) Limited

Statement of Financial Position
(Expressed in Trinidad and Tobago Dollars)

	Notes	31 December 2021 $	2020 $
Assets			
Property, plant and equipment	5	16,126,507	13,907,446
Investment properties	6	118,900,000	103,531,939
Mortgages on real estate	7	44,308,969	44,498,010
Policyowners' loans	8	27,903,929	28,190,527
Other financial assets	9	928,825,741	984,883,831
Insurance receivables	10	1,748,660	2,051,432
Other receivables	11	6,506,601	6,398,336
Cash and cash equivalents		64,616,367	37,677,583
Total assets		**1,208,936,774**	**1,221,139,104**
Equity			
Capital and reserves attributable to equity holders			
Share capital	12	17,869,554	17,869,554
Cash received on application for shares	13	100,171,392	100,171,392
Statutory reserve	14	-	2,035,219
Other reserves	15	67,354,148	83,983,685
Accumulated deficit		(1,049,861,953)	(1,082,964,691)
Total shareholders' deficit		(864,466,859)	(878,904,841)
Liabilities			
Insurance contracts	16	473,063,468	469,930,321
Other policyowners' funds	17	745,671,689	792,424,682
Borrowings from GORTT	18	847,150,685	832,150,685
Other payables	19	7,517,791	5,538,257
Total liabilities		2,073,403,633	2,100,043,945
Total equity and liabilities		**1,208,936,774**	**1,221,139,104**

The notes on pages 8 to 57 are an integral part of these financial statements.

On 25 March 2022 the Board of Directors of British-American Insurance Company (Trinidad) Limited authorised these financial statements for issue.

H. Miller ____________ Director   ____________ Director

British-American Insurance Company (Trinidad) Limited

Statement of Comprehensive Income

(Expressed in Trinidad and Tobago Dollars)

	Notes	Year ended 31 December 2021 $	2020 $
Net insurance premium revenue	20	18,047,020	18,806,751
Investment income	21	71,863,603	39,285,329
Gain on disposal of investment property		-	1,650,000
Fair value gain/(loss) on revaluation of investment property	6	15,251,301	(500,000)
Other operating income	22	152,206	89,455
Net income		105,314,130	59,331,535
Net insurance benefits	23	(37,964,176)	(35,561,382)
Change in insurance contracts liabilities	24	13,778,626	11,827,217
Change in assumptions for insurance contracts liabilities	16c	(16,911,773)	15,327,961
Other operating expenses	25	(15,816,199)	(14,877,212)
Expected credit losses	26	(933,867)	(907,874)
Net insurance benefits and expenses		(57,847,389)	(24,191,290)
Finance cost	18	(15,000,000)	(15,000,000)
Profit before taxation		32,466,741	20,140,245
Taxation	27	(1,399,222)	(64,808)
Profit for the year		31,067,519	20,075,437
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Revaluation gain on freehold property	5	1,105,150	-
Items that are or may be reclassified to profit or loss			
Impairment expense on equity securities		-	542,458
Transfer to profit or loss on the disposal of financial assets at fair value through other comprehensive income		(29,183,336)	23,805
Fair value gains/(losses) on financial assets at fair value through other comprehensive income	9c	11,448,649	(8,437,592)
Other comprehensive loss for the year		(16,629,537)	(7,871,329)
Total comprehensive income for the year		**14,437,982**	**12,204,108**

The notes on pages 8 to 57 are an integral part of these financial statements.

British-American Insurance Company (Trinidad) Limited

Statement of Changes in Equity

(Expressed in Trinidad and Tobago Dollars)

	Notes	Share Capital $	Cash received on application for shares $	Statutory reserve $	Other reserves $	Accumulated deficit $	Total shareholders' deficit $
Year Ended 31 December 2021							
Balance at 1 January 2021		17,869,554	100,171,392	2,035,219	83,983,685	(1,082,964,691)	(878,904,841)
Comprehensive income for the year							
Profit for the year		-	-	-	-	31,067,519	31,067,519
Other comprehensive income							
Revaluation gain on freehold property	5	-	-	-	1,105,150	-	1,105,150
Statutory reserve transferred to retained earnings		-	-	(2,035,219)	-	2,035,219	-
Fair value gains on financial assets at fair value through other comprehensive income	9 c.	-	-	-	11,448,649	-	11,448,649
Transfer to profit or loss on the disposal of financial assets at fair value through other comprehensive income		-	-	-	(29,183,336)	-	(29,183,336)
Total other comprehensive loss for the year		**-**	**-**	**(2,035,219)**	**(16,629,537)**	**2,035,219**	**(16,629,537)**
Total comprehensive income for the year		-	-	(2,035,219)	(16,629,537)	33,102,738	14,437,982
Balance at 31 December 2021		**17,869,554**	**100,171,392**	**-**	**67,354,148**	**(1,049,861,953)**	**(864,466,859)**
Year Ended 31 December 2020							
Balance at 1 January 2020		17,869,554	100,171,392	2,035,219	91,855,014	(1,103,040,128)	(891,108,949)
Comprehensive income for the year							
Profit for the year		-	-	-	-	20,075,437	20,075,437
Other comprehensive income							
Impairment expense on equity securities		-	-	-	542,458	-	542,458
Fair value losses on financial assets at fair value through other comprehensive income	9 c.	-	-	-	(8,437,592)	-	(8,437,592)
Transfer to profit or loss on the disposal of financial assets at fair value through other comprehensive income		-	-	-	23,805	-	23,805
Total other comprehensive loss for the year		**-**	**-**	**-**	**(7,871,329)**	**-**	**(7,871,329)**
Total comprehensive income for the year		-	-	-	(7,871,329)	20,075,437	12,204,108
Balance at 31 December 2020		**17,869,554**	**100,171,392**	**2,035,219**	**83,983,685**	**(1,082,964,691)**	**(878,904,841)**

The notes on pages 8 to 57 are an integral part of these financial statements.

British-American Insurance Company (Trinidad) Limited

Statement of Cash Flows

(Expressed in Trinidad and Tobago Dollars)

	Note	Year Ended 31 December 2021 $	2020 $
Cash flows from operating activities			
Cash used in operations	28	(80,166,703)	(45,002,620)
Taxes paid		(68,662)	(64,808)
Interest received		36,573,417	34,523,834
Dividends received		4,181,007	3,499,924
Net cash used in operating activities		(39,480,941)	(7,043,670)
Cash flows from investing activities			
Purchases of property, plant and equipment		(1,351,303)	(63,309)
Additions to investment properties		(116,760)	-
Proceeds from sale of investment property		-	5,000,000
Repayments from mortgage loans		189,041	1,567,375
Policyowners' loans granted		(1,733,722)	(1,769,905)
Repayments from policyowners' loans		1,158,448	1,475,141
Purchases of financial assets		(30,397,323)	(178,266,388)
Proceeds from disposal of financial assets		98,671,344	181,577,500
Net cash generated from investing activities		66,419,725	9,520,414
Net increase in cash and cash equivalents		26,938,784	2,476,744
Cash and cash equivalents at beginning of year		37,677,583	35,200,839
Cash and cash equivalents at end of year		**64,616,367**	**37,677,583**

The notes on pages 8 to 57 are an integral part of these financial statements.

1 **General information**

British-American Insurance Company (Trinidad) Limited ("the Company") is incorporated in the Republic of Trinidad and Tobago and is registered in accordance with Section 23 of the Insurance Act 2018 with effect from January 01, 2021 to carry on Long-Term insurance business for the purpose of operating a closed portfolio. The classes include Accident and Sickness, Disability Income, Industrial Life and Life insurance in Trinidad and Tobago.

As of 31 December 2021, the Company is a 99.93% subsidiary of British-American Insurance Company Limited (BAICO), a company incorporated in Bahamas. The ultimate parent company is CL Financial Limited which is incorporated in Trinidad and Tobago. The Company's registered office is located at 11-13 Fifth Street, Barataria.

Effective 30 January 2009, the Central Bank of Trinidad and Tobago (CBTT) assumed control of the Company pursuant to the exercise of its emergency powers under Section 44(d) of the Central Bank Act.

On 8 September 2009, Juan Lopez of KPMG Restructuring Limited in Bahamas was appointed Judicial Manager for BAICO.

2 **Basis of measurement and subsequent events**

These financial statements have been prepared on a non-going concern basis in accordance with the accounting policies described in Note 3.

The going concern basis has not been used because the Company is in the process of winding down its operations as outlined:

- CBTT announced in 2014 that the traditional insurance portfolio will be transferred at fair value in an arm's length transaction to an acquiring insurance company.
- The Company ceased selling interest sensitive products on 31 October 2014, and all other traditional business on 16 March 2015.
- The property portfolio was closed on 31 December 2014.
- All administrative staff were severed on 31 January 2015, and some personnel were rehired on a contractual basis from 1 February 2015. The sales force was terminated on 13 March 2015.
- As part of the restructuring exercise, the Company exited the Group Insurance Business on 31 May 2016 at which date all Group Insurance policies were terminated.

By way of letter dated 3 December 2013, CBTT authorised the Company to commission an independent actuarial appraisal of the traditional business of the Company on both the total business and separate segments, as agreed with CBTT. The Company engaged the consulting firm of Towers Watson to perform this appraisal which was completed and submitted to CBTT in September 2015.

The Company is expected to be liquidated in an orderly manner which will take place over a period of time that is currently not ascertainable.

Financial support from the Government of the Republic of Trinidad and Tobago (GORTT)

On 27 March 2015 CBTT advised of its resolution plan for the Company as set out below:

a. GORTT shall inject $750 million into the Company to be utilised to:
    - provide the assets necessary to enable the potential transfer of the Company's traditional insurance portfolio;
    - meet statutory fund of remaining Short-Term Investment Products (STIP) holder liabilities save that, given the financial condition of the Company, STIP holders are only to be paid the principal balance without interest; and
    - meet other creditor liabilities outside of the statutory fund, where possible

2 **Basis of measurement and subsequent events (continued)**

Financial support from the Government of the Republic of Trinidad and Tobago (GORTT) (continued)

b. The payments to the Company's statutory fund STIP holders are to be disbursed by way of a First Partial Distribution of cash (85% of the principal balance) to commence upon receipt of funds from GORTT and thereafter a Second Partial Distribution (of the remaining 15% payment) to commence on a date specified by the CBTT.

c. A Third Distribution from assets to meet creditor liabilities (outside of the statutory fund) to commence on a date specified by the CBTT.

d. GORTT shall subordinate its claim as assignee of the rights of STIP holders in the statutory fund to allow payment of all other statutory fund STIP holder liabilities in priority to GORTT in accordance with the terms of the First and Second Partial Distributions referred to above.

The Company received $750 million from GORTT on 10 July 2015 of which $650 million were invested in bonds which were pledged to the statutory fund. The remaining $100 million was used to pay non-assenting STIP holders and other creditor liabilities outside of the statutory fund.

On 16 March 2016, Oliver, Wyman Limited was contracted by CBTT and the Company to find an appropriate buyer for the Company's traditional insurance contracts portfolio. Bids were received, analysed and a preferred bidder was selected in 2018. On 30 September 2019 the Company entered into a Sale and Purchase Agreement ("SPA") with Sagicor Life Inc. for the sale of the Company's Traditional Insurance Portfolio subject to the Regulator's approval of the Scheme of Transfer. Further to this Agreement an Application for Leave to make a claim for Judicial Review of the SPA was filed against the Central bank of Trinidad & Tobago. On 6 April 2020 CBTT was served with an Order of the Court whereby an Interim Injunction was made prohibiting CBTT from taking any steps to provide regulatory approval or to otherwise progress or finalise the transfer of the Company's portfolio to Sagicor Life Inc. CBTT filed a Notice of Appeal on 4 May 2020 together with an application for the appeal to be expedited and for a stay of execution of the Order dated 6 April 2020. On 17 February 2021 the Court of Appeal's judgement was not in CBTT's favour and CBTT submitted an application for leave to appeal the matter in the Privy Council, which was approved. Pending this determination progress on the SPA has ceased.

British-American Insurance Company (Trinidad) Limited Pension Fund Plan ("the Plan")

Effective 28 February 2015, the Plan was closed to new entrants and further contributions were ceased as a result of the severance of the administrative staff and the termination of the sales force. The plan was subsequently wound up in the first quarter of 2019.

Subsequent events

The Company evaluated all events that occurred from 1 January 2022 through March 31, 2022, the date the financial statements were available to be issued. During the period, the Company did not have any subsequent events requiring recognition or disclosure in the financial statements.

3 **Summary of significant accounting policies**

The principal accounting policies applied in preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

a. *Basis of preparation*

The financial statements of British-American Insurance Company (Trinidad) Limited have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations. Refer to Note 2 for basis of measurement.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

(i) *Standards, amendments and interpretations to existing standards applicable to the Company from January 1, 2021 which were adopted by the Company*

There were no standards, amendments and interpretations to existing standards applicable to the Company from January 1, 2021 which were adopted by the Company

(ii) *New standards, amendments and interpretations issued but not effective and not early adopted*

The following new standards, interpretations and amendments, which have not been applied in these financial statements, will or may have an effect on the Company's future financial statements in the period of initial application. In all cases the entity intends to apply these standards from application date as indicated in the note below.

- In May 2020, the IASB issued the following, which are effective for annual reporting periods beginning on or after January 1, 2022:
  - minor amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards*, IFRS 9 *Financial Instruments*, IAS 41 *Agriculture* and the Illustrative Examples accompanying IFRS 16 *Leases*.
  - amendments to IFRS 3, which update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
  - amendments to IAS 37, which specify the costs a company includes when assessing whether a contract will be lossmaking and is therefore recognised as an onerous contract. These amendments are expected to result in more contracts being accounted for as onerous contracts because they increase the scope of costs that are included in the onerous contract assessment.
  - amendments to IAS 16, which prohibit a company from deducting amounts received from selling items produced while the company is preparing the asset for its intended use from the cost of property, plant and equipment. Instead, a company will recognise such sales proceeds and any related costs in profit or loss.

3 **Summary of significant accounting policies (continued)**

a. *Basis of preparation (continued)*

(ii) New standards, amendments and interpretations issued but not effective and not early adopted (continued)

- IFRS 17 *Insurance Contracts* establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts. The scope of IFRS 17 includes insurance contracts, including reinsurance contracts issued and held by an entity, and investment contracts with discretionary participation features an entity issues provided the entity also issues insurance contracts. Any promises to transfer distinct goods or non-insurance services to a policyholder are separated and accounted for in accordance with IFRS 15.

  On initial recognition an entity is required to measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. Subsequently, the carrying amount of a group of insurance contracts at the end of each reporting period is the sum of the liability for remaining coverage and the liability for incurred claims. The standard provides two methods to measure the liability for remaining coverage of a group of insurance contracts. These are the general approach and a simplified premium allocation approach. An entity is only permitted to use the premium allocation approach if this method is expected to result in the measurement of the liability for remaining coverage not differing materially from the liability that would be calculated using the general model, and the coverage period of each contract in the group is one year or less.

  IFRS 17 also explicitly requires claims liabilities to be discounted. This discount is not permitted to be based on the return on the investment portfolio, but must instead be linked to the characteristics inherent in the claims liabilities cash flows (e.g. duration, risk, etc.). A further requirement is that policy acquisition costs are netted against insurance liabilities. However, an entity also has the choice of simply expensing all acquisitions costs as incurred.

3 **Summary of significant accounting policies (continued)**

a. *Basis of preparation (continued)*

(ii) New standards, amendments and interpretations issued but not effective and not early adopted (continued)

The effective date for IFRS 17 is January 1, 2023. Early application is permitted, but only if IFRS 9 and IFRS 15 have also been adopted. IFRS 17 requires comparative information for the immediately preceding annual reporting period to be restated.

- In January 2020, the IASB issued amendments to IAS 1, which clarify how an entity classifies liabilities as current or non-current. The amendments initially had an effective date of January 1, 2022, however, in July 2020 this was deferred until January 1, 2023 as a result of the COVID-19 pandemic. These amendments are expected to have a significant impact on many entities, with more liabilities being classified as current, particularly those with covenants relating to borrowings. The IASB, at its meeting held in June 2021, tentatively decided to amend the requirements in IAS 1 with respect to the classification of liabilities subject to conditions and disclosure of information about such conditions and to defer the effective date of the 2020 amendment by at least one year to annual reporting periods beginning no earlier than on or after January 1, 2024.
- In February 2021, the IASB issued amendments to IAS 1, which change the disclosure requirements with respect to accounting policies from 'significant accounting policies' to 'material accounting policy information'. The amendments provide guidance on when accounting policy information is likely to be considered material. The amendments to IAS 1 are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted.
- In February 2021, the IASB issued amendments to IAS 8, which added the definition of Accounting Estimates in IAS 8. The amendments also clarified that the effects of a change in an input or measurement technique are changes in accounting estimates, unless resulting from correction of prior period errors. The amendments are effective for annual reporting periods beginning on or after January 1, 2023.
- In May 2021, the IASB issued amendments to IAS 12, which clarify whether the initial recognition exemption applies to certain transactions that result in both an asset and a liability being recognised simultaneously (e.g. a lease in the scope of IFRS 16). The amendments introduce an additional criterion for the initial recognition exemption under IAS 12.15, whereby the exemption does not apply to the initial recognition of an asset or liability which at the time of the transaction, gives rise to equal taxable and deductible temporary differences. The amendments are effective for annual reporting periods beginning on or after January 1, 2023.

Other standards, amendments and interpretations to existing standards in issue but not yet effective are not considered to be relevant to the Company and have not been disclosed.

(iii) Standards and amendments to published standards early adopted by the Company

The Company did not early adopt any new, revised or amended standards.

3 **Summary of significant accounting policies (continued)**

b. Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the ‘functional currency’).

The financial statements are presented in Trinidad and Tobago dollars which is the Company’s functional and presentation currency.

(ii) Transactions and balances

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

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in the statement of comprehensive income; other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the investment reserve in other comprehensive income.

3 **Summary of significant accounting policies (continued)**

c. Property, plant and equipment

Freehold properties 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. Increases in the carrying amount arising on revaluation of land and buildings are credited to property revaluation surplus in other comprehensive income. Decreases that offset previous increases in the same asset are charged against the property revaluation surplus directly in other comprehensive income; all other decreases are charged to the statement of comprehensive income. Land is not depreciated. Depreciation of buildings is determined on a straight-line basis over an estimated useful life of fifty years.

Furniture, equipment and vehicles are stated at historical cost less depreciation provided on a straight-line basis over the assets' estimated useful lives which range from four to eight years. 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 recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

The asset's residual values and useful lives are reviewed at each statement of financial position date and adjusted if appropriate. 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.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in the statement of comprehensive income in other operating income. When revalued assets are sold, the amounts included in the property revaluation surplus are transferred to retained earnings/accumulated deficit.

d. Investment properties

Property held for long-term rental yields that is not substantially occupied by the Company is classified as investment property.

Investment property comprises freehold land and buildings. It is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Company uses alternative valuation methods such as discounted cash flow projections or recent prices in less active markets. These valuations are reviewed annually by an independent valuation expert. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

Changes in fair values are recorded in the statement of comprehensive income.

If an investment property becomes substantially owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

3 **Summary of significant accounting policies (continued)**

d. Investment properties (Continued)

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference arising between the carrying amount and the fair value of this item at the date of transfer is recognised in other comprehensive income as a property revaluation surplus. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the statement of comprehensive income. Upon the disposal of such investment property, any surplus previously recorded in other comprehensive income is transferred to retained earnings; the transfer is not made through the statement of comprehensive income.

e. Financial assets

(i) Initial recognition and measurement

Financial assets are recognised when Company 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 Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

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

Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statement of income. The Company's financial assets include cash and short-term deposits, investment in debt and equity securities, interest receivable, receivables arising from insurance contracts and reinsurance contracts and other loans and receivables.

(ii) Classification and subsequent measurement

Debt instruments

Subsequent to initial recognition, the Company's debt instruments are measured in accordance with the business models determined by the Company's respective business units for managing the asset and the cash flow characteristics of the asset. There is one measurement category into which the Company classified its debt instruments i.e. fair value through other comprehensive income.

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.

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

Business model assessment

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

3 **Summary of significant accounting policies (continued)**

e. Financial assets *(Continued)*

(ii) Classification and subsequent measurement (continued)

Business model assessment (continued)

- 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.

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

Equity instruments

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

Receivables

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

3 **Summary of significant accounting policies (continued)**

e. Financial assets (continued)

(iii) Derecognition of financial assets

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

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

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

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

(iv) Modifications of financial assets

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

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

3 **Summary of significant accounting policies (continued)**

f. Impairment

Financial assets

At each reporting date, the Company assesses, on a forward-looking basis, the expected credit losses (ECL) associated with its financial assets measured at amortised cost and fair value through other comprehensive income (excluding equity instruments). The Company measures loss allowances on its debt instruments at an amount equal to lifetime ECL, except in the following cases, for which the amount recognised is 12-month ECL:

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

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

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

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

- Financial assets measured at amortised cost: the loss allowance is deducted from the gross carrying amount of the assets in the statement of financial position. Movement in ECL is recognised in the statement of income.
- Debt instruments measured at fair value through other comprehensive income: the loss allowance is recognised in the 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 Company compares the risk of a default occurring as at the reporting date with the risk of default occurring as at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

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

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

3 **Summary of significant accounting policies (continued)**

f. Impairment (continued)

Financial assets (continued)

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

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

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrated otherwise.

Despite the aforementioned, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if the financial instrument has a low risk of default, the debtor has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the debtor to fulfil its contractual cash flow obligations. The Company 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 Company assesses whether financial assets carried at amortised cost and debt instruments carried at fair value through comprehensive income are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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

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

3 **Summary of significant accounting policies (continued)**

f. Impairment (continued)

Financial assets (continued)

Definition of default

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

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

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

Write-off

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

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

Measurement of expected credit losses

The measurement of expected credit losses is a function of:

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

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

(iii) Exposure of default - an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Forward-looking information considered by the Company includes economic data and forecasts published by governmental bodies and monetary authorities, supranational organisations such as the Organization for Economic Cooperation and Development and the International Monetary Fund, and selected private sector and academic forecasters.

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

3 **Summary of significant accounting policies (continued)**

f. Impairment (continued)

Financial assets (continued)

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

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

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

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

Non-financial assets

Assets that are subject to amortisation/depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets are reviewed for possible reversal at each reporting date.

3 **Summary of significant accounting policies (continued)**

g. Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

h. Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Consideration received for shares that the Company has not issued is presented as a separate line item in equity called cash received on application for shares.

i. Insurance contracts – classification

The Company issues contracts which transfer insurance risk. This may also include financial risk.

Insurance risk is the possibility of having to pay benefits on the occurrence of an insured event that are more than the benefits payable if the insured event did not occur.

Insurance contracts are those contracts that transfer significant insurance risk with or without financial risk.

j. Insurance contracts

(i) *Recognition and measurement*

Insurance contracts are classified into two categories depending on the duration of the risk.

Short-term insurance contracts

These contracts are casualty and health insurance contracts.

Casualty insurance contracts compensate the Company's customers in the event of accidental death or injury.

Health insurance contracts provide for both unexpected and preventative medical treatment and prescription 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 contract holder. There are no maturity or surrender benefits.

3 **Summary of significant accounting policies (continued)**

j. Insurance contracts (continued)

(i) *Recognition and measurement (continued)*

Short-term insurance contracts (continued)

For all these contracts, premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the statement of financial position date is reported as the unearned premium liability. Premiums are shown before deduction of commission and are gross of any taxes and duties levied on premiums.

Claims and loss adjustment expenses are charged to the statement of comprehensive income as incurred based on the estimated liability for compensation owed to contract holders. They arise from events occurred up to the statement of financial position date even if they have not yet been reported to the Company. Liabilities for unpaid claims are estimated by considering the facts of each individual case reported to the Company and external factors (such as court decisions).

Long-term insurance contracts

These contracts insure events associated with human life or death over a long duration. Premiums are recognised as revenue when they become payable by the contract holder. Premiums are shown before deduction of commission.

Benefits are recorded as an expense when they are incurred.

A liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognised. The liability for contracts with fixed and guaranteed terms is determined as the sum of the expected discounted value of all future benefits, expenses and commissions less all future premiums expected to be paid. The liability is based on assumptions, deemed appropriate by the actuary, as to mortality, lapsation, expenses and investment income that may occur over the future lifetime of a contract. The discount rate is a current asset-based rate. Margins for adverse deviations are included in the assumptions, and negative reserves are eliminated on a seriatim basis, that is, each policy is considered individually.

For universal life and deferred annuity contracts, benefits which depend on the policy fund amounts are projected recognising current and future guaranteed credited rates of interest which are fixed at inception for all policies of the same class. The liability for such contracts is then determined as for contracts with fixed and guaranteed terms.

(ii) *Liability adequacy test*

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

3 **Summary of significant accounting policies (continued)**

j. Insurance contracts (continued)

(iii) *Reinsurance contracts held*

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

The benefits to which the Company is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers. Amounts recoverable from or due to reinsurers are measured in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

(iv) *Receivables and payables related to insurance contracts*

Receivables and payables are recognised when due. These include amounts due to and from agents and insurance contract holders.

If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the statement of comprehensive income.

k. *Provisions*

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations, and a reliable estimate of the amount of obligation can be made.

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 obligation 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 may be small.

l. *Taxation*

The taxation charge is determined as follows:

(i) *Life insurance business*

In accordance with the Income Tax Act of Trinidad and Tobago, corporation tax at 15% is payable on the chargeable income derived from investment of the statutory fund. When profits from the long-term business are transferred to the shareholders' account an additional 10% corporation tax is payable on the amounts transferred.

(ii) *Insurance business other than life*

Corporation tax at 30% is payable on the chargeable income derived from other business.

(iii) *Deferred income tax*

Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively. Deferred income tax is provided using the liability method on all temporary differences arising between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

3 **Summary of significant accounting policies (continued)**

m. *Borrowings*

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

n. *Offsetting financial instruments*

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

o. *Revenue recognition*

Revenue comprises the fair value for services, net of value added tax. Revenue is recognised as follows:

(i) *Premiums*

Refer to Note 3 j. (i) for details.

(ii) *Interest income*

Interest income for all interest-bearing financial instruments is recognised within investment income in the statement of comprehensive income using the effective interest method.

(iii) *Dividend income*

Dividend income for equity financial assets at fair value through other comprehensive income is recognised when the Company’s right to receive payments is established – that is the ex-dividend date.

4 Critical accounting estimates and judgements

Estimates and judgements 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. *Critical accounting estimates and assumptions*

The Company makes estimates and assumptions that affect the future. The following are estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

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

The determination of the liabilities under long-term insurance contracts is dependent on estimates made by the Company. Estimates are made as to the expected number of deaths for each of the years in which the Company is exposed to risk. The Company bases these estimates on standard mortality tables adjusted where appropriate to reflect the Company's own experience or expectations. For contracts that insure the risk of longevity, no allowance is made for the expected mortality improvements. The estimated number of deaths determines the value of the benefit payments and the value of valuation premiums.

The main source of uncertainty is that catastrophic events, epidemics such as AIDS and wide-ranging lifestyle changes, such as in eating, smoking and exercise habits could result in future mortality being significantly worse than in the past for the age groups in which the Company has significant exposure to mortality risk.

Conversely, continuing improvements in medical care and social conditions could result in improvements in longevity in excess of those allowed for the estimates used to determine the liability for contracts where the Company is exposed to longevity risk.

Estimates are also made as to future investment income arising from the assets backing long-term insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments.

Additional information is disclosed in Note 16.

(ii) *Fair value of investment properties*

The fair value of investment properties is determined by independent valuation experts in accordance with the Company's accounting policy. The valuators use a variety of methods and make assumptions that are mainly based on current market conditions. The independent valuations are based on current prices in an active market for similar properties.

(iii) *Fair value of financial instruments*

The fair value of financial instruments that are not traded in an active market (for example, unquoted equity securities) is determined by using valuation techniques. The Company uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at each statement of financial position date. See Note 31 b. (ii) for further information including sensitivity analyses.

4 **Critical accounting estimates and judgements (continued)**

a. *Critical accounting estimates and assumptions (continued)*

(iv) *Impairment of equity financial assets at fair value through other comprehensive income*

The Company determines that equity financial assets at fair value through other comprehensive income are impaired when there has been a significant decline of greater than thirty percent (30%) or for a prolonged period of time greater than eighteen (18) months in the fair value below its cost. This determination of what is significant requires judgement. In making this judgement, the Company evaluates among other factors, the normal volatility in share price, the financial health of the investee and operational and financing cash flow. Impairment may be appropriate when there is evidence of deterioration in the financial health of the investee and operational and financing cash flows.

If all the declines in fair value below cost were considered significant or prolonged, the Company will incur no additional loss (2020: $523,573), being the transfer of the accumulated fair value adjustment recognised in other comprehensive income on the impaired equity financial assets at fair value through other comprehensive income to the income statement.

(v) *Impairment losses on mortgages on real estate*

Judgement is required in the estimation of future cash flows when determining impairment. In making this judgement, the Company evaluates, among other factors, the fair value of the collateral held against the property.

b. *Critical judgements in applying the Company's accounting policies*

(i) *Going concern*

Management do not believe the going concern basis to be appropriate for the preparation of these financial statements. Refer to Note 2 for information regarding this.

5 Property, plant and equipment

	Freehold Land And Building	Motor Vehicles	Furniture And Equipment	Total
	$	$	$	$
Year ended 31 December 2021				
Opening net book amount	13,800,000	-	107,446	13,907,446
Additions	1,294,850	-	56,453	1,351,303
Revaluation	1,105,150	-	-	1,105,150
Depreciation charge	(200,000)	-	(37,392)	(237,392)
Closing net book amount	**16,000,000**	**-**	**126,507**	**16,126,507**
At 31 December 2021				
Cost or valuation	16,000,000	57,568	24,965,874	41,023,442
Accumulated depreciation	-	(57,568)	(24,839,367)	(24,896,935)
Net book amount	**16,000,000**	**-**	**126,507**	**16,126,507**
Year ended 31 December 2020				
Opening net book amount	14,000,000	-	75,940	14,075,940
Additions	-	-	63,309	63,309
Depreciation charge	(200,000)	-	(31,803)	(231,803)
Closing net book amount	**13,800,000**	**-**	**107,446**	**13,907,446**
At 31 December 2020				
Cost or valuation	15,000,000	57,568	24,909,421	39,966,989
Accumulated depreciation	(1,200,000)	(57,568)	(24,801,975)	(26,059,543)
Net book amount	**13,800,000**	**-**	**107,446**	**13,907,446**

The Company’s freehold land and building located at 11-13 Fifth Street, Barataria was revalued by independent valuer, G.A. Farrell & Associates Limited to determine its fair value at 31 December 2021. The Company’s accounting policy for property included in property, plant and equipment is to carry them at fair value based on periodic valuations by independent valuation experts in accordance with the revaluation model of IAS 16 – Property, Plant and Equipment.

Depreciation expense of $237,392 (2020: $231,803) on building and contents has been charged in ‘other operating expenses’. No adjustments have been made to the useful lives of assets used to compute the depreciation expense to recognise the orderly disposal of assets as described in Note 2 on the basis that no firm plan has been determined to date.

5 **Property, plant and equipment (continued)**

If land and buildings were stated on the historical cost basis, the amounts would be as follows:

	2021	2020
	$	$
Cost	10,362,203	9,067,353
Accumulated depreciation	(4,944,859)	(4,759,615)
Net book amount	**5,417,344**	**4,307,738**

6 **Investment Properties**

	2021	2020
Beginning of the year	103,531,939	107,231,939
Additions	116,760	-
Disposals	-	(3,200,000)
Fair value gain/(loss) on revaluation of investment properties	15,251,301	(500,000)
Balance at end of year	**118,900,000**	**103,531,939**
Rental income from investment properties – included in investment income	381,386	485,287
Expenses relating to investment properties – included in other operating expenses	1,000,220	735,258

Investment properties were revalued by independent valuers, G.A. Farrell & Associates Limited and Linden Scott & Associated Limited to determine its fair value at 31 December 2021.

The Company's accounting policy for investment properties is to carry them at fair value based on periodic valuations by independent valuation experts in accordance with IAS 40 – Investment Property.

7 **Mortgages On Real Estate**

a. Loan type	Number Of Loans	2021	Number Of Loans	2020
		$		$
Staff	2	398,516	2	493,099
Residential	5	822,068	5	916,526
Commercial	4	65,121,426	4	65,121,426
	11	66,342,010	11	66,531,051
Less: provision for impairment		(22,033,041)		(22,033,041)
Net mortgages on real estate		**44,308,969**		**44,498,010**
Current		197,289		208,911
Non-current		44,111,680		44,289,099
		44,308,969		**44,498,010**

7 Mortgages on real estate (continued)

a. Loan type

Mortgage loans are for periods of up to 30 years on residential loans and up to 15 years on commercial loans which are secured by first liens on the related properties. Interest rates on these facilities are fixed and range from 6.5% to 15% per annum.

b. *The maturity profile of mortgages on real estate is as follows:*

	Number Of Loans	2021 $	Number Of Loans	2020 $
Within 1 year	1	29,171	-	
More than 1 year to 5 years	7	65,355,211	8	65,470,791
More than 5 years to 10 years	2	886,416	2	986,702
More than 10 years	1	71,212	1	73,558
	11	**66,342,010**	**11**	**66,531,051**

c. *The movement in the mortgages on real estate is as follows:*

	2021 $	2020 $
Beginning of the year	66,531,051	68,098,427
Repayments	(189,041)	(1,567,376)
End of the year	**66,342,010**	**66,531,051**

Included within the category more than 1 year to 5 years in Note 7 b. above are several impaired project financing facilities. In determining the recoverable amount of these impaired facilities, management used the expected cash flows from the realisation of collateral and discounted these cash flows to the present value based on when the cash flows are expected to be realised. There is a high estimation uncertainty relating to the recoverable amount from impaired project financing as independent valuations were not carried out for these project financing facilities with a total carrying value of $42,921,184 as at 31 December 2021 (2020 - $44,046,184).

8 Policyowners' loans

	2021	2020
	$	$
Beginning of the year	28,190,527	28,155,275
Loans granted	1,733,722	1,769,905
Interest capitalised	71,995	105,905
Repayments	(1,158,448)	(1,475,141)
Write-offs	(933,867)	(365,417)
End of the year	**27,903,929**	**28,190,527**
Current	170,240	65,325
Non-current	27,733,689	28,125,202
	27,903,929	**28,190,527**

Policy loans represents amount due by policyholders in respect to loans provided against the cash surrender values and premiums outstanding on in-force policies. Each loan is secured by the cash surrender value of the respective policy.

9 Other financial assets

a. *The Company's other financial assets are summarised below by measurement category:*

	2021	2020
Financial assets at fair value through other comprehensive Income	928,825,741	984,883,831
Current	928,825,741	984,883,831
Non-current	-	-
	928,825,741	**984,883,831**

b. *The assets comprised in the above category are detailed below*

	2021	2020
Government debt securities	779,846,705	778,375,485
Corporate debt securities	8,547,978	8,062,385
Quoted equity securities	62,455,747	112,888,281
Mutual funds	42,189,790	49,278,066
Treasury bills	-	799,614
Fixed deposits	35,785,521	35,480,000
Financial assets at fair value through other comprehensive income	**928,825,741**	**984,883,831**

c. *The table below illustrates the movements in other financial assets:*

	2021	2020
Beginning of the year	984,883,831	996,632,535
Additions	67,735,886	178,266,388
Maturities/disposals	(135,242,625)	(181,577,500)
Fair value gains/(losses)	11,448,649	(8,437,592)
End of year	**928,825,741**	**984,883,831**

	2021 $	2020 $
10 Insurance Receivables		
Due from policyowners	460,143	335,227
Due from reinsurers	1,288,517	1,716,205
	1,748,660	**2,051,432**
Current	842,455	1,590,227
Non-current	906,205	461,205
	1,748,660	**2,051,432**
11 Other Receivables		
Accrued investment income	6,246,491	5,887,574
Miscellaneous receivables	260,110	510,762
	6,506,601	**6,398,336**
Current	6,503,601	6,395,336
Non-current	3,000	3,000
	6,506,601	**6,398,336**
12 Share Capital		
Authorised		
An unlimited number of ordinary shares of no par value		
Issued and fully paid		
17,869,554 ordinary shares of no par value	**17,869,554**	**17,869,554**
13 Cash Received On Application For Shares		
Financing – 17 March 2009	50,143,995	50,143,995
Financing – 10 September 2009	50,027,397	50,027,397
	100,171,392	**100,171,392**

In 2009, the Company received financing from the Government of the Republic of Trinidad and Tobago (GORTT) as follows:

In consideration for the funding, it was agreed that GORTT will receive appropriate shareholdings in the Company. In accordance with Section 35(2) of the Companies Act, 1995 “a company shall add to the appropriate stated capital account the full amount of the consideration that it receives for any shares that it issues”. Given that the Company has not yet issued the additional shares, the $100,171,392 has been presented under a separate line item in equity called "cash received on application for shares".

14 Statutory reserve

In 2020 pursuant to Section 171 of the Insurance Act, 1980 the Company maintained a reserve balance in respect of its unexpired general insurance policies. The Company is no longer required to maintain a reserve according to the new Insurance Act, 2018 which came into effect on 1 January 2021.

15 Other reserves

	Investments fair value reserve $	Property revaluation surplus $	Total other reserves $
Year ended 31 December 2021			
Balance at 1 January 2021	75,675,178	8,308,507	83,983,685
Transfer to profit or loss on the disposal of financial assets at fair value through other comprehensive income	(29,183,336)	-	(29,183,336)
Fair value gain on financial assets at fair value through other comprehensive income	11,448,649	-	11,448,649
Revaluation gain on freehold property	-	1,105,150	1,105,150
	57,940,491	**9,413,657**	**67,354,148**
Year ended 31 December 2020			
Balance at 1 January 2020	83,546,507	8,308,507	91,855,014
Transfer to profit or loss on the disposal of financial assets at fair value through other comprehensive income	23,805	-	23,805
Fair value losses on financial assets at fair value through other comprehensive income	(8,437,592)	-	(8,437,592)
Impairment expense on equity securities transferred to profit or loss	542,458	-	542,458
Balance at 31 December 2020	**75,675,178**	**8,308,507**	**83,983,685**

16 Insurance contracts

	2021 $	2020 $
Long-term insurance contracts	473,056,532	469,921,865
Short-term insurance contracts (primarily unearned premiums)	6,936	8,456
Total insurance liabilities	**473,063,468**	**469,930,321**
Current	13,548,744	15,881,794
Non-current	459,514,724	454,048,527
	473,063,468	**469,930,321**

a. *Actuarial valuation*

The actuarial valuation assumption used for all long-term insurance contracts is a discounted cash flow method. All reserve calculations are done on a seriatim (policy-by-policy) basis, eliminating negative reserves.

16 **Insurance contracts (continued)**

b. *Long-term insurance contracts - assumptions, changes in assumptions and methods and sensitivity*

(i) *Process used to decide on assumptions*

At each valuation date, the Company determines best-estimate assumptions in relation to future deaths, lapses, expenses and investment returns. Margins for adverse deviations are added to these assumptions.

The key assumptions used for the insurance contracts disclosed in this note are as follows:

- *Mortality*

  This assumption is based on the latest study carried out by the Company at the end of the current reporting period. The CIA 86-92 ultimate table of standard mortality (blended 55% male and 45% female) was chosen with modifiers of 60%, 80%, 95% or 100% according to the type of policy, for life insurance and deferred annuity business. The NISTT2012 sex-distinct tables were used for immediate annuity business. The margin held reflects the reaction of reserves to changes in the assumption.

- *Investment returns*

  The Company sets an asset-based investment return assumption based on the total expected return available on suitable investments at the valuation date.

- *Lapsation*

  This assumption is based on the latest study carried out by the Company at the end of the current reporting period. The margin held reflects the reaction of reserves to changes in the assumption.

- *Expenses*

  This assumption is based on the latest study carried out by the Company at the end of 2013 and adjusted following a limited study at the end of the current reporting period.

(ii) *Change in assumptions and methods*

Best-estimate assumptions are reassessed for each reporting period as described in Note 16 b. (i).

(iii) *Sensitivity analysis*

The following table presents the sensitivity of the value of insurance contracts disclosed in this note to movements in the assumptions used in the estimation of insurance contracts. In each case, the change is that which increases the liability.

Variable	Change in variable	2021 Change in liability $	2020 Change in liability $
Worsening of insured mortality	10%	6,830,884	6,587,510
Improvement of annuitant mortality	1%	116,308	107,968
Lowering of investment returns	1%	69,035,936	69,580,288
Increased expenses	5%	5,312,928	4,942,240
Change in lapses	10%	4,941,590	4,426,400

	2021 $	2020 $
16 Insurance contracts (continued)		
c. *Movements in insurance contracts*		
(i) *Long-term insurance contracts with fixed and guaranteed terms*:		
At beginning of year	60,871,746	61,647,375
Valuation premiums received	2,163,205	2,240,434
Liabilities released for payments on death, surrender and other terminations during the year	2,785,378	2,859,530
Required interest	2,921,453	2,580,592
Change in assumptions	1,970,637	(1,363,545)
Other movements	(7,125,678)	(7,092,640)
At end of year	**63,586,741**	**60,871,746**
(ii) *Long-term insurance contracts without fixed and guaranteed terms*		
At beginning of year	409,050,119	435,428,544
Gross premiums applied	14,713,950	15,735,137
Payments on death, surrender and other terminations during the year	(21,428,978)	(19,459,220)
Interest credited	19,171,977	17,981,479
Forfeitures	(26,978,413)	(26,671,405)
Change in assumptions	14,941,136	(13,964,416)
At end of year	409,469,791	409,050,119
Total long-term insurance contracts	**473,056,532**	**469,921,865**
(iii) *Short-term insurance contracts*		
At beginning of year	8,456	9,580
Decrease during the year	(1,520)	(1,124)
At end of year	**6,936**	**8,456**

(iv) A summary of t*he impact of changes in actuarial assumptions on the reserve calculation were as follows:*

	2021 $	2020 $
Long-term contracts with fixed and guaranteed terms	1,970,637	(1,363,545)
Long-term contracts without fixed and guaranteed terms	14,941,136	(13,964,416)
	16,911,773	(15,327,961)

		2021 $	2020 $
17	**Other policyowners' funds**		
	Outstanding claims	28,163,782	23,926,426
	Policy proceeds on deposit	536,424	1,198,662
	Liability to GORTT (see Note below)	715,035,765	765,065,063
	Premiums paid in advance	251,447	286,196
	Premiums suspense	1,684,271	1,948,335
	Total current	**745,671,689**	**792,424,682**

a. *Liability to GORTT*

The liability to GORTT relates to STIP holders who have executed a deed of assignment and declaration of trust in favour of GORTT and the third-party declaration on or before 31 December 2021. The liability to GORTT is recognised at payout values (that is, the full amount of the STIP holder capital investment as of 8 September 2010 less the carrying value of any EFPA loans) and there are no repayment terms included within the STIPs agreements for this liability to GORTT (see Note 2). In September 2021 the Company repaid GORTT the sum of $50,029,298.

18 **Borrowings from GORTT**

Financing was received from GORTT which is secured by a Promissory Note issued on 10 July 2015 at a rate of 2% per annum. The principal sum of $750,000,000 and interest are payable at maturity which is one year after the transfer of the traditional portfolio.

	2021 $	2020 $
Principal	750,000,000	750,000,000
Accrued interest	97,150,685	82,150,685
	847,150,685	**832,150,685**
Non-Current	**847,150,685**	**832,150,685**

	2021 $	2020 $
19 Other payables		
Provision for termination benefits	2,033,836	2,033,836
Accrued taxes	1,423,491	-
Staledated cheques	1,144,235	1,092,930
Accrued expenses	1,078,942	401,992
Matured STIPs not assigned to GORTT (see Note 19 a. below)	792,435	912,890
Advance repayments on mortgages on real estate	649,991	652,399
VAT payable	2,661	5,168
Payroll liabilities	422	-
Miscellaneous payables	391,778	439,042
	7,517,791	**5,538,257**
Current	6,265,968	4,337,739
Non-current	1,251,823	1,200,518
	7,517,791	**5,538,257**

a. *Matured STIPs*

Matured STIPs relate to STIPs policies that matured on or before 31 December 2021 and the STIP holder did not execute the deed of assignment and declaration of trust in favour of GORTT and the third-party declaration on or before 31 December 2021. Matured STIPs are recognised at payout values.

20 Net insurance premium revenue

	2021 $	2020 $
Long-term insurance contracts	19,106,494	19,820,740
Short-term insurance contracts	97,521	108,722
Premium revenue arising from insurance contracts issued	19,204,015	19,929,462
Change in unearned premium provision and premium receivables	31,447	11,405
Gross premium revenue	19,235,462	19,940,867
Less: reinsurance premiums ceded – long-term	(1,188,442)	(1,134,116)
	18,047,020	**18,806,751**

21 Investment income

	2021 $	2020 $
Debt securities interest income	36,732,187	33,922,951
Dividend income	4,212,804	3,384,405
Income from fixed deposits	446,266	1,323,493
Income from mutual funds	862,147	549,564
Rental income from investment properties	381,386	485,287
Mortgages on real estate interest income	93,336	106,045
Policyowners' loan interest income	71,995	105,905
Income from treasury bills	386	73,060
Currency translation gains/(losses)	478,244	(371,799)
Gain/(loss) on disposal of investments	28,584,852	(293,582)
	71,863,603	**39,285,329**

		2021 $	2020 $
22	**Other operating income**		
	Interest income on cash at bank	3,313	2,870
	Policy fees	68,530	86,585
	Miscellaneous income	80,363	-
		152,206	89,455
23	**Net Insurance benefits**		
	Gross long-term insurance benefits	38,028,560	37,115,382
	Gross short-term insurance claims and expenses	4,616	1,000
	Recovered from reinsurers	(69,000)	(1,555,000)
		37,964,176	**35,561,382**
	Net insurance benefits		
	Long-term insurance contracts		
	- death, maturity and surrender benefits	38,028,560	37,115,382
	Recovered from reinsurers	(69,000)	(1,555,000)
		37,959,560	**35,560,382**
	Net insurance claims and expenses		
	Short-term insurance contracts		
	- current year claims and expenses	4,616	1,000
24	**Change in insurance contracts liabilities**		
	Decrease in long-term insurance contracts liabilities	(13,777,106)	(11,826,093)
	Decrease in short-term insurance contracts liabilities	(1,520)	(1,124)
		(13,778,626)	**(11,827,217)**
25	**Other operating expenses**		
	Employee benefit expense	8,238,942	8,495,888
	Accommodation expenses	1,319,407	1,303,826
	Office expenses	2,323,888	2,155,763
	Depreciation	237,392	231,802
	Legal and professional fees	3,484,529	2,749,235
	Write-back of other receivables	(106,400)	(265,114)
	Other expenses	318,441	205,812
		15,816,199	**14,877,212**
	Employee benefit expense comprises:		
	Salaries	7,654,859	7,891,569
	Staff benefits	584,083	604,319
		8,238,942	8,495,888
	The average number of persons employed by the Company during the year	41	44

	2021 $	2020 $
26 Impairment expense		
Equity securities (see Note 26 a. below)	-	542,457
Write-offs of policyowners' loans (see Note 8)	933,867	365,417
	933,867	907,874

(a) *Equity securities*

This represents a significant decline of greater than thirty percent (30%) or for a prolonged period of greater than eighteen (18) months in the fair value of equity securities below its cost.

(b) Mortgage loans

Project financing facilities were impaired due to the uncertainty with respect to the amount and timing of cash flows from the realisation of collateral. See note 7.

27 Taxation

	2021 $	2020 $
Current year charge	1,398,248	67,685
Prior year under/(over) provision	974	(2,877)
	1,399,222	64,808

The tax shown was calculated by using the basic tax rate of the respective category of income as follows:

a. *Life insurance business*:

	2021 $	2020 $
Ordinary Life		
Gross investment income	19,700,994	10,458,377
Allowable expenses	(9,174,756)	(8,363,012)
Net income	10,526,238	2,095,365
Tax losses utilised	(2,137,665)	(2,095,365)
Chargeable income	8,388,573	-
Tax calculated at 15%	1,258,286	-
Industrial Life		
Gross investment income	1,342,837	711,334
Allowable expenses	(409,759)	(291,507)
Net income	933,078	419,827
Tax calculated at 15%	139,962	62,974

b. *Insurance business other than life*:

	2021 $	2020 $
Net taxable income	106,688	120,694
Allowable expenses	(39,026)	(48,920)
Net income	67,662	71,774
Tax losses utilised	(67,662)	(71,774)
Chargeable income	-	-
Tax calculated at 30%	-	-

	2021 $	2020 $

27 Taxation (continued)

The Company did not recognise a deferred income tax asset in respect of accumulated tax losses amounting to $14,863,043 (2020: $14,930,705) that can be carried forward against future taxable income due to going concern issues as described in Note 2.

	2021 $	2020 $
c. Business levy		
Taxable revenue	21,142,064	11,280,825
Business levy calculated at 0.6%	126,852	67,685

28 Cash used in operations

	2021 $	2020 $
Profit before taxation	32,466,741	20,140,245
Adjustments for:		
Depreciation (Note 5)	237,392	231,803
Interest income	(38,206,317)	(36,081,018)
Dividend income	(4,212,804)	(3,384,405)
Interest expense (Note 18)	15,000,000	15,000,000
Interest capitalised on policyowners' loans (Note 8)	(71,995)	(105,905)
Impairment expense (Note 26)	-	542,458
Gain on disposal of investment property	-	(1,800,000)
Fair value (gain)/loss on investment properties (Note 6)	(15,251,301)	500,000
(Gain)/loss on disposal of financial assets at fair value through other comprehensive income	(28,584,852)	23,805
Write-offs of policyowners' loans (Note 8)	933,867	365,417
	(37,689,269)	(4,567,600)
Changes in operating assets and liabilities:		
Decrease/(increase) in insurance receivables	302,772	(892,642)
Decrease in other receivables	190,666	805,555
Increase/(decrease) in insurance contracts	3,133,147	(27,155,178)
Decrease in other policyowners' funds	(46,752,993)	(13,245,045)
Increase in other payables	648,974	52,290
Cash used in operations	(80,166,703)	(45,002,620)

29 Pledged assets

In accordance with the Insurance Act 1980 the Company was required (during 2020) to pledge assets to the order of the regulator as security for contract liabilities. Freehold land and building and investment properties were pledged to the order of the regulator at agreed upon fair values.

	2021 $	2020 $

29 Pledged assets (continued)

According to the new Insurance Act, 2018 the Company is no longer required to pledge assets to the order of the regulator.

Freehold land and building		13,800,000
Investment properties		103,531,939
Mortgages on real estate		44,498,010
Financial assets at fair value through other comprehensive income		931,561,694
Total pledged assets		1,093,391,643

30 Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

Transactions entered into with related parties in the normal course of business were carried out on commercial terms and conditions at market rates.

Prior to 30 January 2009, the Company was controlled by British-American Insurance Company Limited. Effective 30 January 2009, CBTT assumed control of the Company pursuant to the exercise of its emergency powers under Section 44(d) of the Central Bank Act.

The significant related party balances at the year end, and the related income and expenses for the year are as follows:

Statement of financial position

Financial assets at fair value through other comprehensive income with related parties:

	2021 $	2020 $
Debt securities	779,846,705	778,375,485
Equity securities:		
Trinidad & Tobago NGL Limited – Nil (2020: 96,617 shares)	-	1,458,917
Treasury bills	-	799,614
	779,846,705	780,634,016
Loans to directors and key management	369,345	416,417
Accrued investment income – Debt securities	5,844,260	5,464,904
Total related party assets	786,060,310	786,515,337
Borrowings from GORTT (Note 18)	847,150,685	832,150,685
Other policyowners' funds		
Liability to GORTT (Note 17)	715,035,765	765,065,063
Total related party liabilities	1,562,186,450	1,597,215,748

	2021 $	2020 $
30 **Related party transactions (continued)**		
Statement of comprehensive income		
Investment income		
Interest income		
- Debt securities	36,261,771	33,477,538
- Treasury bills	386	73,060
- Loans to directors and key management	27,658	36,743
	36,289,815	33,587,341
Dividend income	28,985	24,154
Key management compensation	(2,131,155)	(2,956,800)
Interest expense (Note 18)	(15,000,000)	(15,000,000)
Impact on Statement of Comprehensive Income	19,187,645	15,654,695

31 **Management of insurance and financial risk**

The Company issues contracts which transfer insurance and financial risk. This section summarises this risk and the way the Company manages it.

a. *Insurance risk*

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

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

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio.

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

The Company's life insurance portfolio comprises risks associated with death, survival and personal accident only on policies issued within Trinidad and Tobago and almost entirely in Trinidad and Tobago dollars.

(i) *Casualty insurance risk*

(a) *Frequency and severity of claims*

The frequency and severity of claims can be affected by several factors. The Company manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling.

The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk.

31 **Management of insurance and financial risk (continued)**

a. *Insurance risk (continued)*

(i) *Casualty insurance risk (continued)*

(a) *Frequency and severity of claims*

Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Company has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of a fraudulent claim. Insurance contracts also entitle the Company to pursue third parties for payment of some or all costs (i.e. subrogation).

The Company's reinsurance arrangements include excess, stop loss and catastrophe coverage.

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

Claims on casualty contracts are payable on a claims occurrence basis. The Company is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. In an effort to minimise the Company's exposure, all claims on casualty contracts must be submitted within three months of the event in order to be payable.

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of recoveries.

(ii) *Long-term insurance contracts*

(a) *Frequency and severity of claims*

For contracts where death is the insured risk, the most significant factors that could increase the overall frequency of claims are epidemics (such as AIDS) or widespread changes in lifestyle such as 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.

For traditional life insurance contracts, there are no mitigating terms and conditions that reduce the insurance risk accepted. For universal life contracts, a significant portion of the insurance risk is shared with the insured party, in that the Company charges for mortality risk on a monthly basis and has the right to alter these charges based on its mortality experience and hence minimise its exposure to mortality risk. For annuity contracts, the primary insurance risk is that contract holders who exercise an annuity option will live longer than anticipated in the assumptions underlying the annuity option rates.

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

Insurance risk for contracts disclosed in this note is also affected by the contract holder's 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.

31 **Management of insurance and financial risk (continued)**

(ii) *Long-term insurance contracts*

(b) Sources of uncertainty in the estimation of future benefit payments and premium receipts

Uncertainty in the estimation of future benefit payments and premium receipts for long-term insurance contracts arises from the unpredictability of long-term changes in overall levels of mortality and the variability in contract holder behaviour.

The Company uses appropriate base tables of standard mortality according to the type of contract being written. An investigation into the actual experience for the Company is carried out periodically and the results compared to that used in the policyholder liability and value of in-force figures. No adjustment for future mortality improvements is made for contracts that insure survival.

b. *Financial risk*

The Company is exposed to financial risk through its financial assets, financial liabilities, 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 contracts.

The Company's activities expose it to a variety of financial risk; liquidity risk, market risk (including interest rate risk, currency risk and price risk) and credit risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

The Company's objective is to manage liquidity in order to meet its payment obligations associated with its financial liabilities when they fall due.

The Company has separate independent bodies responsible for managing and monitoring risks.

Board of directors

The Board of Directors of the Company has the overall responsibility and oversight for corporate governance and specifically, investment policy approval and limits of authority. In February 2009, GORTT appointed a Board of Directors to the Company. The Board of Directors has delegated authority to the Investment Committee. The Board held three meetings in 2021 and six in 2020.

Investment committee

The Investment Committee is responsible for investment policy formulation, risk management, performance review and investment strategy development. The Committee oversees the development, interpretation and implementation of policies for identifying, evaluating, monitoring and measuring the significant risks to which the investment portfolio is exposed. The Committee meets on a weekly basis.

There were no changes in the policies and procedures in managing financial risks compared to the prior year.

(i) *Liquidity risk*

The Company is exposed to daily calls on its available cash resources mainly from claims arising from deaths, maturities, and surrenders. Liquidity risk is the risk that the Company is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay contract holders.

31 **Management of insurance and financial risk (continued)**

b. *Financial risk (continued)*

(i) *Liquidity risk (continued)*

In order to manage liquidity risk, management seeks to maintain levels of cash and short-term deposits in each of its operating currencies. The liquidity position is monitored on a daily basis.

The table below analyses the Company's financial liabilities by contractual maturity dates. Insurance contract liabilities and assets are presented by expected maturities at the statement of financial position date. No adjustments have been made to recognise the orderly disposal of assets and the settlement of liabilities as described in Note 2 on the basis that no firm plan has been determined to date.

	Up to one year $	One to five years $	Over five years $	No stated maturity date $	Total $
At 31 December 2021					
Insurance contracts	13,548,744	46,822,168	412,661,542	31,014	473,063,468
Other policyowners' funds	745,671,689	-	-	-	745,671,689
Borrowings	-	847,150,685	-	-	847,150,685
Other payables	7,410,204	-	-	107,587	7,517,791
Total liabilities	766,630,637	893,972,853	412,661,542	138,601	2,073,403,633
	-	-	-	-	-
Assets used to manage liquidity risk	117,219,455	74,106,079	751,440,337	131,144,396	1,073,910,267
Liquidity gap	**(649,411,182)**	**(819,866,774)**	**338,778,795**	**131,005,795**	**(999,493,366)**
At 31 December 2020					
Insurance contracts	15,881,794	49,214,755	404,800,816	32,956	469,930,321
Other policyowners' funds	792,424,682	-	-	-	792,424,682
Borrowings	-	832,150,685	-	-	832,150,685
Other payables	5,430,670	-	-	107,587	5,538,257
Total liabilities	813,737,146	881,365,440	404,800,816	140,543	2,100,043,945
Assets used to manage liquidity risk	80,753,085	82,242,513	751,144,082	189,560,039	1,103,699,719
Liquidity gap	**(732,984,061)**	**(799,122,927)**	**346,343,266**	**189,419,496**	**(996,344,226)**

The Company is under the control of CBTT. Included within other policyowners' fund (Note 17) is a liability to GORTT amounting to $715,035,765 (2020: 765,065,063). Also, refer to Note 2 for details of financial support from GORTT. No interest is payable on these amounts.

(ii) *Market risk*

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

31 **Management of insurance and financial risk (continued)**

b. *Financial risk (continued)*

(ii) *Market risk (continued)*

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

Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rate, credit spreads, foreign exchange rate and equity prices. The Investment Committee moderates this risk through a careful selection of securities and other financial instruments within specified limits. In order to manage the risk associated with movements in currency exchange rates, the Company seeks to maintain investments and cash in each operating currency, which are sufficient to match liabilities denominated in the same currency.

(a) *Interest rate risk*

Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

The Company is exposed to interest rate risk through the impact of rate changes on interest bearing assets and liabilities. Exposure is managed largely by the use of natural hedges that arise by matching interest sensitive assets with liabilities of similar nature.

The following table summarises the Company's exposure to interest rate risks. Included in the table are the Company's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	Up to one year	One to five years	Over five years	Non-interest bearing	Total
	$	$	$	$	$
At 31 December 2021					
Assets					
Mortgages on real estate	29,171	43,322,171	957,627	-	44,308,969
Policyowners' loans	170,240	135,485	2,077,550	25,520,654	27,903,929
Other financial assets	45,126,621	30,648,423	748,405,160	104,645,537	928,825,741
Insurance receivables	-	-	-	1,748,660	1,748,660
Other receivables	6,161,793	-	-	344,808	6,506,601
Cash and cash equivalents	6,968,635	-	-	57,647,732	64,616,367
Total assets	**58,456,460**	**74,106,079**	**751,440,337**	**189,907,391**	**1,073,910,267**
Liabilities					
Insurance contracts	13,548,744	46,822,168	412,661,542	31,014	473,063,468
Other policyowners' funds	536,424	-	-	745,135,265	745,671,689
Borrowings	-	847,150,685	-	-	847,150,685
Other payables	2,146,621	-	-	5,371,170	7,517,791
Total liabilities	**16,231,789**	**893,972,853**	**412,661,542**	**750,537,449**	**2,073,403,633**
Interest sensitivity gap	**42,224,671**	**(819,866,774)**	**338,778,795**		

31 **Management of insurance and financial risk (continued)**

b. *Financial risk (continued)*

(ii) *Market risk (continued)*

(a) *Interest rate risk (continued)*

The following table summarises the Company's exposure to interest rate risks. Included in the table are the Company's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

At 31 December 2020					
Total assets	48,589,254	82,242,513	751,144,082	221,723,870	1,103,699,719
Total liabilities	17,958,595	881,365,440	404,800,816	795,919,094	2,100,043,945
Interest sensitivity gap	**30,630,659**	**(799,122,927)**	**346,343,266**		

The Company is under the control of CBTT who would assist in managing the interest sensitivity gap based on GORTT's plans which is described in Note 2 to the financial statements.

Sensitivity of possible movements in interest rates

Stress testing is used as a market risk measurement technique which provides an indication of the potential size of losses that could arise in extreme conditions. The stress tests conducted by the Company include risk factor testing, where stress movements are applied to each risk category. An analysis was conducted to demonstrate the sensitivity to reasonable possible movements in interest rates in respect of the Company's fixed income portfolio.

The majority of the assets has fixed rates and there is no exposure to cash flow interest rate risk. For assets carried at amortised cost there is no exposure to fair value interest rate risk, however, if there was 100 basis points change the impact on the debt securities would be $50,675,803 (2020: $54,807,708).

(b) *Currency risk*

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rate. The Company holds assets denominated in currencies other than TT$, the functional currency. The Company is therefore exposed to currency risk as the value of the securities denominated in other currencies will fluctuate due to changes in exchange rates. The Company's policy is not to enter into any currency hedging transactions but to manage the risk by offsetting foreign currency liabilities with assets denominated in the same currency.

31 **Management of insurance and financial risk (continued)**

b. *Financial risk (continued)*

(ii) *Market risk (continued)*

(b) *Currency risk (continued)*

The table below summarises the Company's exposure to foreign currency exchange rate risk as at 31 December. The Company's financial assets and liabilities are included in the table, categorised by currency at their carrying amounts.

	Trinidad & Tobago	**United States /Canadian**	**Total**
	$	**$**	**$**
At 31 December 2021			
Assets			
Mortgages on real estate	44,308,969	-	44,308,969
Policyowners' loans	27,903,929	-	27,903,929
Other financial assets	831,565,639	97,260,102	928,825,741
Insurance receivables	1,748,660	-	1,748,660
Other receivables	5,921,238	585,363	6,506,601
Cash and cash equivalents	57,624,521	6,991,846	64,616,367
Total assets	969,072,956	104,837,311	1,073,910,267
Liabilities			
Insurance contracts	473,063,468	-	473,063,468
Other policyowners' funds	745,671,689	-	745,671,689
Borrowings	847,150,685	-	847,150,685
Other payables	7,517,791	-	7,517,791
Total liabilities	2,073,403,633	-	2,073,403,633
Net on statement of financial position	**(1,104,330,677)**	**104,837,311**	**(999,493,366)**
At 31 December 2020			
Total assets	1,006,054,651	97,645,068	1,103,699,719
Total liabilities	2,100,043,945	-	2,100,043,945
Net on statement of financial position	**(1,093,989,294)**	**97,645,068**	**(996,344,226)**

Assets denominated in Canadian dollars are RBC Shares of $31,548,011 (2020: $24,294,641) and Sagicor Financial Corporation Shares of $4,765,757 (2020: $4,821,044).

There are no liabilities denominated in Canadian dollars.

31 **Management of insurance and financial risk (continued)**

b. *Financial risk (continued)*

(ii) *Market risk (continued)*

(b) *Currency risk (continued)*

Sensitivity of possible movements in select currencies

Stress testing is used as a market risk measurement technique which provides an indication of the potential size of losses that could arise in extreme conditions. The stress tests conducted by the Company include risk factor testing, where stress movements are applied to each risk category. An analysis was conducted to demonstrate the sensitivity to reasonable possible movements of the various currencies.

As of 31 December 2021, had the exchange rate between the US$/CA$ and the TT$ increased or decreased by 5% with all other variables held constant, the increase or decrease in total equity and profit or loss for the year would amount to $5,241,866 (2020: $4,882,253).

(c) *Price risk*

Price risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk and currency risk), whether those changes are caused by factors specific to the individual financial instruments or issuer, or factors affecting all similar financial instruments traded in the market. The Company is exposed to equity and bond price risk.

The Investment Committee moderates this risk through a careful selection of securities and other financial instruments within specific limits. The Company's overall market positions are reviewed on a quarterly basis by the Investment Committee and Board of Directors.

As of 31 December 2021, had equity securities prices increased/decreased by 5% with all variables held constant, total equity and profit or loss for the year would have increased/decreased by $3,122,787 (2020: $5,644,414).

As of 31 December 2021, had bond prices increased/decreased by 5% with all variables held constant, total equity and profit or loss for the year would have increased/decreased by $39,419,734 (2020: $39,321,894).

(iii) *Credit risk*

The Company takes on exposure to credit risk, which is risk that a counterparty will be unable to pay amounts in full when due. Credit exposure arises principally in investment activities that bring debt securities and other bills into the investment portfolio.

Credit risk is mitigated to some extent by limiting the Company's total exposure to a single credit.

The Company also reduces this risk by prudent credit analysis of issuers to restrict questionable credits in the investment portfolio. The Company also manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, by monitoring exposures in relation to such limits and placing deposits with financial institutions with a strong capital base.

31 **Management of insurance and financial risk (continued)**

b. *Financial risk (continued)*

(iii) *Credit risk (continued)*

Exposure to credit risk is further managed through regular analysis of the ability of borrowers to meet capital and interest repayment obligations and by changing these lending limits when appropriate. In addition, collateral, corporate, state and personal guarantees are obtained.

Impairment and provisioning policies

Impairment provisions are recognised for financial reporting purposes only for losses that have been incurred at the statement of financial position date based on objective evidence of impairment (see Note 3 f.).

The Company's policy requires the review of individual financial assets that are above materiality thresholds at least annually or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at statement of financial position date on a case-by-case basis, and are applied to all individually significant accounts.

(a) *Maximum exposure to credit risk before collateral held*

The table below represents a worst case scenario of credit risk exposure to the Company at 31 December 2021 and 2020 without taking into account any collateral held.

	2021	**2020**
	$	**$**
Mortgages on real estate	44,308,969	44,498,010
Policyowners' loans	27,903,929	28,190,527
Other financial assets	866,369,994	871,995,550
Insurance receivables	1,748,660	2,051,432
Other receivables	6,506,601	6,398,336
Cash and cash equivalents	64,616,367	37,677,583
	1,011,454,520	**990,811,438**

The Company maintains credit risk exposure within acceptable parameters through the use of collateral as a risk-mitigation tool. The main types of collateral obtained are mortgages over staff, residential and commercial properties and charges over insurance contracts.

Management monitors the market value of collateral and cash surrender values of insurance contracts and request additional collateral in accordance with the underlying agreement.

31 **Management of insurance and financial risk (continued)**

b. *Financial risk (continued)*

(iii) *Credit risk (continued)*

(b) *The maximum exposure to credit risk is summarised as follows*:

	31 December 2021				
	Neither past due nor impaired	**Past due but not impaired**	**Impaired**	**Allowance for impairment**	**Net**
	$	**$**	**$**	**$**	**$**
	Neither	**Past due**		**Allowance**	
Mortgages on real estate	929,736	458,049	64,954,225	(22,033,041)	44,308,969
Policyowners' loans	27,903,929	-	-	-	27,903,929
Other financial assets	866,369,994	-	-	-	866,369,994
Insurance receivables	1,748,660	-	-	-	1,748,660
Other receivables	6,506,601	-	914,518	(914,518)	6,506,601
Cash and cash equivalents	64,616,367	-	-	-	64,616,367
	968,075,287	458,049	65,868,743	(22,947,559)	1,011,454,520

	31 December 2020				
	Neither past due nor impaired	**Past due but not impaired**	**Impaired**	**Allowance for impairment**	**Net**
	$	**$**	**$**	**$**	**$**
Mortgages on real estate	515,575	1,061,251	64,954,225	(22,033,041)	44,498,010
Policyowners' loans	28,190,527	-	-	-	28,190,527
Other financial assets	871,995,550	-	-	-	871,995,550
Insurance receivables	2,051,432	-	-	-	2,051,432
Other receivables	6,398,336	-	951,031	(951,031)	6,398,336
Cash and cash equivalents	37,677,583	-	-	-	37,677,583
	946,829,003	1,061,251	65,905,256	(22,984,072)	990,811,438

The Company has no internal rating system for mortgages and assets that are classified as neither past due nor impaired.

(c) *Past due but not impaired – mortgages on real estate*

	2021	**2,020**
	$	$
Past due up to 30 days	140,567	663,800
Past due 31 – 90 days	-	73,558
Over 181 days	317,482	323,893
	458,049	**1,061,251**

31 **Management of insurance and financial risk (continued)**

b. *Financial risk (continued)*

(iii) *Credit risk (continued)*

(d) *Individually impaired assets*

The gross amount of individually impaired assets held by the Company is as follows:

	2021 $	2020 $
Mortgages on real estate	64,954,225	64,954,225
Due from agents	914,518	951,031
	65,868,743	**65,905,256**

(iv) *Capital management*

The Company's objective when managing capital is:

- To comply with the insurance capital requirement under Section 22 of the Insurance Act, 2018 of Trinidad and Tobago which prescribes a minimum stated capital of fifteen million to be maintained at all times throughout the year, for companies engaged in long-term insurance business. The Company manages its capital position as follows:

Stated capital of the Company	17,869,554
Minimum regulatory stated capital	15,000,000

Throughout the financial year, the Company met its capital requirement. There were no changes in the policies and procedures in managing capital risk compared to the prior year.

31 **Management of insurance and financial risk (continued)**

b. *Financial risk (continued)*

(v) *Fair value hierarchy of financial and non-financial assets*

The following analyses financial and non-financial assets carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2);
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Financial assets

	Level1	Level2	Level3	Total
	$	$	$	$
At 31 December 2021				
Equity securities	62,455,747	-	-	62,455,747
Mutual funds	42,189,790	-	-	42,189,790
Fixed deposits	35,785,521	-	-	35,785,521
Debt securities	-	784,161,965	4,232,718	788,394,683
	140,431,058	**784,161,965**	**4,232,718**	928,825,741
	15%	84%	0%	100%
At 31 December 2020				
Equity securities	112,888,281	-	-	112,888,281
Mutual funds	49,278,066	-	-	49,278,066
Treasury bills	799,614	-	-	799,614
Fixed deposits	35,480,000	-	-	35,480,000
Debt securities	-	782,542,154	3,895,716	786,437,870
	198,445,961	**782,542,154**	**3,895,716**	**984,883,831**
	20%	79%	0%	100%

There were no transfers between levels 1 and 2 during the year.

Financial instruments where carrying value is equal to fair value

Due to the liquidity and short-term maturity, the carrying values of certain financial instruments approximate their fair values. Financial instruments where carrying value is equal to fair value include cash and cash equivalents.

31 **Management of insurance and financial risk (continued)**

b. *Financial risk (continued)*

(v) *Fair value hierarchy of financial and non-financial assets (continued)*

Financial assets (continued)

The table below summarises the level in the IFRS 13 fair value hierarchy in which the fair value measurement is categorised and a description of the valuation technique and the inputs used in the fair value measurement.

	Fair value measurement in IFRS 13 fair value hierarchy	Categorisation of methodology used to determine fair value	Valuation Key assumptions in valuation methodology
Financial assets at fair value through other comprehensive income	Level 1	Fair value	n/a – quoted prices equals fair value
Unquoted equity securities	Level 3	Net asset-based approach	n/a – net asset value equals fair value
Government debt securities	Level 2	Discounted cash flow	Future cash flows Current market interest rate at year end
Corporate debt securities	Level 3	Discounted cash flow	Future cash flows Current market interest rate at year end

An observable input is an input that is developed using market data such as publicly available information about actual events or transactions and that reflect the assumptions that market participants would use when pricing the asset or liability.

An unobservable input is an input for which market data is not readily available and that are developed using the best information available about the assumptions that market participants would use when pricing the asset or liability.

Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 instruments.

Corporate debt securities

At 31 December,	**2021**	**2020**
	$	**$**
Opening balance	8,062,385	9,301,406
Additions	199,273	189,671
Gains/(losses) included in other comprehensive income	286,320	(1,428,692)
Closing balance	**8,547,978**	**8,062,385**

31 **Management of insurance and financial risk (continued)**

b. *Financial risk (continued)*

(v) *Fair value hierarchy of financial and non-financial assets (continued)*

Non-financial assets

	Level 1 $	Level 2 $	Level 3 $	Total $
At 31 December 2021				
Freehold land and building	-	16,000,000	-	16,000,000
Investment properties	-	118,900,000	-	118,900,000
	-	134,900,000	-	134,900,000
	0.00%	100.00%	0.00%	100.00%

There were no transfers between levels 1 and 2 during the year. Properties were revalued in the current year and reclassed from level 3 to level 2.

	Level 1 $	Level 2 $	Level 3 $	Total $
At 31 December 2020				
Freehold land and building	-	-	13,800,000	13,800,000
Investment properties	-	-	103,531,939	103,531,939
	-	-	117,331,939	117,331,939
	0.00%	0.00%	100.00%	100.00%

There were no transfers between levels 1 and 2 during the year.

Fair value measurements using significant unobservable inputs (level 2)

The following table presents the changes in level 2 instruments.

	Freehold land and building $	Investment properties $
Opening balance	13,800,000	103,531,939
Additions	1,294,850	116,760
Depreciation expense recorded in other operating expenses	(200,000)	-
Fair value gains recorded in other comprehensive income	1,105,150	
Fair value gains recorded in income	-	15,251,301
Closing balance	16,000,000	118,900,000

Freehold land and building

Freehold land and building comprise of the Company's head office located at 11-13 Fifth Street, Barataria. The property was revalued as at 31 December 2021 by an external independent appraiser using the open market basis.

31 **Management of insurance and financial risk (continued)**

b. *Financial risk (continued)*

(v) *Fair value hierarchy of financial and non-financial assets (continued)*

Non-financial assets

Investment properties

Level 2 includes sixteen properties located at various locations which are available for sale or held for rental.

Valuations were obtained from external independent appraisers on the basis of open market value as at 31 December 2021.

Valuation processes of the Company

For freehold land and buildings, the Company engages external, independent and qualified appraisers to determine its fair value on a periodic or at least triennial basis; and on an annual basis for investment properties. If annual valuations are not available, management uses alternative valuation methods such as discounted cash flow projections or recent prices in less active markets.

32 **Financial instruments by category**

At 31 December 2021

	Amortised cost	Fair value through OCI	Total
	$	$	$
Assets as per statement of financial position			
Mortgages on real estate	44,308,969	-	44,308,969
Policyowners' loans	27,903,929	-	27,903,929
Financial assets at fair value through other comprehensive income	-	928,825,741	928,825,741
Insurance and other receivables excluding prepayments	8,048,210	-	8,048,210
Cash and cash equivalents	64,616,367	-	64,616,367
	144,877,475	**928,825,741**	**1,073,703,216**

	Other financial liabilities	Insurance contracts liabilities	Total
	$	$	$
Liabilities as per statement of financial position			
Insurance contracts	-	473,063,468	473,063,468
Other policyowners' funds	745,671,689	-	745,671,689
Borrowings	847,150,685	-	847,150,685
Other payables	7,517,791	-	7,517,791
	1,600,340,165	**473,063,468**	**2,073,403,633**

32 Financial instruments by category (continued)

At 31 December 2020

	Amortised cost	Fair value through OCI	Total
	$	$	$
Assets as per statement of financial position			
Mortgages on real estate	44,498,010	-	44,498,010
Policyowners' loans	28,190,527	-	28,190,527
Financial assets at fair value through other comprehensive income	-	984,883,831	984,883,831
Insurance and other receivables excluding prepayments	8,227,488	-	8,227,488
Cash and cash equivalents	37,677,583	-	37,677,583
	118,593,608	**984,883,831**	**1,103,477,439**

	Other financial liabilities	Insurance contracts liabilities	Total
	$	$	$
Liabilities as per statement of financial position			
Insurance contracts	-	469,930,321	469,930,321
Other policyowners' funds	792,424,682	-	792,424,682
Borrowings	832,150,685	-	832,150,685
Other payables	5,538,257	-	5,538,257
	1,630,113,624	**469,930,321**	**2,100,043,945**

33 Capital commitments

The Company has no capital commitments.

34 Contingencies

The Company is not a party to any material pending legal proceedings other than ordinary routine litigation incidental to the business. It is not expected that the disposition of such litigation will have a material effect on the Company's financial position.

35 Subsequent events

Subsequent events are described in Note 2 to the financial statements.