

**PAN-AMERICAN LIFE INSURANCE  
COMPANY OF TRINIDAD AND  
TOBAGO LIMITED**

**SEPARATE AND CONSOLIDATED  
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**31 DECEMBER 2021**

REPORT OF THE SHAREHOLDER OF  
PAN-AMERICAN LIFE INSURANCE COMPANY OF  
TRINIDAD & TOBAGO LIMITED  
STATEMENT OF MANAGEMENT'S RESPONSIBILI-  
TIES

31 December, 2021

It is the responsibility of management to prepare separate and consolidated financial statements for each financial period which give a true and fair view of the state of affairs of the Group as at the end of the financial year and of the operating results of the Group for the year. It is also management's responsibility to ensure that the Group keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group. They are also responsible for safeguarding the assets of the Group.

Management is responsible for the preparation and fair presentation of these separate and consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of separate and consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Management accepts responsibility for the annual separate and consolidated financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards. Management are of the opinion that the separate and consolidated financial statements give a true and fair view of the state of the financial affairs of the Group and of its operating results. Management further accepts responsibility for the maintenance of accounting records which may be relied upon in the preparation of separate and consolidated financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of management to indicate that the Group will not remain a going concern for at least the next twelve months from the date of this statement.



**Bruce Parker**  
Director



**William Schultz**  
Chairman



INDEPENDENT AUDITOR'S  
REPORT  
TO THE SHAREHOLDER OF  
PAN-AMERICAN LIFE INSURANCE  
COMPANY OF TRINIDAD AND  
TOBAGO LIMITED

**Report on the Audit of the Separate and Consolidated Financial Statements**

**Opinion**

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

In our opinion, the accompanying separate and consolidated financial statements present fairly, in all material respects, the separate and consolidated financial position of the Group as at 31 December 2021 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

**Basis for Opinion**

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

Code"), and we have fulfilled our other 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 opinion.

**Responsibilities of Management and the Audit Committee for the Separate and Consolidated Financial Statements**

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

**Auditor's Responsibilities for the Audit of the Separate and Consolidated Financial Statements**

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

- Identify and assess the risks of material misstatement of the separate and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, mis-

representations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the separate and consolidated financial statements, including the disclosures, and whether the separate and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the separate and consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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




Port of Spain,  
TRINIDAD:  
28 April 2022

PAN-AMERICAN LIFE INSURANCE COMPANY OF TRINIDAD & TOBAGO LIMITED  
SEPARATE AND CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2021  
(Expressed in thousands of Trinidad and Tobago dollars)

Parent		Group			
2020	2021	2021	2020	Notes	
\$'000	\$'000	\$'000	\$'000		
118,315	108,946	Property and equipment	5	112,246	121,616
7,500	7,500	Investment properties	6	13,050	13,750
9,065	9,065	Investment in subsidiary	34	—	—
2,069	1,909	Deferred tax assets	15	2,006	2,069
2,146,299	1,539,367	Financial assets	7	1,539,367	2,146,299
923,206	992,476	Reinsurance assets	8	992,476	923,206
9,909	18,669	Income tax recoverable		18,701	10,142
184,603	191,438	Policy loans	9	191,438	184,603
8,926	8,325	Other assets	10	8,325	8,926
122,115	247,801	Cash and cash equivalents	11	247,801	122,115
3,532,007	3,125,496	<b>TOTAL ASSETS</b>		3,125,410	3,532,726
11,760	11,760	<b>EQUITY</b>		11,760	11,760
15,000	—	Share capital	12	—	15,000
61,043	41,845	Statutory reserves	13.1	43,546	62,744
75,410	17,087	Revaluation reserves	13.2	17,087	75,410
339,700	393,940	Life surplus account	13.3	395,782	341,933
502,913	464,632	Retained earnings		468,175	506,847
1,985,976	2,157,573	<b>Total equity</b>		2,157,573	1,985,976
265,492	278,837	<b>LIABILITIES</b>		278,837	265,492
17,009	13,222	Insurance contracts	14	13,222	17,009
53,936	20,853	Financial liabilities		21,463	54,659
42,073	39,047	- Investment contracts	16	39,047	42,073
664,608	151,332	- Borrowings	17	147,082	660,670
—	—	Deferred tax liabilities	15	11	—
3,029,094	2,660,864	Reinsurance payable		2,657,235	3,025,879
3,532,007	3,125,496	Trade and other payables	18	3,125,410	3,532,726
		Income tax liabilities			
		<b>Total liabilities</b>			
		<b>TOTAL EQUITY AND LIABILITIES</b>			

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



Bruce Parker  
Director



William Schultz  
Chairman

On April 27, 2022 the Board of Directors of Pan-American Life Insurance Company of Trinidad and Tobago Limited authorised these separate and consolidated financial statements for issue.

PAN-AMERICAN LIFE INSURANCE COMPANY OF TRINIDAD & TOBAGO LIMITED  
SEPARATE AND CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2021

(Expressed in thousands of Trinidad and Tobago dollars)

Parent		Group			
2020	2021	2021	2020	Notes	
\$'000	\$'000	\$'000	\$'000		
424,675	424,875	<b>Continuing operations</b>			
(81,071)	(119,849)	Insurance premium revenue	19	424,875	424,675
343,604	305,026	Insurance premium revenue ceded to reinsurers		(119,849)	(81,071)
		<b>Net insurance premium revenue</b>		305,026	343,604
		Investment contracts - policy administration			
		fee income		497	528
528	497	Investment income	20	182,636	157,341
157,307	183,132	Reinsurance commission		22,657	14,874
14,874	22,657	Other income		170	193
193	170	<b>Net income</b>		510,986	516,540
516,506	511,482	Insurance benefits	21	(227,461)	(190,132)
(190,132)	(227,461)	Insurance claims and loss adjustment expenses		(42,549)	(33,328)
(33,328)	(42,549)	Insurance claims and loss adjustment expenses recovered			
		from reinsurers		3,519	3,450
3,450	3,519	<b>Net insurance benefits and claims</b>		(266,491)	(220,010)
(220,010)	(266,491)	Investment contracts benefits	22	(10,587)	(6,130)
(6,130)	(10,587)	Expenses for the acquisition of insurance and investment			
		contracts		(39,484)	(41,531)
(41,531)	(39,484)	Other operating expenses	23	(164,913)	(171,057)
(170,967)	(164,852)	<b>Total expenses</b>		(481,475)	(438,728)
(438,638)	(481,414)	<b>Profit before taxation</b>		29,511	77,812
77,868	30,068	Taxation credit/(expense)	25	7,302	(18,147)
(17,811)	7,136	<b>Profit for the year from continuing operations</b>		36,813	59,665
60,057	37,204	<b>Discontinued operations</b>			
		(Loss)/profit for the year from discontinued operations	32	(3,061)	2,492
2,492	(3,061)	<b>Profit for the year</b>		33,752	62,157
62,549	34,143				

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

PAN-AMERICAN LIFE INSURANCE COMPANY OF TRINIDAD & TOBAGO LIMITED  
SEPARATE AND CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2021

(Expressed in thousands of Trinidad and Tobago dollars)

Parent		Group			
2020	2021	2021	2020	Notes	
\$'000	\$'000	\$'000	\$'000		
62,549	34,143	<b>Profit for the year</b>		33,752	62,157
		<b>Other comprehensive (loss)/income</b>			
		Items that may be reclassified subsequently to profit or loss			
		From continuing operations			
5,494	(97,915)	Fair value (loss)/gain on available-for-sale financial assets		(97,915)	5,494
(2,147)	(3,499)	Fair value (loss)/gain on property, plant and equipment		(3,499)	(946)
(768)	20,507	Deferred tax		20,507	(1,128)
2,579	(80,907)			(80,907)	3,420
		From discontinued operations			
(1,522)	8,053	Fair value gain/(loss) on available-for-sale financial assets		8,053	(1,522)
823	430	Deferred tax		430	823
(699)	8,483			8,483	(699)
1,880	(72,424)	<b>Net other comprehensive (loss)/income that may be reclassified subsequently to profit or loss</b>		(72,424)	2,721
1,880	(72,424)	<b>Other comprehensive (loss)/income for the year, net of tax</b>		(72,424)	2,721
64,429	(38,281)	<b>Total comprehensive (loss)/income for the year</b>		(38,672)	64,878
		<b>Comprehensive (loss)/income for the year from:</b>			
62,637	(43,703)	Continuing operations		(44,094)	63,085
1,792	5,422	Discontinued operations		5,422	1,793
64,429	(38,281)			(38,672)	64,878

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

PAN-AMERICAN LIFE INSURANCE COMPANY OF TRINIDAD & TOBAGO LIMITED  
SEPARATE AND CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2021  
(Expressed in thousands of Trinidad and Tobago dollars)

	Share capital \$'000	Statutory reserves \$'000	Revaluation reserves \$'000	Life surplus account \$'000	Retained earnings \$'000	Total equity \$'000
<b>Parent</b>						
<b>Balance at 1 January 2020</b>						
Profit for the year from continuing operations	11,760	15,000	62,750	38,998	309,976	438,484
Profit for the year from discontinued operations	-	-	-	32,825	27,232	60,057
Other comprehensive income from continuing operations	-	-	-	-	2,492	2,492
Other comprehensive income from discontinued operations	-	-	(1,008)	3,587	-	2,579
<b>Balance at 31 December 2020</b>	-	-	(699)	-	-	(699)
	11,760	15,000	61,043	75,410	339,700	502,913
<b>Balance at 1 January 2021</b>	11,760	15,000	61,043	75,410	339,700	502,913
Profit for the year from continuing operations	-	-	-	(5,097)	42,301	37,204
Re-appropriation to retained earnings	-	(15,000)	-	-	15,000	-
Loss for the year from discontinued operations	-	-	-	-	(3,061)	(3,061)
Other comprehensive loss from continuing operations	-	-	(27,681)	(53,226)	-	(80,907)
Other comprehensive income from discontinued operations	-	-	8,483	-	-	8,483
<b>Balance at 31 December 2021</b>	11,760	-	41,845	17,087	393,940	464,632

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

PAN-AMERICAN LIFE INSURANCE COMPANY OF TRINIDAD & TOBAGO LIMITED  
SEPARATE AND CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2021  
(Expressed in thousands of Trinidad and Tobago dollars)

	Share capital \$'000	Statutory reserves \$'000	Revaluation reserves \$'000	Life surplus account \$'000	Retained earnings \$'000	Total equity \$'000
<b>Group</b>						
<b>Balance at 1 January 2020</b>						
Profit for the year from continuing operations	11,760	15,000	63,610	38,998	312,601	441,969
Profit for the year from discontinued operations	-	-	-	32,825	26,840	59,665
Other comprehensive income from continuing operations	-	-	-	-	2,492	2,492
Other comprehensive income from discontinued operations	-	-	(167)	3,587	-	3,420
<b>Balance at 31 December 2020</b>	-	-	(699)	-	-	(699)
	11,760	15,000	62,744	75,410	341,933	506,847
<b>Balance at 1 January 2021</b>	11,760	15,000	62,744	75,410	341,933	506,847
Re-appropriation to retained earnings	-	-	-	(5,097)	41,910	36,813
Loss for the year from discontinued operations	-	(15,000)	-	-	15,000	-
Other comprehensive loss from continuing operations	-	-	-	-	(3,061)	(3,061)
Other comprehensive income from discontinued operations	-	-	(27,681)	(53,226)	-	(80,907)
<b>Balance at 31 December 2021</b>	-	-	8,483	-	-	8,483
	11,760	-	43,546	17,087	395,782	468,175

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

PAN-AMERICAN LIFE INSURANCE COMPANY OF TRINIDAD & TOBAGO LIMITED  
SEPARATE AND CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2021  
(Expressed in thousands of Trinidad & Tobago dollars)

Parent		Group	
2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000
(228,971)	(551,681)	Notes (551,681)	(228,971)
<b>Net cash outflow from operating activities</b>			
<b>Cash flows from investing activities</b>			
(18,941)	(3,454)	5 (3,454)	(18,941)
10,764	(6,835)	(6,835)	10,764
129	365	365	129
(234,140)	(91,445)	(91,445)	(234,140)
343,804	677,839	677,839	343,804
130,159	105,128	105,128	130,159
2,804	129,917	129,917	2,804
<b>Net cash inflow from investing activities</b>			
<b>Cash flows from financing activities</b>			
(4,732)	(4,491)	(4,491)	(4,732)
(4,732)	(4,491)	(4,491)	(4,732)
(1,928)	125,426	125,426	(1,928)
118,519	116,591	116,591	118,519
116,591	242,017	242,017	116,591

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

## 1. Corporate information

Pan-American Life Insurance of Trinidad & Tobago Limited (the Parent) is incorporated in the Republic of Trinidad and Tobago. It is a wholly owned subsidiary of Pan-American Life Insurance Group incorporated in New Orleans, United States of America, whose ultimate parent is Pan-American Life Mutual Holding Company. The Parent's registered office is located at Pan-

American Plaza, 91-93 St. Vincent Street, Port of Spain, Trinidad and Tobago. Its principal activities are the carrying on of long-term insurance business. The Parent ceased conducting short-term business on 31 May 2010 and continued the following lines of business:

- Ordinary Life
- Annuity
- Group Pensions
- Group Life
- Group Medical
- Accident and Health

The Parent has two wholly owned subsidiaries as follows:

Subsidiary	Country of incorporation	Principal activity
ALGICO Properties Limited	Trinidad & Tobago	Development and maintenance of properties
Eleven Dee Limited	Trinidad & Tobago	Leasing of investment property

## 2. Significant accounting policies

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

### 2.1 Basis of preparation

The separate and consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The separate and consolidated financial statements of Pan-American Life Insurance Group of Trinidad and Tobago Limited and its subsidiaries (the Group) are prepared in Trinidad and Tobago dollars and under the historical cost convention, as modified by the revaluation of land and buildings, investment properties and available-for-sale financial assets.

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

#### (a) New standards and amendments/revisions to published standards and interpretations effective in 2021

The following published standard and its associated amendments are applicable to the Group's operations for the reporting period but adoption has been deferred due to provisions within the standard:

## IFRS 9 Financial Instruments effective 2020

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement to establish principles for the financial reporting of financial assets and financial liabilities. IFRS 9 requires an entity to recognize a financial asset or a financial liability in its statement of financial position when it becomes party to the contractual provisions of the instrument. At initial recognition, an entity measures a financial asset or a financial liability at its fair value plus or minus, in the case of a financial asset or a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or the financial liability.

Due to the interaction of IFRS 4 Insurance Contracts with IFRS 9, the IASB allowed entities that issue insurance contracts to adopt either the overlay approach or the deferral approach.

### Overlay Approach:

This allows entities to reclassify some of the income or expenses arising from designated financial assets from the profit or loss to other comprehensive income.

### Deferral Approach:

This grants entities whose predominant activity is issuing contracts within the scope of IFRS 4 a temporary exemption from applying IFRS 9.

Consideration was given to both options and the Group selected the deferral approach for the reporting year.

IFRS 9, IAS 39, IFRS 7, IFRS 4 & IFRS 16 Financial Instruments Amendments issued: Interest Rate Benchmark Reform - Phase 2 - effective January 1, 2021

### (b) New standards and amendments/revisions to published standards and interpretations effective in 2021 but not applicable to the Group

- Covid-19 - Related Rent Concessions beyond 30 June 2021 - Amendment to IFRS 16

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

The following is a list of new IFRS standards, interpretations and amendments issued that are not yet effective as at 31 December 2021 and have not been early adopted by the Group. For all standards, interpretations and amendments effective 1 January 2022, the Group is currently evaluating the impact of adoption, but does not anticipate they would have a material impact on its separate and consolidated financial statements.

### Effective 1 January 2022:

- Reference to the Conceptual Framework -

Amendments to IFRS 3

- Property, Plant and Equipment: Proceeds before Intended

- Use - Amendments to IAS 16

- Onerous Contracts - Costs of Fulfilling a Contract - Amendments to IAS 37

### Effective 1 January 2023:

- IFRS 17 Insurance Contracts

- Classification of Liabilities as Current or Non-current - Amendments to IAS 1

- Definition of Accounting Estimates - Amendments to IAS 8

- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

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

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28

### Annual Improvements to IFRSs 2018 - 2020 Cycle:

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

- IFRS 16 Leases - Illustrative examples for lease incentives

## 2.2 Basis of consolidation

The consolidated financial statements include the accounts of the Parent and its wholly owned subsidiaries, ALGICO Properties Limited and Eleven Dee Limited. All material inter-company transactions, balances and unrealised surpluses and deficits on transactions between the Parent and its subsidiaries have been eliminated on consolidation. Where necessary, the accounting policies used by subsidiaries have been changed to ensure consistency with the policies adopted by the Parent.

### Investment in subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

The Group uses the purchase method of accounting to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabi-

lities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the separate and consolidated statement of comprehensive income.

## 2.3 Foreign currency translation

### (a) Functional and presentation currency

Items included in the separate and consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The separate and consolidated financial statements are presented in thousands of Trinidad and Tobago Dollars, which is the Group's functional and presentation currency.

### (b) Transactions and balances

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the separate and consolidated statement of comprehensive income within other operating income or operating expenses. All other foreign exchange gains and losses are presented in the separate and consolidated statement of comprehensive income within 'investment 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 profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

## 2.4 Property and equipment

All property and equipment are initially recorded at cost. Land and buildings are subsequently carried at fair value, based on periodic, but at least triennial valuations by external independent valuers, 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 re-valued amount of the asset. All other plant and equipment are stated at historical cost less depreciation. Historical costs include expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable

that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

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

Land is not depreciated. Depreciation on other assets is calculated on the straight-line method to write off the cost or re-valued amount of each asset to its residual value over its estimated useful life as follows:

Building	-	2%
Leasehold improvements-		Over the lease term
Furniture and fittings	-	20%
Motor vehicles	-	25%
Equipment	-	20%
Computer equipment	-	25% and 33.33%

The assets' residual values and useful lives are reviewed at each reporting date and adjusted if appropriate. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with their carrying amounts. These are included in the consolidated statement of comprehensive income. On disposal of re-valued assets, amounts in revaluation reserves relating to these assets are transferred to retained earnings.

## 2.5 Investment properties

Investment properties comprise of leasehold buildings and are carried at fair value. Fair value is based on active market prices, adjusted, as necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group 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 re-developed 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 consolidated statement of comprehensive income.

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

If an item of property and equipment beco-

mes 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 equity as a revaluation of property and equipment.

However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the consolidated statement of comprehensive income. Upon the disposal of such investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through the consolidated statement of comprehensive income.

## 2.6 Financial assets

The Group classifies its financial assets into the following categories: available-for-sale financial assets and loans and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classifications of its financial assets at initial recognition and re-evaluates this at every reporting date.

### (i) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets intended to be held for an indefinite period of time are either designated in this category or not classified in any other category.

Available for sale financial assets are subsequently carried at fair value. Unrealised gains and losses arising from changes in the fair value of available for sale financial assets are recognised in other comprehensive income in the period in which they arise, until the financial asset is derecognised or impaired. At this time, the cumulative gain or loss recognised in other comprehensive income is recognised in profit or loss.

### (ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Group intends to sell in the short-term or that it has designated as available for-sale. Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the impairment of loans and receivables.

### Initial recognition and subsequent measurement

Regular-way purchases and sales of financial assets are recognised on the settlement date. Financial assets are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or where they have been transferred and the Group has also transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets are subsequently carried at fair value. Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income in the period in which they arise, until the financial asset is derecognised or impaired. At this time the cumulative gain or loss recognised in other comprehensive income is recognised in profit or loss.

The fair value of quoted instruments are based on current bid prices at the reporting date. If the market for a financial asset is not active, the Group establishes fair values by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated statement of comprehensive income. Dividends on available-for-sale equity instruments are recognised in the consolidated statement of comprehensive income when the Group's right to receive payment is established. Both are included under investment income.

The effective interest rate method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including legal fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

## 2.7 Impairment of financial assets

### (i) Financial assets carried at amortised cost

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of assets that can be reliably estimated. Objective evidence that a financial asset or a group of financial assets is impaired includes observable data.

(a) Significant financial difficulty of the issuer or debtor;

(b) A breach of contract, such as a default or delinquency in payments;

(c) It is probable that the issuer or debtor will enter bankruptcy or other financial reorganisation;

(d) The disappearance of an active market for that financial asset because of financial difficulties; or

e) Observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the Group; including: national or local economic conditions that correlate with defaults on the assets in the Group or adverse changes in the payment status of issuers or debtors in the Group.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

Assets that are individually assessed for impairment and for which an impairment loss, is or continues to be, recognised are not included in a collective assessment of impairment. If there is objective evidence that an impairment loss has been incurred on loans and receivables carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the consolidated statement of comprehensive income.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e., on the basis of the Group's grading process that considers asset type, industry, geographical location, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the issuer's ability to pay all amounts due under the contractual terms of the debt instrument being evaluated.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recogni-

sed (such as improved credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the consolidated statement of comprehensive income.

#### **(ii) Available-for-sale financial assets**

The Group assesses at each reporting date whether there is objective evidence that an available-for-sale financial asset is impaired, including in the case of equity instruments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the consolidated statement of comprehensive income. Impairment losses recognised in the consolidated statement of comprehensive income on equity instruments are not subsequently reversed through the statement of comprehensive income in future periods. The impairment loss is reversed through the consolidated statement of other comprehensive income, if in a subsequent period the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

#### **2.8 Fair value measurement**

The available-for-sale financial assets, such as, debt securities, and non-financial assets such as land and buildings and investment properties, are measured at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability between willing market participants in an arm's length transaction at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place in either the principal market or the most advantageous market which is accessible by the Group. It assumes that the market participants act in their economic best interest by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the separate and consolidated financial statements are categorized within the fair value hierarchy.

It is determined by reference to the source of inputs used to derive the fair value, described as follows:

- Level 1 - Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. These are readily observable prices.

- Level 2 - Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 - Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). Assets are typically very illiquid.

The Group's Investment Committee determines the policies and procedures for fair value measurement.

The Group utilizes independent external investment valuers in determining the fair values of assets, such as available-for-sale financial assets and non-financial assets, namely properties. The selection criteria include market knowledge and professionalism.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

#### **2.9 Cash and cash equivalents**

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

#### **2.10 Share capital**

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

#### **2.11 Insurance and investment contracts – classification**

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

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

## 2.12 Insurance contracts

### (i) Recognition and measurement

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

#### (a) Short-term insurance contracts

These are short-duration life insurance contracts. Short-duration life insurance contracts protect the Group's customers from the consequences of events (such as illness or disability) that would affect the ability of the customer or his/her dependents to maintain their current level of income. Guaranteed benefits paid on occurrence of the specified insurance event are either fixed or linked to the extent of the economic loss suffered by the policyholder.

There are no maturity or surrender benefits. For all these contracts, premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. The portion of premiums received on in-force contracts that relate to unexpired risks at the reporting date is reported as the unearned premium liability. Premiums are shown before deduction of commissions.

Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include direct and indirect claims settlement costs, and arise from events that have occurred up to the reporting date even if they have not yet been reported to the Group. The Group does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using techniques such as the input of assessments for individual cases reported to the Group and statistical analyses for the claims incurred but not reported (IBNR), and to estimate the expected ultimate cost of more complex claims that may be affected by external factors (such as court decisions).

#### (b) Long-term insurance contracts with fixed and guaranteed terms

These contracts insure events associated with human life (for example death, or survival) over a long dura-

tion. 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.

The liability for these contracts are based on the Caribbean Policy Premium Method ("CPPM"). The CPPM calculation uses the present value of all future benefits and expenses less the present value of policy premiums to determine the reserve value, based on continuously updated best estimate assumptions that include an explicit PAD. A liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognized for deferred life contracts.

Long term insurance contracts include the following:

##### • *Ordinary life contracts*

These contracts provide payment of a known sum in the event of the death of the policyholder. The main risk is the premature death of the policyholder. The Group takes this risk by paying the sum assured on death in return for a premium.

##### • *Annuity contracts*

These include deferred or immediate annuity contracts. These contracts provide for payment of a regular income upon maturity of the contract in the case of deferred annuity.

#### (ii) Reinsurance contracts held

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Group under which the contract holder is another insurer (inward reinsurance) are included with insurance contracts.

The Group assesses its reinsurance assets for impairment annually. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the consolidated statement of comprehensive income. The Group gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is also calculated following the same method used for these financial assets. These processes are described in Note 2.7.

#### (iii) Receivables and payables

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders. If there is objective evidence that the insurance receivable is impaired, the Group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the consolidated statement of comprehensive income. The Group gathers the objective evidence that an insurance receivable is impaired using the same process adopted for loans and receivables. The impairment loss is also calculated under the same method used for these financial assets. These processes are described in Note 2.7.

## 2.13 Investment contracts

Investment contracts are those contracts that transfer financial risk with no significant insurance risk. Any contract not recognised as insurance contracts under IFRS 4 are classified as investment contracts. The Group has investment contracts consisting of Deposit Administration Contracts and Experience Rating Refunds plans (ERR plans).

#### (i) Deposit administration contracts

These are investment vehicles issued by the Group through registered pension schemes and used for accumulating retirement benefits for employees of a Group. The funds are normally used to purchase immediate annuities for the employees upon retirement.

Premiums received are recorded directly as liabilities. The interest provided is recorded as interest expense. Withdrawals, refunds and claims are deducted from the liability. Allowances, expenses and fees charged to the fund are recorded as revenue when charged.

Some deferred annuity contracts have minimum guaranteed annuity rates. If these transfer significant insurance risk at inception of the contract, the entire contract is treated as an insurance contract.

#### (ii) Experience rating refund plans (ERR)

These are Group Medical and Life Plans which are managed on behalf of employers for the benefit of employees. The Group earns a fee for the administration of the plans and processing of claims. The Group prepares annual statements of the funds received and withdrawn during the year. Any unfunded liability is settled by the employers and unutilized funding is remitted to the employers. Premiums received less reinsurance premiums paid are recorded directly as liabilities. Withdrawals, refunds and claims are deducted from the liability. Allowances, expenses and fees charged to the fund are recorded as revenue when charged. As at the end of the reporting period, the Group terminated its ERR agreement.

## 2.14 Borrowings

Borrowings are initially recognised 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 separate and consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

## 2.15 Current and deferred income tax

The tax expense for the period comprises current tax and the change in deferred tax. Tax is recognised in the separate and consolidated statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or surpluses' on policyholders reserves, in which case the tax is recognised in other comprehensive income or against policyholders reserve where relevant. The current income tax charge is calculated on the basis of the tax laws enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the separate and consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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. Deferred income tax is provided on temporary differences associated with investments subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or

different taxable entities where there is an intention to settle the balances on a net basis.

The principal temporary differences arise from depreciation on property and equipment, revaluation of certain assets, the surplus on policyholders' reserves and the amortization on zero coupon bonds.

Corporation tax on long-term business is charged annually at 15% of investment income relating to policyholders' funds (other than approved pension plans) less investment expenses allowable in relation thereto. A further 10% corporation tax is chargeable on net surpluses arising from annual actuarial valuations, when these are transferred to the shareholders' funds.

Corporation tax on short-term business is charged at 25% on first \$1 million profits and 30% thereafter.

Corporation tax on shareholders' funds and on non-insurance business is charged at 25% on investment income and non-insurance income respectively, less investment and management expenses allowable in relation thereto. No additional taxes are charged when surpluses on the short-term business are transferred to shareholders' funds. However, surpluses on long-term business are charged at an additional 10% when they are transferred to shareholders' funds as detailed above.

## 2.16 Employee benefits

The managers, employees and agents of the Group are members of defined contribution plans. These are funded schemes and the Group's contributions are charged in the consolidated statement of comprehensive income for the year. A defined contribution plan is a pension plan under which the Group pays a fixed contribution.

The Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The Group's contributions to these plans amount to 5% of the individuals' basic earnings. These are accounted for on the accruals basis.

## 2.17 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably measured. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood an outflow with respect to any one item included in the same class of obligations may

be small.

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

## 2.18 Revenue recognition

Revenue is recognised as follows:

### (i) Premium income

- (a) Revenue from premium income on short-term insurance contracts is recognised in accordance with Note 2.12.
- (b) Revenue from premium income on long-term insurance contracts is recognised in accordance with Note 2.12.

### (ii) Investment income

Interest income is recognised for all interest bearing instruments using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses.

This calculation includes all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for measuring the impairment loss. Investment income is allocated between the shareholders' and policyholders' reserves based on the ratio, which the average of each individual reserve bears to the total average reserve for the year.

### (iii) Dividend income

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

### (iv) Fees for rendering of services

Revenue arising from management services offered by the Group is recognised in the accounting period in which the services are rendered. These fees consist primarily of charges for services rendered in conjunction with the management of ERR Plans and Group Pension Plans on behalf of employers.

### (v) Commissions

The Group earns commissions from reinsurers based on a percentage of the reinsurance premiums ceded.



These amounts are accounted for on the accruals basis.

### 2.19 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

#### Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

#### (i) Right-of-use assets

The right-of-use asset is depreciated and the expense is charged to the statement of comprehensive income. The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

#### (ii) Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, and the Group's incremental borrowing rate. For the reporting period, the Group used its incremental borrowing rate from its local bank as the discount rate. Subsequently, the lease liability is measured at amortised cost using the effective interest rate method, with the finance cost being charged to the statement of comprehensive income. If there is a re-measurement of the lease liability, a corresponding adjustment is made to the carrying amount of the right-of-use asset or it is recorded in the statement of comprehensive income if the carrying amount of the right of use asset has been reduced to zero. The Group's lease liabilities are included in Borrowings Note 17.

#### (iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line

basis over the lease term.

### 2.20 Impairment of tangible and intangible assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation 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 to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

### 2.21 Dividends distribution

Dividend distribution to the Group's shareholders are accounted for as an appropriation of retained earnings in the Group's separate and consolidated financial statements in the period in which they are proposed and declared by the Group's directors. Dividends that are proposed and declared after the reporting date are not shown as a liability on the separate and consolidated statement of financial position but are disclosed as a note to the separate and consolidated financial statements.

### 2.22 Offsetting financial instruments

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

### 2.23 Comparative information

The comparative information for 2020 was revised to reflect the reclassification of the ceded insurance reserves from Insurance Contracts to Reinsurance Assets. The reclass as at 31 December 2021 amounted to \$938.8 million (2020: \$868.5 million). This reclassification had no impact to the Net Assets and Statement of Comprehensive Income and was done to conform with the change made in the presentation in the current year to be in compliance with the reporting and disclosure requirements under IFRS 4. All comparative notes referencing Reinsurance Assets and Insurance Contracts were updated where applicable. Any differences in the comparative amounts from the amounts in the separate and consolidated financial statements for the year ended 31 December 2020 are solely the result of reclassifications for comparative purposes.

## 3. Critical accounting estimates and judgments in applying accounting policies

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

### 3.1 The ultimate liability arising from claims made under short-term insurance contracts

The reserving for claims made under insurance contracts is a critical accounting estimate. They include direct and indirect claims settlement costs and loss adjustment expenses and arise from events that have occurred up to the reporting date. In estimating the liability for outstanding claims the Group considers any information available from the claims adjudicators and information on the cost of settling claims with similar characteristics in previous periods. As loss reserve estimates are subject to effects of future events, adjustments to estimates are unavoidable due to the variations in loss trends. The Group believes that the liability for short-term insurance claims at the year end is adequate. At 31 December 2021, the carrying amount of short-term insurance contracts (claims) was \$7.8 million net (2020: \$7.0 million). Note that the property and casualty lines of business were discontinued effective 31 May 2010. All policies expired in June 2011.

### 3.2 Estimate of future benefit payments and premiums arising from long-term insurance contracts

The liabilities under long-term insurance contracts are determined using the CPPM regulation proposed by the Central Bank of Trinidad for the Insurance Act 2018 and subsequent amendments. The CPPM calculation uses the present value of all future benefits and expenses less the present value of policy premiums to determine the reserve value, based on continuously updated best estimate assumptions that include explicit provisions for adverse deviations. Future changes in these assumptions expose the Group to uncertainty. For example, diseases such as AIDS and life style changes such as eating, smoking and exercising habits would result in mortality being worse than historically. On the other hand, improvements in health care would have the opposite impact resulting in the Group being exposed to longevity risk on its annuity portfolio. See Note 14.2 (iii) for the sensitivity of the value of insurance liabilities to changes in assumptions used to value these liabilities. The carrying amount of long-term insurance contracts (including claims outstanding) as at 31 December 2021 was \$1.2 billion (2020: \$1.1 billion).

### 3.3 Impairment of financial assets

The Group determines that available-for-sale financial assets are impaired when there has been a significant or prolonged decline in the fair value below cost. This determination of what is significant or prolonged requires judgment. In making this judgment the Group evaluates among other factors the market price of the most recent trades and current bond yield curves.

Impairment on financial assets is dependent on estimates by the Group of cash flows to be derived from impaired assets and the interest rates used to discount these cash flows. The Group also takes account of prevailing interest rates as well as the economic and industry factors when estimating cash flows. The carrying amount of impairment provisions on financial assets as at 31 December 2021 was \$9.4 million (2020: \$9.2 million).

### 3.4 Fair value estimation of available-for-sale financial assets

The determination of the fair value of the Group's available-for-sale financial assets that are not traded in an active market is determined by using valuation models developed by its independent external investment valuator. The independent external investment valuator utilizes assumptions about interest rates and applies credit spreads to price the bonds in the portfolio.

If interest rates were to increase by 1% the unrealized gain on fixed rate instruments would decrease by \$6.2 million (2020: \$38.4 million).

### 3.5 Fair value on property and equipment and investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in the separate and consolidated statement of comprehensive income. The Group engaged an independent valuation specialist to assess the fair value as at 31 December 2021 for investment properties and land and buildings. Fair value of the properties was determined by using market approach. This means that valuations performed by the valuator are based on active market prices, significantly adjusted for difference in the nature, location or condition of the specific property. In addition, it measures land and buildings at revalued amounts with changes in fair value being recognised in other comprehensive income. Land and buildings were valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of property.

## 4. Management of insurance and financial risk

The Group issues contracts that transfer insurance risk or financial risk or both. This section summarizes these risks and the way the Group manages them. The group ceased underwriting or renewing property and casualty business as of 31 May 2010.

### 4.1 Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable. For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected by a change in any subset of the portfolio. The Group has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome. Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

#### 4.1.1 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 wide spread 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.

The Group manages these risks through its underwriting strategy and reinsurance arrangements. The underwriting strategy is intended to ensure that the risks underwritten are well diversified in terms of type of risk and the level of insured benefits. The Group does not have in place any reinsurance for contracts that insure survival risk.

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

Insured amount \$'000	Benefits assured per life assured at 31 December 2021			
	Total benefits insured			
	Before re-insurance		After re-insurance	
	(\$million)	(%)	(\$million)	(%)
0-100	1,897	17.5	1,897	24.4
101-200	2,297	21.2	2,297	29.6
201-300	2,277	21.0	1,960	25.3
301-400	802	7.4	500	6.4
301-400	3,572	32.9	1,108	14.3
More than 400	<b>10,845</b>	<b>100</b>	<b>7,762</b>	<b>100</b>

Insured amount \$'000	Benefits assured per life assured at 31 December 2020			
	Total benefits insured			
	Before re-insurance		After re-insurance	
	(\$million)	(%)	(\$million)	(%)
0-100	1,967	17.9	1,967	24.8
101-200	2,337	21.3	2,337	29.5
201-300	2,336	21.3	2,014	25.4
301-400	831	7.6	519	6.5
301-400	3,503	31.9	1,091	13.8
More than 400	<b>10,974</b>	<b>100</b>	<b>7,928</b>	<b>100</b>

	Total annuities payable per annum			
	Annuity payable per annum per life insured as at 31 December			
	2021		2020	
	(\$million)	(%)	(\$million)	(%)
0-100	4,687	29.8	4,666	29.3
101-200	3,703	23.5	3,669	23.0
201-300	2,275	14.4	2,377	14.9
301-400	1,696	10.8	1,692	10.6
301-400	3,392	21.5	3,540	22.2
More than 400	<b>15,753</b>	<b>100</b>	<b>15,944</b>	<b>100</b>

##### (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 Group uses appropriate base tables of standard mortality according to the type of contract being written. A periodic review into the actual mortality experience of the Group is performed in order to determine the adequacy of the mortality rates. In addition, an actuarial valuation is performed by an independent actuary of the long-term insurance liabilities and any adverse mortality variance in the mortality tables is reported.

##### (c) Process used to decide on assumptions

For long-term insurance contracts with fixed and guaranteed terms, contracts are valued using an actuarial reserving computer programme. The Group determines best estimate assumptions in relation to future deaths, voluntary terminations, lapses, interest rates, administrative expenses and inflation rates. These assumptions are used for calculating the liabilities during the life of the contract. A margin for risk and uncertainty is added to these assumptions.

These best estimate assumptions are continuously updated based on the experience of the Group. Group studies are conducted at minimum annually to determine the experience on the mortality, morbidity, lapse and discount. An Expense analysis is done at least every three years to determine the best estimate expense assumption.

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

- Mortality

Actual experience compared to the US 2001 CSO select table is used to determine the appropriate mortality multiple.

- Morbidity

The rate of recovery from disability is derived from industry experience studies, adjusted where appropriate for the Group's experience.

- Investment returns

Investment returns are based on the appropriate discount rates.

- Tax

It has been assumed that current tax legislation and rates continue unaltered.

#### 4.1.2 Short-duration life insurance contracts

##### (a) Frequency and severity of claims

These contracts are mainly issued to employers to insure their commitments to their employees in terms of their employee benefit plans. Contracts are usually for a one year coverage, with an option to renew based upon the performance of the plan during the prior year. The risk is affected by the nature of the industry in which the employer operates as well as the factors outlined under long-term insurance contracts in Note 4.1.1 (a). A higher concentration of risk in an industry or from observable factors such as claims experience, would necessarily impact on the determination of the premium payable under the contract. The Group therefore attempts to manage these risks through its underwriting, claims handling and reinsurance policy. A rating model developed by the Group is used in establishing pricing for the various Group Life products and takes into account the aforementioned risk factors as well as the respective cost.

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

Due to the short duration of these contracts, morbidity and mortality risks are not required when determining the adequacy of the liability for future years, but is necessary for determining the rates of recovery from disability in future years. This is usually assessed from actual claims experience of the Group.

##### (c) Process used to decide on assumptions

The process used in underwriting the risk for new and renewal insurance contracts takes into account the mortality and morbidity experience of the plan. Ratings are assigned based on the historical data available both within the Group provided by the brokers and prospective policyholders.

##### (d) Sensitivity analysis

If the estimate of the liability for short duration life insurance contracts increased by 10%, this would require an additional liability

of \$Nil (2020: \$Nil) to be recorded in the separate and consolidated financial statements as at the year end. There is no sensitivity analysis provided for the current year as all casualty insurance contracts matured as at June 2011 due to the cessation of the company's general insurance operations on 31 May 2010.

#### 4.2 Risk management

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual company within the Group is accountable for the risk exposures relating to its responsibilities. The Group is exposed to credit risk, liquidity risk, operational risk and market risk, the latter being subdivided into trading and non-trading risks.

##### Risk management structure

The Board of Directors is ultimately responsible for identifying and controlling risks; however, there are separate independent bodies responsible for managing and monitoring risks.

##### Risk Management Unit

A centralized Risk Management Unit provides oversight of the implementation and maintenance of risk related procedures to ensure an independent control process. The unit which is sub-divided into three departments (Group Market Risk, Group Credit Risk and Group Compliance and Operational Risk), is also responsible for monitoring compliance with risk policies and limits across the Group in the three key areas of credit risk, market risk and operational risk. Each business unit has decentralized units, which are responsible for the independent control of risks, including monitoring the risk or exposures against limits and the assessment of risks of new products and structured transactions. These decentralized units also ensure the risks are completely captured in the risk measurement and reporting systems.

##### Group Asset/Liability Committee

The Group has a mandate, which includes the recommendation of policies covering investments, liquidity and market risk to the parent Board, and the monitoring of compliance with risk policies and limits in the areas of credit risk and market risk.

##### Internal Audit

Risk management processes throughout the Group are audited by the internal audit function that examines both the adequacy of the procedures and the Group's compliance with the procedures. Internal Audit discusses the results of all assessments with management, and reports its findings and

recommendations to the parent Board Audit Committee.

#### Risk management and reporting systems

The Group's risks are measured using methods which reflect the expected loss likely to arise in normal circumstances. Monitoring and controlling risks is primarily performed based on limits established by the Group. These limits reflect the business strategy and market environment of the Group as well as the level of risk that the Group is willing to accept, with additional emphasis on selected industries and geographies.

Information compiled from all the business units is examined and processed in order to analyze, control and identify risks early. This information which consists of several reports is presented and explained to the Investment Committee, and the head of each business unit. The reports include but are not limited to aggregate credit exposure, open currency positions, and liquidity ratios and risk profile changes. On a quarterly basis, senior management assesses the appropriateness of the allowance for credit losses.

For all levels throughout the Group, specifically tailored risk reports are prepared and distributed in order to ensure that all business units have access to necessary and up-to-date information.

#### Risk mitigation

As part of its overall risk management, the Group uses various established strategies and instruments to manage exposures resulting from changes in interest rates and foreign currencies.

The Group invests in foreign debt to reduce its credit risk.

#### Financial risk

The Group is exposed to financial risk mainly through its financial assets, financial liabilities (investment contracts) and reinsurance assets. The key financial risk occurs where the proceeds from financial assets are not sufficient to fund the obligations arising from the insurance and investment contracts. The risk management of the Group is executed in accordance with policies and procedures approved by the Board of Directors, in accordance with the findings of the Group Enterprise Risk Management Committee, which identifies and evaluates the Group's risk, its potential financial impact as well as the likelihood of its occurrence.

##### 4.2.1 Market risk

The Group takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. 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 rates, credit spreads, foreign exchange rates and equity prices. The Group's exposure to market risk can be segregated into three types of risk: interest rate risk, currency risk and other price risk. There were no changes to the Group's objectives, policies and procedures for managing market risk from prior periods.

**(i) Fair value and cash flow interest rate risk**

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks.

The Group's exposure to fair value interest rate risk arises from its fixed rate debt securities and its finance lease obligations. The Group manages fair value interest rate risk through the following mechanisms:

**(a) Management of the composition of the portfolio**

The Group mitigates its exposure to fair value interest rate risk by investing in both fixed and floating rate financial instruments. This limits the exposure of the Group's portfolio to any one type of interest rate risk.

**(b) Regular review of the market values of the Group's portfolio**

The determination of the fair value of available-for-sale financial assets is based on a valuation model developed by an independent external investment valuator. The Group uses this external valuator to determine the fair values of available-for-sale securities not traded in an active market. The decision to use the external valuator's valuation model was made by the Investment Committee and approved by the Board of Directors. The fair value of United States Dollar denominated available-for-sale financial assets that are internationally traded in an active market is based on a pricing service from an independent international investment valuator.

The following table shows the fair value interest rate sensitivity of the Group's fixed rate instruments to a change of 100 basis points in the interest rate at the consolidated statement of financial position date. All other factors, particularly, foreign currency rates, remain unchanged. A 1% change in interest rates is considered reasonable based on historical movements in interest rates.

**Financial instruments**

	Carrying amount \$'000	Fair value \$'000	Effect on equity Change in interest rate	
			+ 1% \$'000	-1% \$'000
<b>As at 31 December 2021</b>				
Fixed rate debt securities	1,335,188	1,335,188	(73,306)	73,306
<b>As at 31 December 2020</b>				
Fixed rate debt securities	1,936,563	1,936,563	(120,493)	120,493

Floating rate instruments were excluded from the analysis above by virtue of the interest reset periods being six months or less. There were no changes in the assumptions and method used in performing the sensitivity analysis as compared to prior years.

The Group's fixed and floating rate debt instruments are classified as available-for-sale investment securities and are carried in the separate and consolidated financial statements at fair value. All other assets and liabilities are measured at amortized cost which approximate to fair value in the separate and consolidated financial statements and as a result changes in fair values of these instruments would not have an impact on the Group's results for the period.

The Group is exposed to cash flow interest rate risk on its floating rate debt securities, mutual funds, cash and its investment contracts. The Group manages its cash flow interest rate risk through a number of methods:

- The Group's investment function monitors the net investment income on a monthly and quarterly basis. Variance analyses are performed on the movements from prior periods. The investment function also monitors the interest spreads on the Group portfolio to mitigate the exposure to cash flow interest rate risk.
- The Group manages the composition of its portfolio between fixed and floating rate instruments thus limiting its exposure to any one type of interest rate risk.
- The Group also monitors the return on its pool of assets. This return is utilised in determining the interest rate spread on its investments contracts.

**Regular review of the market values of the Group's portfolio (continued)**

The table below summarizes the cash flow interest rate sensitivity of the Group's floating rate instruments to a change of 100 basis points in the interest rate at the consolidated statement of financial position date. All other factors, particularly, foreign currency rates, remain unchanged. A 1% change in interest rates is considered reasonable based on historical movements in interest rates.

Carrying amount \$'000	Effect on profit before tax Change on interest rate	
	+ 1% \$'000	-1% \$'000
<b>As at 31 December 2021</b>		
<b>Financial assets</b>		
Floating rate debt securities	81,972	336 (336)
<b>Financial liabilities</b>		
Investment contracts	278,837	2,690 (2,666)
<b>As at 31 December 2020</b>		
<b>Financial assets</b>		
Floating rate debt securities	82,137	336 (336)
<b>Financial liabilities</b>		
Investment contracts	265,492	(2,521) 2,499

There were no changes in the assumptions and methods used in performing the sensitivity analysis as compared to prior years.

**(ii) Currency risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's exposure to the effects of fluctuations in foreign currency exchange rates arises mainly from its investment, reinsurance and related party transactions.

The exposure to currency risk by the Group is monitored in accordance with the investment guidelines which stipulate policy mismatching limits. These limits are reviewed on an annual basis by the Regional Investment Officer. The Group's investment function monitors the Group's holdings in foreign currencies to ensure the Group maintains seventy per cent of its assets in the local currency as required by local statutory regulations. The Group also maintains sufficient foreign currency resources to settle its foreign currency liabilities thus mitigating its exposure to foreign currency movements.

The principal currencies of the Group's financial assets are the Trinidad and Tobago and the United States dollars. The table below illustrates the Group's currency risk exposure of its monetary assets. The analysis also calculates the effect of a reasonably possible movement of the United States dollar against the Trinidad and Tobago dollar with all other variables held constant.

Parent	TTD \$'000	USD \$'000	Total \$'000
<b>31 December 2021</b>			
<b>Assets</b>			
Financial assets	1,383,217	156,150	1,539,367
Investments in subsidiaries	9,065	—	9,065
Cash and cash equivalents	192,562	55,239	247,801
Reinsurance assets	980,921	11,555	992,476
Policy loans and other assets	195,309	4,454	199,763
<b>Total assets</b>	<b>2,761,074</b>	<b>227,398</b>	<b>2,988,472</b>
<b>Liabilities</b>			
Insurance contracts	2,143,471	14,102	2,157,573
Investment contracts	278,837	—	278,837
Borrowings	13,222	—	13,222
Reinsurance payable	38,254	793	39,047
Trade and other payables	125,322	26,010	151,332
<b>Total liabilities</b>	<b>2,599,106</b>	<b>40,905</b>	<b>2,640,011</b>
<b>Net</b>	<b>161,698</b>	<b>186,493</b>	<b>348,191</b>
<b>Net currency risk exposure</b>		186,493	
<b>Reasonably possible change in currency rate (%)</b>		1%	
<b>Effect on profit before tax</b>		1,865	

Parent	TTD \$'000	USD \$'000	Total \$'000
<b>31 December 2020</b>			
<b>Assets</b>			
Financial assets	1,447,001	699,298	2,146,299
Investments in subsidiaries	9,065	—	9,065
Cash and cash equivalents	78,916	43,199	122,115
Reinsurance assets	911,675	11,531	923,206
Policy loans and other assets	189,128	4,401	193,529
<b>Total assets</b>	<b>2,635,785</b>	<b>758,429</b>	<b>3,394,214</b>
<b>Liabilities</b>			
Insurance contracts	1,970,037	15,939	1,985,976
Investment contracts	265,492	—	265,492
Borrowings	17,009	—	17,009
Reinsurance payable	41,408	665	42,073
Trade and other payables	100,178	564,430	664,608
<b>Total liabilities</b>	<b>2,394,124</b>	<b>581,034</b>	<b>2,975,158</b>
<b>Net</b>	<b>241,661</b>	<b>177,395</b>	<b>419,056</b>
<b>Net currency risk exposure</b>		177,395	
<b>Reasonably possible change in currency rate (%)</b>		1%	
<b>Effect on profit before tax</b>		1,774	

There were no changes in the assumptions and method used in performing the sensitivity analysis as compared to prior years.

Group	TTD \$'000	USD \$'000	Total \$'000
<b>31 December 2021</b>			
<b>Assets</b>			
Financial assets	1,383,217	156,150	1,539,367
Cash and cash equivalents	192,562	55,239	247,801
Reinsurance assets	980,921	11,555	992,476
Policy loans and other assets	195,309	4,454	199,763
<b>Total assets</b>	<b>2,752,009</b>	<b>227,398</b>	<b>2,979,407</b>
<b>Liabilities</b>			
Insurance contracts	2,143,471	14,102	2,157,573
Investment contracts	278,837	—	278,837
Borrowings	13,222	—	13,222
Reinsurance payable	38,254	793	39,047
Trade and other payables	121,072	26,010	147,082
<b>Total liabilities</b>	<b>2,594,856</b>	<b>40,905</b>	<b>2,635,761</b>
<b>Net</b>	<b>157,153</b>	<b>186,493</b>	<b>343,646</b>
<b>Net currency risk exposure</b>		186,493	
<b>Reasonably possible change in currency rate (%)</b>		1%	
<b>Effect on profit before tax</b>		1,865	

Group	TTD \$'000	USD \$'000	Total \$'000
<b>31 December 2020</b>			
<b>Assets</b>			
Financial assets	1,447,001	699,298	2,146,299
Cash and cash equivalents	78,916	43,199	122,115
Reinsurance assets	911,675	11,532	923,206
Policy loans and other assets	189,128	4,401	193,529
<b>Total assets</b>	<b>2,626,720</b>	<b>758,430</b>	<b>3,385,150</b>
<b>Liabilities</b>			
Insurance contracts	1,970,037	15,939	1,985,976
Investment contracts	265,492	—	265,492
Borrowings	17,009	—	17,009
Reinsurance payable	41,408	665	42,073
Trade and other payables	96,240	564,430	660,670
<b>Total liabilities</b>	<b>2,390,186</b>	<b>581,034</b>	<b>2,971,220</b>
<b>Net</b>	<b>236,534</b>	<b>177,396</b>	<b>413,930</b>
<b>Net currency risk exposure</b>		177,396	
<b>Reasonably possible change in currency rate (%)</b>		1%	
<b>Effect on profit before tax</b>		1,774	

There were no changes in the assumptions and method used in performing the sensitivity analysis as compared to prior years.

### (iii) Other price risk

The Group is exposed to other price risk on its equity investment holdings. Equity price risk is the risk that the fair value of the Group's equity instruments will fluctuate as a result of changes in equity prices.

The Group's investment guidelines limit its holdings in equity securities with greater emphasis being placed on investments in government debt securities. The equity pri-

ce risk exposure to the Group is minimal as equities account for only approximately 1% of the investment portfolio.

The effect of a 1% change in equity prices on the fair value of the Group's net assets as at 31 December 2021 is \$108 thousand (2020: \$88 thousand)

### 4.2.2 Credit risk

Credit risk is the exposure that the counterparty to a financial instrument is unable to meet an obligation thereby resulting in financial loss to the Group. The Group is exposed to credit risk, primarily in the following areas: financial assets, reinsurance assets and cash and cash equivalents.

#### (a) Financial assets

In this area, the Group is exposed to credit risk on its debt securities, loans and receivables, term deposits and mutual funds. The Group seeks to manage its credit exposure arising from investment securities by maintaining a well-diversified portfolio of investments. The Group operates within the Board approved investment guidelines, which includes a credit exposure limit of 25% of capital available to any single issuer. Exceptions are made for direct Government of the Republic of Trinidad and Tobago debt or Government of the Republic of Trinidad and Tobago Agency debt, which carry a Government Guarantee and any other investment grade sovereign debt where the Government Guarantee is explicitly stated.

#### (b) Reinsurance assets

The Group's exposure in this area includes the reinsurer's share of insurance liabilities and amounts due from reinsurers in respect of claims already paid. The Group utilizes reinsurance as a tool to manage the Group's insurance risk. This does not however discharge the Group's liability as the primary insurer.

If the reinsurer fails to pay a claim for any reason, the Group remains liable for payment to the policyholder. The Group purchases the majority of its reinsurance coverage from an affiliate. The creditworthiness of other non-affiliated reinsurers is considered on an annual basis by reviewing their financial strength prior to finalization or renewal of any contract. The exposure to individual counterparties is also managed by other mechanisms, such as the right of offset where counterparties are both debtors and creditors of the Group. As at the year end 99% (2020: 98%) of the Group's ceded business

was with related parties and 1% (2020: 2%) to non-affiliated reinsurers.

#### (c) Cash and cash equivalents

The credit risk exposure on cash and cash equivalents comprise cash in hand, deposits held at call with banks, other short-term highly liquid investments with maturities of three months or less. The Group monitors its exposure to the various financial institutions through reviews performed annually by the Group's Investment Committee and placing dollar value limits on the amount of deposits and cash which can be held with each institution.

#### (d) Impairment provisions

At each consolidated statement of financial position date, the Group assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists, the Group would determine and record the amount of any impairment loss. See accounting policy Note 2.7. There were no changes to the Group's objectives, policies and procedures for managing credit risk from prior periods.

The table below summarizes the extent of the Group's gross maximum exposure to credit risk on its financial instruments, before any provision for impairment.

	2021 \$'000	2020 \$'000
Debt securities	1,417,160	2,018,700
Loans and receivables	64,494	73,008
Reinsurance assets	992,476	923,206
Policy loans and other assets	199,763	193,529
Cash and cash equivalents	247,801	122,115
<b>Total assets exposed to credit risk</b>	<b>2,921,694</b>	<b>3,330,558</b>

The table below analyses the Group's exposures to credit risk

	Neither past due nor impaired	Past due but not impaired	Impaired	Total
<b>As at 31 December 2021</b>				
Debt securities	1,417,160	—	—	1,417,160
Loans and receivables	42,352	12,774	9,368	64,494
Cash and cash equivalents	247,801	—	—	247,801
Reinsurance assets	992,476	—	—	992,476
Policy loans and other assets	199,763	—	—	199,763
<b>Total</b>	<b>2,899,552</b>	<b>12,774</b>	<b>9,368</b>	<b>2,921,694</b>
<b>As at 31 December 2020</b>				
Debt securities	2,018,700	—	—	2,018,700
Loans and receivables	52,975	10,866	9,167	73,008
Cash and cash equivalents	122,115	—	—	122,115
Reinsurance assets	923,206	—	—	923,206
Policy loans and other assets	193,529	—	—	193,529
<b>Total</b>	<b>3,310,525</b>	<b>10,866</b>	<b>9,167</b>	<b>3,330,558</b>

The aging of the balances past due but not impaired is as follows:

	Less than 90 days \$'000	91-180 Days \$'000	181-365 days \$'000	Over 365 days \$'000	Total \$'000
<b>As at 31 December 2021</b>					
Loans and receivables	—	2,989	1,982	7,803	12,774
<b>Total</b>	<b>—</b>	<b>2,989</b>	<b>1,982</b>	<b>7,803</b>	<b>12,774</b>
<b>As at 31 December 2020</b>					
Loans and receivables	—	2,504	1,572	6,790	10,866
<b>Total</b>	<b>—</b>	<b>2,504</b>	<b>1,572</b>	<b>6,790</b>	<b>10,866</b>

The analysis of the receivable balances that are impaired are as follows:

	2021 \$'000	2020 \$'000
Loans and receivables	9,368	9,167
	9,368	9,167

Of the balance above, a provision of \$9.4 million (2020: \$9.2 million) was established against these balances. The movement in the provision is as follows:

	2021 \$'000	2020 \$'000
Balance at beginning of year	9,167	9,165
Increase in provision for the year	201	2
Balance at end of year	9,368	9,167

### (e) Concentration of risks of financial assets with credit risk exposure

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

The following table analyses the Group's credit risk exposure categorized by the industry sectors of counterparties.

	Government \$'000	Corporate \$'000	Personal \$'000	Total \$'000
<b>As at 31 December 2021</b>				
Debt securities	953,933	463,227	–	1,417,160
Loans and receivables (gross)	–	26,941	37,553	64,494
Cash and cash equivalents	–	247,801	–	247,801
Reinsurance assets	–	992,476	–	992,476
Policy loans and other assets	–	–	199,763	199,763
<b>Total</b>	<b>953,933</b>	<b>1,730,445</b>	<b>237,316</b>	<b>2,921,694</b>
<b>As at 31 December 2020</b>				
Debt securities	1,014,720	1,003,980	–	2,018,700
Loans and receivables (gross)	–	35,575	37,433	73,008
Cash and cash equivalents	–	122,115	–	122,115
Reinsurance assets	–	923,206	–	923,206
Policy loans and other assets	–	–	193,529	193,529
<b>Total</b>	<b>1,014,720</b>	<b>2,084,876</b>	<b>230,962</b>	<b>3,330,558</b>

### 4.2.3 Credit quality of financial assets

The credit quality of financial assets can be assessed by reference to external credit ratings or to historical information about counterparty default rates. The table below provides information regarding the credit risk exposure of the Group by classifying financial assets according to Standard & Poor's and A.M. Best Company, Inc credit rating.

#### (i) Standard & Poor's

##### AAA

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

##### AA

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

##### A

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

##### BBB

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

##### Below BBB

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

##### No ratings assigned

This indicates that there is insufficient information on which to base a rating. These balances are current and are monitored regularly for impairment. This classification includes obligations due from individuals, short-term securities and receivables arising under contracts of insurance underwritten.

#### (ii) A.M. Best Company, Inc

##### A+

Assigned to insurance companies that have a superior ability to meet their ongoing insurance obligations.

##### A

Assigned to insurance companies that have an excellent ability to meet their ongoing insurance obligations.

The concentration of credit risk is substantially unchanged compared to prior year.

	A.M. Best		Standard & Poor's						No ratings assigned \$'000	Total \$'000
	A+ \$'000	A \$'000	AA \$'000	A \$'000	BBB \$'000	BB \$'000	Below B \$'000			
<b>As at 31 December 2021</b>										
Debt securities	–	–	76,456	–	1,093,080	217,706	29,068	850	1,417,160	
Loans and receivables	–	–	–	–	–	–	–	55,126	55,126	
Reinsurance assets	–	992,476	–	–	–	–	–	–	992,476	
Policy loans and other assets	–	–	–	–	–	–	–	199,763	199,763	
Cash and cash equivalents	–	–	115,002	32,948	79,851	–	–	20,000	247,801	
	–	992,476	191,458	32,948	1,172,931	217,706	29,068	275,739	2,912,326	
<b>As at 31 December 2020</b>										
Debt securities	–	–	123,618	–	1,651,614	213,478	28,859	1,131	2,018,700	
Loans and receivables	–	–	–	–	–	–	–	63,841	63,841	
Reinsurance assets	–	923,206	–	–	–	–	–	–	923,206	
Policy loans and other assets	–	–	–	–	–	–	–	193,529	193,529	
Cash and cash equivalents	–	–	80,709	10,570	30,836	–	–	–	122,115	
	–	923,206	204,327	10,570	1,682,450	213,478	28,859	258,501	3,321,391	

	Local \$'000	Foreign \$'000	Total \$'000
<b>As at 31 December 2021</b>			
Debt securities	1,263,007	154,153	1,417,160
Loans and receivables	53,130	1,996	55,126
Policy loans and other assets	195,309	4,454	199,763
Cash and cash equivalents	192,562	55,239	247,801
Reinsurance assets	980,921	11,555	992,476
	2,684,929	227,397	2,912,326
<b>As at 31 December 2020</b>			
Debt securities	1,328,166	690,534	2,018,700
Loans and receivables	55,077	8,764	63,841
Policy loans and other assets	189,128	4,401	193,529
Cash and cash equivalents	78,916	43,199	122,115
Reinsurance assets	911,675	11,531	923,206
	2,562,962	758,429	3,321,391

### 4.2.4 Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial and insurance

liabilities when they fall due. The Group's main liabilities are its insurance liabilities, investment contracts, borrowings, reinsurance and trade payables. The Group, as part of its liquidity risk management strategy, has invested in financial assets to meet the liquidity requirement of the Group. Short-term liabilities are matched with short-term assets while long-term liabilities are matched with long-term assets. The Group has also implemented a formal liquidity plan which has been approved by the Board. This includes strategies such as maintaining a minimum cash balance as well as short-term instruments which can be easily liquidated to meet any unforeseen expenses.

The Group maintains a portfolio of investments comprising mainly of government bonds and deposits with highly reputable financial institutions which can be easily liquidated in the event of a catastrophe to meet the Group's obligations to its clients. There were no changes to the Group's objectives, policies and procedures for managing liquidity risk from prior periods. The table below summarizes the Group's exposure to liquidity risk based on the contracted undiscounted cash flows for financial liabilities and expected discounted cash flows for insurance liabilities. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Parent	< 1 year \$'000	1 to 5 years \$'000	> 5 years \$'000	Total \$'000
<b>As at 31 December 2021</b>				
<b>Liabilities</b>				
Insurance contracts	1,084,579	23,959	1,049,035	2,157,573
Investment contracts	5,000	-	273,837	278,837
Borrowings	5,784	7,438	-	13,222
Reinsurance payable	39,047	-	-	39,047
Trade and other payables	151,332	-	-	151,332
<b>Total liabilities</b>	<b>1,285,742</b>	<b>31,397</b>	<b>1,322,872</b>	<b>2,640,011</b>

Parent	< 1 year \$'000	1 to 5 years \$'000	> 5 years \$'000	Total \$'000
<b>As at 31 December 2020</b>				
<b>Liabilities</b>				
Insurance contracts	999,305	21,633	965,038	1,985,976
Investment contracts	12,933	-	252,559	265,492
Borrowings	5,524	11,485	-	17,009
Reinsurance payable	42,073	-	-	42,073
Trade and other payables	664,608	-	-	664,608
<b>Total liabilities</b>	<b>1,724,443</b>	<b>33,118</b>	<b>1,217,597</b>	<b>2,975,158</b>

Group	< 1 year \$'000	1 to 5 years \$'000	> 5 years \$'000	Total \$'000
<b>As at 31 December 2021</b>				
<b>Liabilities</b>				
Insurance contracts	1,084,579	23,959	1,049,035	2,157,573
Investment contracts	5,000	-	273,837	278,837
Borrowings	5,784	7,438	-	13,222
Reinsurance payable	39,047	-	-	39,047
Trade and other payables	147,082	-	-	147,082
<b>Total liabilities</b>	<b>1,281,492</b>	<b>31,397</b>	<b>1,322,872</b>	<b>2,635,761</b>

Group	< 1 year \$'000	1 to 5 years \$'000	> 5 years \$'000	Total \$'000
<b>As at 31 December 2020</b>				
<b>Liabilities</b>				
Insurance contracts	999,305	21,633	965,038	1,985,976
Investment contracts	12,933	-	252,559	265,492
Borrowings	5,524	11,485	-	17,009
Reinsurance payable	42,073	-	-	42,073
Trade and other payables	660,670	-	-	660,670
<b>Total liabilities</b>	<b>1,720,505</b>	<b>33,118</b>	<b>1,217,597</b>	<b>2,971,220</b>

#### 4.2.5 Financial instruments by class

The table below summarizes the carrying value of the Group's financial assets and financial liabilities and the fair value of these financial assets and liabilities as at the statement of financial position date.

Parent	Carrying amount \$'000	Fair value \$'000
<b>As at 31 December 2021</b>		
<b>Financial assets</b>		
- Equities	10,757	10,757
- Debt securities	1,417,160	1,417,160
- Loans and receivables	55,126	55,126
- Mutual funds	56,324	56,324
Investment in subsidiaries	9,065	9,065
Reinsurance assets	992,476	992,476
Policy loans and other assets	199,763	199,763
Cash and cash equivalents	247,801	247,801
	<b>2,988,472</b>	<b>2,988,472</b>
<b>Financial liabilities</b>		
- Investment contracts	278,837	278,837
- Borrowings	13,222	13,222
Reinsurance payable	39,047	39,047
Trade and other payables	151,332	151,332
	<b>482,438</b>	<b>482,438</b>

#### As at 31 December 2020

Financial assets		
- Equities	8,758	8,758
- Debt securities	2,018,700	2,018,700
- Loans and receivables	63,841	63,841
- Mutual funds	55,000	55,000
Investment in subsidiaries	9,065	9,065
Reinsurance assets	923,206	923,206
Policy loans and other assets	193,529	193,529
Cash and cash equivalents	122,115	122,115
	<b>3,394,214</b>	<b>3,394,214</b>

Financial liabilities		
- Investment contracts	265,492	265,492
- Borrowings	17,009	17,009
Reinsurance payable	42,073	42,073
Trade and other payables	664,608	664,608
	<b>989,182</b>	<b>989,182</b>

Group	Carrying amount \$'000	Fair value \$'000
<b>As at 31 December 2021</b>		
<b>Financial assets</b>		
- Equities	10,757	10,757
- Debt securities	1,417,160	1,417,160
- Loans and receivables	55,126	55,126
- Mutual funds	56,324	56,324
Reinsurance assets	992,476	992,476
Policy loans and other assets	199,763	199,763
Cash and cash equivalents	247,801	247,801
	<b>2,979,407</b>	<b>2,979,407</b>

Financial liabilities		
- Investment contracts	278,837	278,837
- Borrowings	13,222	13,222
Reinsurance payable	39,047	39,047
Trade and other payables	147,082	147,082
	<b>478,188</b>	<b>478,188</b>

Group	Carrying amount \$'000	Fair value \$'000
<b>As at 31 December 2020</b>		
<b>Financial assets</b>		
- Equities	8,758	8,758
- Debt securities	2,018,700	2,018,700
- Loans and receivables	63,841	63,841
- Mutual funds	55,000	55,000
Reinsurance assets	923,206	923,206
Policy loans and other assets	193,529	193,529
Cash and cash equivalents	122,115	122,115
	<b>3,385,149</b>	<b>3,385,149</b>

Financial liabilities		
- Investment contracts	265,492	265,492
- Borrowings	17,009	17,009
Reinsurance payable	42,073	42,073
Trade and other payables	660,670	660,670
	<b>985,244</b>	<b>985,244</b>

The fair value of financial instruments is determined as follows:

#### (a) Debt securities

The fair value of debt securities is determined based on broker prices where available or on an in-house investment valuation model developed by the Group.

#### (b) Other financial assets and loans and receivables

The carrying value is a close approximation to its fair value since these balances are either short-term or do not have a fixed repayment term.

#### (c) Reinsurance assets

This balance can be segregated into two categories:

Claims paid by the Group recoverable from reinsurers

- These balances are expected to be settled within 12 months and as a result, the carrying value is a close approximation to its fair value.

Reinsurance assets on claims outstanding as at the year end

- The carrying value on these reinsurance assets are a close approximation

to the fair value of these assets as these amounts represents the reinsurance assets on the related undiscounted insurance liabilities for which there is no specific settlement date.

#### (d) Investment contracts

The fair value of investment contracts is equivalent to its carrying value as these represent contracts which can be terminated at any time.

#### (e) Trade payables and other financial liabilities

These balances are payable within one year and as a result the carrying value is a close approximation to its fair value.

#### 4.2.6 Capital risk management

The Insurance Act 2018 (as amended), save for sections 184 and 185, was proclaimed with effect from January 1, 2021, which include several new regulations including The Insurance (Capital Adequacy) Regulations, 2020. This regulation effectively removes the requirement for the establishment of a statutory fund and the associated pledged assets and establishes risk based capital requirements as outlined by the regulations. Section 82 of the Act states an insurer or financial holding company shall, in relation to its operations on an individual and consolidated basis maintain -

(a) adequate capital; and

(b) adequate and appropriate forms of liquidity,

And shall comply with Schedule 8 and the Regulations in relation to adequate capital and adequate and appropriate forms of liquidity.

The Group is required to maintain a minimum Regulatory Capital Ratio and Net Tier Ratio of 150% and 105% respectively.

At the end of the financial year the Group exceeded the Regulatory Capital Ratio and Net Tier Ratio.

## 5. Property and equipment

Parent	Land and buildings	Furniture fixtures equipment and vehicles	Leasehold improvements	Computers	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 31 December 2021</b>					
Opening net book amount	112,449	3,008	731	2,127	118,315
Additions	2,647	240	65	502	3,454
Disposals	—	—	—	—	—
Depreciation charge	(6,843)	(965)	(322)	(1,194)	(9,324)
Revaluation	(3,499)	—	—	—	(3,499)
<b>Closing net book amount</b>	<b>104,754</b>	<b>2,283</b>	<b>474</b>	<b>1,435</b>	<b>108,946</b>
<b>At 31 December 2021</b>					
Cost/valuation	118,500	35,233	6,237	31,461	191,431
Accumulated depreciation	(13,746)	(32,950)	(5,763)	(30,026)	(82,485)
<b>Closing net book amount</b>	<b>104,754</b>	<b>2,283</b>	<b>474</b>	<b>1,435</b>	<b>108,946</b>
<b>At 31 December 2020</b>					
Opening net book amount	105,543	2,492	1,069	1,539	110,643
Additions	15,427	1,808	135	1,571	18,941
Disposals	—	—	—	—	—
Depreciation charge	(6,375)	(1,292)	(473)	(983)	(9,123)
Revaluation	(2,146)	—	—	—	(2,146)
<b>Closing net book amount</b>	<b>112,449</b>	<b>3,008</b>	<b>731</b>	<b>2,127</b>	<b>118,315</b>
<b>At 31 December 2020</b>					
Cost/valuation	119,352	34,993	6,172	30,959	191,476
Accumulated depreciation	(6,903)	(31,985)	(5,441)	(28,832)	(73,161)
<b>Closing net book amount</b>	<b>112,449</b>	<b>3,008</b>	<b>731</b>	<b>2,127</b>	<b>118,315</b>

Group	Land and buildings	Furniture fixtures equipment and vehicles	Leasehold improvements	Computers	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 31 December 2021</b>					
Opening net book amount	115,749	3,009	731	2,127	121,616
Additions	2,647	240	65	502	3,454
Disposals	—	—	—	—	—
Depreciation charge	(6,843)	(966)	(322)	(1,194)	(9,325)
Revaluation	(3,499)	—	—	—	(3,499)
<b>Closing net book amount</b>	<b>108,054</b>	<b>2,283</b>	<b>474</b>	<b>1,435</b>	<b>112,246</b>
<b>At 31 December 2021</b>					
Cost/valuation	121,800	35,234	6,237	31,461	194,732
Accumulated depreciation	(13,746)	(32,951)	(5,763)	(30,026)	(82,486)
<b>Closing net book amount</b>	<b>108,054</b>	<b>2,283</b>	<b>474</b>	<b>1,435</b>	<b>112,246</b>
<b>At 31 December 2020</b>					
Opening net book amount	107,643	2,497	1,069	1,539	112,748
Additions	15,427	1,808	135	1,571	18,941
Disposals	—	—	—	—	—
Depreciation charge	(6,375)	(1,296)	(473)	(983)	(9,127)
Revaluation	(946)	—	—	—	(946)
<b>Closing net book amount</b>	<b>115,749</b>	<b>3,009</b>	<b>731</b>	<b>2,127</b>	<b>121,616</b>
<b>At 31 December 2020</b>					
Cost/valuation	122,652	34,994	6,172	30,959	194,777
Accumulated depreciation	(6,903)	(31,985)	(5,441)	(28,832)	(73,161)
<b>Closing net book amount</b>	<b>115,749</b>	<b>3,009</b>	<b>731</b>	<b>2,127</b>	<b>121,616</b>

### Land and buildings

The revalued land and buildings consist of land and one commercial office in Trinidad. Management determined that these constitute two classes of assets under IFRS 13 based on the nature, characteristics and risks of the properties. The last independent professional valuation of the Group's land and buildings was performed as at 31 December 2021. Fair value is determined annually by an independent accredited property valuator.

Fair value of the land and buildings was determined by using the income approach for the commercial offices and the market approach for the land. The market approach means that the valuation performed by the valuer is based on active market prices, significantly adjusted for difference in the nature, location or condition

of the specific property. The income approach is appropriate for valuing income generating properties because their fair market values are a function of the net earnings that the subject properties are capable of producing. Capitalization rates of 10%, deemed as most appropriate by the valuers, were applied to the valuation models for both commercial offices.

Significant increases/(decreases) in the capitalization rate in isolation would result in a significantly lower/(higher) fair value.

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

Parent		Group	
2020	2021	2021	2020
\$'000	\$'000	\$'000	\$'000
104,518	107,165	109,265	106,618
(37,630)	(44,473)	(44,473)	(37,630)
<b>66,888</b>	<b>62,692</b>	<b>64,792</b>	<b>68,988</b>

Property and equipment comprise owned and leased assets:

Parent		Group	
2020	2021	2021	2020
\$'000	\$'000	\$'000	\$'000
107,093	101,855	105,155	110,394
11,222	7,091	7,091	11,222
<b>118,315</b>	<b>108,946</b>	<b>112,246</b>	<b>121,616</b>

## 6. Investment properties

Parent		Group	
2020	2021	2021	2020
\$'000	\$'000	\$'000	\$'000
7,500	7,500	13,750	13,750
—	—	(700)	—
<b>7,500</b>	<b>7,500</b>	<b>13,050</b>	<b>13,750</b>
165	75	369	90
—	—	61	90

### Parent

Investment properties comprise of one apartment forming part of a condominium building, located in Westmoorings in the western peninsula of Trinidad.

### Group

Investment properties comprise of two apartments forming part of a condominium building, located in Westmoorings in the western peninsula of Trinidad.

Management determined that the investment properties consist of one class of asset, residential apartments, based on the nature, characteristics and risks of each property. Fair value of the properties was determined by using the market approach. This means that valuations performed by the valuer are based on active market prices, significantly adjusted for difference in the nature, location or condition of the specific property.

As at 31 December 2021, the Group's properties were valued by an independent accredited property valuator. The valuation model in

accordance with that recommended by the Royal Institution of Chartered Surveyors has been applied.

### Parent

There has been no fair value movement on the property as at 31 December 2021 (2020: Nil).

### Group

There has been a fair value loss of \$0.7 million in the value of these properties as at 31 December 2021 (2020: Nil).

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to either purchase, construct or develop investment properties or for repairs, maintenance and enhancements. Fair value hierarchy disclosures for investment properties have been provided in Note 31.

## 7. Financial Assets

	2021	2020
	\$'000	\$'000
Equity securities	10,757	8,758
Debt securities	1,417,160	2,018,700
Mutual funds	56,324	55,000
<b>Total available-for-sale financial assets</b>	<b>1,484,241</b>	<b>2,082,458</b>
Loans and receivables	55,126	63,841
<b>Total financial assets</b>	<b>1,539,367</b>	<b>2,146,299</b>
<b>Debt securities:</b>		
Government securities	953,933	1,014,720
Debentures and corporate bonds	463,227	1,003,980
<b>Total debt securities</b>	<b>1,417,160</b>	<b>2,018,700</b>

### Loans and receivables:

• Interest receivable	17,881	24,782
• Outstanding premiums	24,649	23,428
• Due from agents and brokers	12,904	14,006
• Due from related parties	9,060	10,792
Less: provision for impairment	(9,368)	(9,167)
<b>Total loans and receivables</b>	<b>55,126</b>	<b>63,841</b>

The aggregate amount of non-performing loans on which interest was not being accrued amounted to Nil as at 31 December 2021 (2020: Nil) for both the Parent and the Group. Unrecognized interest related to such loans



was Nil in 2021 (2020: Nil) for both the Parent and Group.

## 7.1 Movement in available-for-sale financial assets

	2021 \$'000	2020 \$'000
<b>Equity and mutual fund securities</b>		
• At beginning of year	63,758	12,325
• Additions	1,324	55,000
• Disposals	—	—
• Foreign exchange gain	—	—
• Gain/(loss) from changes in fair value	1,999	(3,567)
<b>Total equity securities</b>	<b>67,081</b>	<b>63,758</b>
<b>Government and corporate bonds:</b>		
• At beginning of year	2,018,700	2,150,322
• Amortized bond discount	5,707	4,934
• Additions	90,121	179,140
• Disposals	(606,695)	(320,983)
• Foreign exchange gain/(loss)	1,189	(2,250)
• (Loss)/gain from changes in fair value	(91,862)	7,537
<b>Total government and corporate bonds</b>	<b>1,417,160</b>	<b>2,018,700</b>
<b>Total available-for-sale financial assets</b>	<b>1,484,241</b>	<b>2,082,458</b>

## 7.2 Impairment of bonds

The Group currently does not own any impaired bonds.

## 8. Reinsurance assets

Reinsurance recoverable on claims settled	49,540	50,928
Reinsurers' share of insurance liabilities (Note 14)	942,936	872,278
<b>Net amount</b>	<b>992,476</b>	<b>923,206</b>

## 9. Policy loans

Policy loans are secured by the underlying insurance policies and are fully collateralised.

## 10. Other assets

Prepayments	3,096	3,921
Other receivables	5,229	5,005
<b>Total other assets</b>	<b>8,325</b>	<b>8,926</b>

## 11. Cash and cash equivalents

	2021 \$'000	2020 \$'000
Cash at bank as per Consolidated Statement of Financial Position	247,801	122,115
Bank overdraft (Note 17)	(5,784)	(5,524)
Cash and cash equivalents as per Consolidated Statement of Cash Flow	242,017	116,591

## 12. Share capital

**Authorised**  
17,500,000 ordinary shares of no par value

**Issued and fully paid**  
11,760,000 ordinary shares of no par value

	11,760	11,760
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## 13. Reserves

### 13.1 Statutory reserves

At beginning of year	15,000	15,000
Re-appropriation to retained earnings	(15,000)	—
<b>At end of year</b>	<b>—</b>	<b>15,000</b>

Pursuant to Section 171 of the previous Insurance Act, Chap 84:01 of Trinidad and Tobago, a statutory reserve was required for companies conducting general insurance business. A company was required to appropriate towards the statutory reserves at least 25% of its profits of the preceding year until the excess of assets over liabilities equals or exceeds the reserve in respect of outstanding unexpired policies. The Insurance Act of 2018 (as amended) proclaimed with effect from January 1, 2021 does not require an

appropriation of surplus, as such, the statutory reserve has been re-appropriated to retained earnings. It is to be noted the general insurance operations ceased operations on 31 May 2010.

## 13.2 Revaluation reserves

Parent	Investment revaluation \$'000	Land and building revaluation \$'000	Total \$'000
<b>Balance at 1 January 2020</b>	<b>128,840</b>	<b>45,095</b>	<b>173,935</b>
Revaluation for the year	3,970	(2,146)	1,824
Deferred tax	(267)	322	55
Reserves for insurance liabilities	132,543	43,271	175,814
<b>Balance as at 31 December 2020</b>	<b>(81,347)</b>	<b>(33,424)</b>	<b>(114,771)</b>
	51,196	9,847	61,043
<b>Balance at 1 January 2021</b>	<b>132,543</b>	<b>43,271</b>	<b>175,814</b>
Revaluation for the year	(89,863)	(3,499)	(93,362)
Deferred tax	13,690	7,247	20,937
	56,370	47,019	103,389
Reserves for insurance liabilities	(24,372)	(37,172)	(61,544)
<b>Balance as at 31 December 2021</b>	<b>31,998</b>	<b>9,847</b>	<b>41,845</b>

Group	Investment revaluation \$'000	Land and building revaluation \$'000	Total \$'000
<b>Balance at 1 January 2020</b>	<b>128,840</b>	<b>45,953</b>	<b>174,793</b>
Revaluation for the year	3,970	(946)	3,024
Deferred tax	(267)	(38)	(305)
	132,543	44,969	177,512
Reserves for insurance liabilities	(81,347)	(33,421)	(114,768)
<b>Balance as at 31 December 2020</b>	<b>51,196</b>	<b>11,548</b>	<b>62,744</b>
<b>Balance at 1 January 2021</b>	<b>132,543</b>	<b>44,969</b>	<b>177,512</b>
Revaluation for the year	(89,863)	(3,499)	(93,362)
Deferred tax	13,690	7,247	20,937
	56,370	48,717	105,087
Reserves for insurance liabilities	(24,372)	(37,169)	(61,541)
<b>Balance as at 31 December 2021</b>	<b>31,998</b>	<b>11,548</b>	<b>43,546</b>

## 13.3 Life Surplus account

The Life Surplus Account ("LSA") is the estimated undistributed surplus net of applicable deferred taxes on non-participating policies that are ultimately available to the shareholders of the Company. An estimate of the life surplus as at 31 December, 2020 was \$75.4 million, plus the result of the life business for the year end 2021 of (\$58.3 million loss) results in a closing balance of \$17 million. For the financial year ended 31 December 2021 and 31 December 2020 the LSA was classified and presented as a component of equity as required by IFRS 4, Insurance Contracts.

## 14. Insurance contracts

Gross	2021 \$'000	2020 \$'000
<b>Short-term insurance contracts:</b>		
• claims reported and loss adjustment expenses	3,665	3,560
• claims incurred but not reported	8,284	7,274
• unearned premiums	53	55
• unexpired risk provision	3,334	2,592
<b>Long-term insurance contracts:</b>		
• with fixed and guaranteed terms	2,037,562	1,889,729
• claims outstanding	104,675	82,766
<b>Total insurance liabilities</b>	<b>2,157,573</b>	<b>1,985,976</b>

Recoverable from reinsurers net of impairment provision	2021 \$'000	2020 \$'000
<b>Short-term insurance contracts:</b>		
• claims reported and loss adjustment expenses	3,186	2,981
• claims incurred but not reported	980	828
• unearned premiums	—	—
<b>Long-term insurance contracts:</b>		
• with fixed and guaranteed terms	915,206	856,086
• claims outstanding	23,564	12,383
<b>Total reinsurers' share of liabilities (Note 8)</b>	<b>942,936</b>	<b>872,278</b>

Net		
<b>Short-term insurance contracts:</b>		
• claims reported and loss adjustment expenses	479	579
• claims incurred but not reported	7,304	6,446
• unearned premiums	53	55
• unexpired risk provision long-term insurance contracts	3,334	2,592
<b>Long-term insurance contracts:</b>		
• with fixed and guaranteed terms (Note 14.3 (d))	1,122,356	1,033,642
• claims outstanding	81,111	70,383
<b>Total insurance liabilities</b>	<b>1,214,637</b>	<b>1,113,997</b>

## Process used to decide on assumptions

The risks associated with these insurance contracts are complex and subject to a number of variables that complicate quantitative sensitivity analysis. The Group uses historical data for trending and estimating the ultimate cost of claims. The basic technique involves the analysis of historical claims development factors and the selection of estimated development factors based on this historical pattern. These factors are then applied to cumulative claims data to develop the estimated total claims for the ensuing year.

The Group reserves for short-term insurance claims immediately on the receipt of a claim incident report. The Group's policy is to establish realistic reserves based on all available information and cost estimates from service providers. The policy is to ensure that the majority of claims are adequately reserved in the same accounting month in which they are reported and no later than thirty (30) days after the first report of loss. Cases are continuously re-evaluated based on new information and developments, and the reserves are adjusted accordingly, thus minimising unnecessary step-laddering of reserves. The Group ensures high quality standards in medical claims payments by performing regular, quality control audits of the accuracy of claims payments.

The claims development table for insurance liabilities provide the measure of the Group's ability to estimate the ultimate value of claims. The top half of each table illustrates how the Group's estimates of total claims outstanding at each accident year have changed at successive year ends. The bottom half of the table reconciles the cumulative claims to the amount appearing in the consolidated statement of financial position.

## 14.1 Short term non-life insurance contracts - assumptions, change in assumptions and sensitivity

### Insurance claims - Gross

Accident year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	TOTAL
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Estimate of ultimate claims cost											
• At the end of accident year											
• One year later	17,285	16,102	19,325	22,539	37,450	26,489	26,223	51,607	46,411	44,694	308,125
• Two years later	15,118	16,147	19,325	15,583	37,450	23,718	23,539	47,156	43,742	-	241,778
• Three years later	15,245	16,147	19,325	15,238	37,541	23,726	23,532	47,299	-	-	198,053
• Four years later	15,112	16,147	19,325	15,238	37,544	23,815	23,524	-	-	-	150,705
• Five years later	15,112	16,147	19,325	15,239	37,554	23,825	-	-	-	-	127,202
• Six years later	15,112	16,147	19,325	15,242	37,554	-	-	-	-	-	103,380
• Seven years later	15,112	16,147	19,325	15,242	-	-	-	-	-	-	65,826
• Eight years later	15,100	16,147	19,325	-	-	-	-	-	-	-	50,572
• Nine years later	15,101	16,147	-	-	-	-	-	-	-	-	31,248
• Ten years later	15,101	-	-	-	-	-	-	-	-	-	15,101
Current estimate for cumulative claims	15,101	16,147	19,325	15,242	37,554	23,825	23,524	47,299	43,742	44,694	286,451
Cumulative payments to date	(15,101)	(16,147)	(19,325)	(15,242)	(37,554)	(23,825)	(23,524)	(47,277)	(43,364)	(33,230)	(274,589)
Liability recognised in the consolidated statement of financial position	-	-	-	-	-	-	-	22	378	11,464	11,863
Liability in respect of prior years											86
<b>Total liability included in the consolidated statement of financial position (gross)</b>											<b>11,949</b>

### Insurance claims - Net

Accident year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	TOTAL
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Estimate of ultimate claims cost											
• At the end of accident year											
• One year later	14,396	12,731	-	19,000	30,665	22,502	24,443	37,729	37,346	37,370	236,182
• Two years later	14,396	12,731	16,791	12,924	35,032	19,133	21,758	38,900	38,453	-	210,118
• Three years later	14,396	12,902	16,791	9,425	35,032	19,142	21,751	39,043	-	-	168,482
• Four years later	14,452	12,902	16,791	9,426	35,035	19,230	21,742	-	-	-	129,578
• Five years later	14,333	12,902	16,791	9,426	35,045	19,240	-	-	-	-	107,737
• Six years later	14,333	12,902	16,791	9,429	35,044	-	-	-	-	-	88,499
• Seven years later	14,333	12,902	16,791	9,429	-	-	-	-	-	-	53,455
• Eight years later	14,333	12,902	16,791	-	-	-	-	-	-	-	44,026
• Nine years later	14,334	12,902	-	-	-	-	-	-	-	-	27,236
• Ten years later	14,334	-	-	-	-	-	-	-	-	-	14,334
Current estimate for cumulative claims	14,334	12,902	16,791	9,429	35,044	19,240	21,742	39,043	38,453	37,370	244,348
Cumulative payments to date	(14,334)	(12,902)	(6,791)	(9,429)	(35,044)	(19,240)	(21,742)	(39,021)	(38,075)	(30,043)	(236,621)
Liability recognised in the consolidated statement of financial position	-	-	-	-	-	-	-	22	378	7,327	7,727
Liability in respect of prior years											56
<b>Total liability included in the consolidated statement of financial position (net)</b>											<b>7,783</b>

## 14.2 Long-term and short-term life insurance contracts - assumptions, change in assumptions and sensitivity

### (i) Calculation methodology

The actuarial liabilities for long term insurance contracts are based on CPPM.

### (ii) The Caribbean Policy Premium Method ("CPPM").

The CPPM calculation uses the present value of all future benefits (deaths, surrenders and dividends) and expenses less the present value of policy premiums to determine the reserve value, based on continuously updated best estimate assumptions that include an explicit PAD.

### Mortality (Life Insurance)

Actual experience from 1 January 2013 to 30 June 2021 as compared to the US table CSO 2001 mortality table and appropriate adjustments made. Mortality for annuities and Individual PA products are included in the lapse rates.

### Lapse

An investigation into the Group's experience up to 30 June 2021 was conducted to determine suitable lapse rates.

### Interest

Expected and recent yields on the Group's asset portfolio were considered.

### Maintenance expense

Appropriate expense assumptions were taken from the Group's 2021 expense study. Per policy expenses were assumed to inflate based on past expense inflation levels experienced by the Group. The assumptions used were consistent with the value for these assumptions at the consolidated statement of financial position date.

### (iii) Sensitivity analysis

The calculation involved placing a value on the future cash flows expected from policies in force using best estimate assumptions for future deaths, voluntary terminations, investment returns and administration expenses together with margins for adverse deviation.

Sensitivity analysis undertaken in this and the previous period included increasing and decreasing interest and inflation by 1%. A 1% decrease in the interest rate would cause an increase in the reserves held. A 1% increase in the interest rate would cause a decrease in reserves. The results of the sensitivity analysis is as follows:

		Change in variable	Increase/(decrease) in liability	
Interest and expense inflation:	Ordinary Life & Annuity	-1%	213,419	280,579
Interest and expense inflation:	Ordinary Life & Annuity	+1%	(161,890)	(127,688)

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

## 14.3 Movements in insurance liabilities and reinsurance assets

### (a) Claims and loss adjustment expenses

	Gross \$'000	Reinsurance \$'000	Net \$'000
<b>Year ended 31 December 2021</b>			
Notified claims	3,560	(2,981)	579
Incurred but not reported	7,274	(828)	6,446
<b>Total at beginning of year</b>	<b>10,834</b>	<b>(3,809)</b>	<b>7,025</b>
Cash paid for claims settled in the year	(41,053)	3,187	(37,866)
<b>Increase in liabilities</b>			
Arising from current year claims	44,691	(7,320)	37,371
Arising from prior year claims	(2,523)	3,776	1,253
<b>Total at end of year</b>	<b>11,949</b>	<b>(4,166)</b>	<b>7,783</b>
Notified claims	3,665	(3,186)	479
Incurred but not reported	8,284	(980)	7,304
<b>Total at end of year</b>	<b>11,949</b>	<b>(4,166)</b>	<b>7,783</b>
<b>Year ended 31 December 2020</b>			
Notified claims	9,506	(4,998)	4,508
Incurred but not reported	5,043	(656)	4,387
<b>Total at beginning of year</b>	<b>14,549</b>	<b>(5,654)</b>	<b>8,895</b>
Cash paid for claims settled in the year	(45,772)	5,289	(40,483)
<b>Increase in liabilities</b>			
Arising from current year claims	46,411	(9,065)	37,346
Arising from prior year claims	(4,354)	5,621	1,267
<b>Total at end of year</b>	<b>10,834</b>	<b>(3,809)</b>	<b>7,025</b>
Notified claims	3,560	(2,981)	579
Incurred but not reported	7,274	(828)	6,446
<b>Total at end of year</b>	<b>10,834</b>	<b>(3,809)</b>	<b>7,025</b>

### (b) Provisions for unearned premiums

	Gross \$'000	Reinsurance \$'000	Net \$'000
<b>Year ended 31 December 2021</b>			
At beginning of year	55	—	55
Increase in the period	—	—	—
Release in the period	(2)	—	(2)
<b>At end of year</b>	<b>53</b>	<b>—</b>	<b>53</b>
<b>Year ended 31 December 2020</b>			
At beginning of year	42	—	42
Increase in the period	55	—	55
Release in the period	(42)	—	(42)
<b>At end of year</b>	<b>55</b>	<b>—</b>	<b>55</b>

### (c) Provisions for unexpired short-term insurance risks

	Gross \$'000	Reinsurance \$'000	Net \$'000
<b>Year ended 31 December 2021</b>			
At beginning of year	2,592	—	2,592
Increase in the period	742	—	742
Release in the period	—	—	—
<b>At end of year</b>	<b>3,334</b>	<b>—</b>	<b>3,334</b>
<b>Year ended 31 December 2020</b>			
At beginning of year	2,169	—	2,169
Increase in the period	2,592	—	2,592
Release in the period	(2,169)	—	(2,169)
<b>At end of year</b>	<b>2,592</b>	<b>—</b>	<b>2,592</b>

These provisions represent the liability for short-term insurance contracts for which the Group's obligations are not expired at year end.

### (d) Long-term insurance contracts with fixed and guaranteed terms

	2021 \$'000	2020 \$'000
At beginning of year	1,033,642	1,757,722
Premiums	15,410	55,469
Increase in long-term reserves	74,503	36,832
Accretion of interest	19,565	34,738
Other movements	(4,417)	(34,947)
Withdrawals and other terminations	(16,347)	(37,997)
Ceded reserves transferred	—	(778,175)
<b>At end of year</b>	<b>1,122,356</b>	<b>1,033,642</b>

The Parent entered into a new reinsurance agreement for one of its product lines in 2020, resulting in a cessation of reserves amounting to \$778 million. The Company has a balance payable of nil as at 31 December 2021 (2020: \$535 million) which forms part of its trade and other payables (refer to Note 18).

### Deferred income tax

Deferred income taxes are calculated on all temporary differences under the liability method using effective tax rates between 10%, 25% and 30%.

Deferred income tax assets and liabilities are offset when the income taxes relate to the same fiscal authority.

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

Parent		Group	
2020 \$'000	2021 \$'000	2021 \$'000	2020 \$'000
(2,069)	(1,909)	(2,006)	(2,069)
53,936	20,853	21,463	54,659
51,867	18,944	19,457	52,590

	Balance as at 1 January 2021 \$'000	Charge to comprehensive income \$'000	Charge to other comprehensive income \$'000	Balance as at 31 December 2021 \$'000
<b>Parent</b>				
<b>2021</b>				
<b>Deferred income tax liabilities</b>				
Surplus on policyholders' reserves	11,292	(8,341)	—	2,951
Revaluation surplus on property and equipment	7,320	—	(7,247)	73
Amortisation of zero-rated bonds	6,242	(1,367)	—	4,875
Gain on available-for-sale investment securities	24,927	—	(13,692)	11,235
Investment property	—	(95)	—	(95)
Foreign exchange (loss)/gain	4,155	(2,341)	—	1,814
	53,936	(12,144)	(20,939)	20,853
<b>Deferred income tax assets</b>				
Accelerated book depreciation	(196)	(619)	—	(815)
Lease obligation	(1,723)	607	—	(1,116)
Investment property	(150)	172	—	(22)
	(2,069)	160	—	(1,909)
<b>Net deferred income tax liabilities</b>	<b>51,867</b>	<b>(11,984)</b>	<b>(20,939)</b>	<b>18,944</b>

	Balance as at 1 January 2020 \$'000	Charge to comprehensive income \$'000	Charge to other comprehensive income \$'000	Balance as at 31 December 2020 \$'000
<b>Parent</b>				
<b>2020</b>				
<b>Deferred income tax liabilities</b>				
Surplus on policyholders' reserves	7,529	3,763	—	11,292
Revaluation surplus on property and equipment	7,764	—	(322)	7,320
Amortisation of zero-rated bonds	4,365	1,877	—	6,242
Gain on available-for-sale investment securities	24,660	—	267	24,927
Foreign exchange (loss)/gain	4,652	(497)	—	4,155
	48,848	5,143	(55)	53,936
<b>Deferred income tax assets</b>				
Accelerated book depreciation	(1,119)	923	—	(196)
Lease obligation	(736)	(987)	—	(1,723)
Investment property	(150)	—	—	(150)
	(2,005)	(64)	—	(2,069)
<b>Net deferred income tax liabilities</b>	<b>46,843</b>	<b>5,079</b>	<b>(55)</b>	<b>51,867</b>

Group	Balance as at 1 January 2021 \$'000	Charge to comprehensive income \$'000	Charge to other comprehensive income \$'000	Balance as at 31 December 2021 \$'000
<b>2021</b>				
<b>Deferred income tax liabilities</b>				
Surplus on policyholders' reserves	11,292	(8,341)	—	2,951
Revaluation surplus on property and equipment	8,043	—	(7,247)	796
Amortisation of zero-rated bonds	6,242	(1,367)	—	4,875
Gain on available-for-sale investment securities	24,927	—	(13,690)	11,237
Investment property	—	(210)	—	(210)
Foreign exchange (loss)/gain	4,155	(2,341)	—	1,814
	54,659	(12,259)	(20,937)	21,463
<b>Deferred income tax assets</b>				
Accelerated book depreciation	(196)	(619)	—	(815)
Lease obligation	(1,723)	607	—	(1,116)
Investment property	(150)	75	—	(75)
	(2,069)	63	—	(2,006)
<b>Net deferred income tax liabilities</b>	<b>52,590</b>	<b>(12,196)</b>	<b>(20,937)</b>	<b>19,457</b>

Group	Balance as at 1 January 2020 \$'000	Charge to comprehensive income \$'000	Charge to other comprehensive income \$'000	Balance as at 31 December 2020 \$'000
<b>2020</b>				
<b>Deferred income tax liabilities</b>				
Surplus on policyholders' reserves	7,529	3,763	—	11,292
Revaluation surplus on property and equipment	8,005	—	38	8,043
Amortisation of zero-rated bonds	4,365	1,877	—	6,242
Gain on available-for-sale investment securities	24,660	—	267	24,927
Foreign exchange (loss)/gain	4,652	(497)	—	4,155
	49,211	5,143	305	54,659
<b>Deferred income tax assets</b>				
Accelerated book depreciation	(1,119)	923	—	(196)
Lease obligation	(736)	(987)	—	(1,723)
Investment property	(150)	—	—	(150)
	(2,005)	(64)	—	(2,069)
<b>Net deferred income tax liabilities</b>	<b>47,206</b>	<b>5,079</b>	<b>305</b>	<b>52,590</b>

## 16. Investment contracts

	2021 \$'000	2020 \$'000
Deposit administration funds	273,837	252,559
Reserve for Experience Rating Refund (E.R.R.)	5,000	12,933
<b>Total investment contracts</b>	<b>278,837</b>	<b>265,492</b>

(a) Deposit administration fund	2021	2020
At the beginning of the year	252,559	237,704
Premiums received	17,900	22,072
Fees deducted from account balances	(497)	(528)
Account balances paid on surrender	(6,931)	(16,298)
Interest credited	10,520	9,860
Other movements	286	(251)
<b>At the end of the year</b>	<b>273,837</b>	<b>252,559</b>

## 17. Borrowings

	2021	2020
Bank overdraft	5,784	5,524
Finance lease liabilities (Note 33)	7,438	11,485
<b>Total borrowings</b>	<b>13,222</b>	<b>17,009</b>

At 31 December 2021, the Group has an overdraft facility at the Commercial Prime interest rate of 7.5% (2020: 12.25%). This facility is assigned on one of the accounts which serves as the major operating account

The effective interest rates at the reporting date were as follows:

	2021	2020
Finance lease liabilities	4.50%	4.50%

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

## 18. Trade and other payables

Parent		Group	
2020	2021	2021	2020
\$'000	\$'000	\$'000	\$'000
3,000	2,999	2,999	3,000
30,989	32,520	32,520	30,989
80,219	82,247	79,996	76,281
535,059	—	—	535,059
15,341	31,566	31,567	15,341
664,608	151,332	147,082	660,670

## 19. Net insurance premium revenue

	2021	2020
	\$'000	\$'000
Long-term insurance contracts with fixed and guaranteed terms	364,181	373,890
Short-term insurance contracts	60,692	50,798
Changes in unearned premium reserves	2	(13)
Premium revenue arising from insurance contracts issued	424,875	424,675
Long-term reinsurance contracts	(112,468)	(73,902)
Short-term insurance contracts	(7,381)	(7,169)
Insurance premium ceded to reinsurers	(119,849)	(81,071)
<b>Net insurance premium revenue</b>	<b>305,026</b>	<b>343,604</b>

## 20. Investment income

Parent		Group	
2020	2021	2021	2020
\$'000	\$'000	\$'000	\$'000
105	1,136	1,136	105
105,153	78,191	78,191	105,153
17,519	17,424	17,424	17,519
11,712	15,233	14,737	11,746
22,818	71,148	71,148	22,818
157,307	182,132	182,636	157,341

## 21. Insurance benefits

	2021	2020
	\$'000	\$'000
Long-term insurance contracts		
- gross death, maturity and surrender benefits	195,563	176,275
- ceded death, maturity and surrender benefits	(48,154)	(25,608)
- increase in liabilities	82,052	39,465
Total cost of policyholders' benefits	227,461	190,132

## 22. Investment contract benefits

During the year, interest was credited on the accumulated fund balances based on a percentage of the average rate of return on the Group's investments. Total interest credited to funds administered by the Group amounted to \$10.5 million (2020: \$9.8 million). Deposit Administration Contracts are credited interest, based on the rate of return on investments less a required spread.

## 23. Other operating expenses

Parent		Group	
2020	2021	2021	2020
\$'000	\$'000	\$'000	\$'000
1,241	1,816	1,816	1,241
9,123	9,324	9,325	9,127
58,826	67,513	67,513	58,826
101,777	86,199	86,259	101,863
170,967	164,852	164,913	171,057

## 24. Employee benefits expense

	2021	2020
	\$'000	\$'000
Salaries and wages	65,405	56,715
Pensions - defined contribution plan	2,108	2,111
	67,513	58,826

## 25. Taxation expense

Parent		
Current tax charge	6,693	13,283
Prior year (over)/under accrual	(4,033)	701
Accrued tax interest recoverable on overdue tax	(757)	(469)
Deferred income tax (credit)/charge to continuing business	(9,039)	4,626
	(7,136)	17,811

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

(a) Profit before taxation	30,068	77,868
Adjustments:		
Long-term net investment income	(104,259)	(167,267)
Short-term loss before taxation	7,627	6,833
Adjusted loss before taxation	(66,564)	(82,566)

Tax calculated at the rate of 25%	(16,641)	(20,642)
Income not subject to tax	(87,850)	(76,152)
Expenses deductible for tax	387	361
(Credit)/charge on property and equipment	(543)	924
(Credit)/charge to policyholders' reserves	(8,341)	3,762
(Credit)/charge on amortisation	(1,344)	1,275
Charge/(credit) on foreign exchange	583	(346)
Expenses not deductible for tax	104,490	96,792
Charge/(credit) on lease obligation	607	(987)
Tax (credit)/charge	(8,652)	4,657

(b) Short-term loss before taxation	(7,627)	(6,833)
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Tax calculated at the rate of 30%	(2,288)	(2,075)
Income not subject to tax	2,131	109
Expenses deductible for tax	2	(12)
Prior year under accrual	—	—
Expenses not deductible for tax	5,163	2,325
Effect of different tax rate	—	—
<b>Tax charge</b>	<b>5,008</b>	<b>347</b>

(c) Long-term net investment income	104,259	167,267
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Tax calculated at the rate of 15%	15,639	25,090
Prior year under accrual	(4,790)	232
Income not subject to tax	(6,293)	(7,623)
Expenses deductible for tax	(8,048)	(4,892)
<b>Tax (credit)/charge</b>	<b>(3,492)</b>	<b>12,807</b>

<b>Total income tax (credit)/charge</b>	<b>(7,136)</b>	<b>17,811</b>
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Group		
Current tax charge	6,736	13,289
Prior year (over)/under accrual	(4,033)	701
Accrued tax interest recoverable on overdue tax	(757)	(469)
Deferred income tax (credit)/charge to continuing business	(9,248)	4,626
	(7,302)	18,147

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

(a) Profit before taxation	29,511	77,812
Adjustments:		
Long-term net investment income	(104,259)	(167,267)
Short-term loss before taxation	8,184	6,889
Adjusted loss before taxation	(66,564)	(82,566)

Tax calculated at the rate of 25%	(16,641)	(20,642)
Income not subject to tax	(87,850)	(73,770)
Expenses deductible for tax	387	361
(Credit)/charge on property and equipment	(752)	924
(Credit)/charge to policyholders' reserves	(8,341)	3,762
(Credit)/charge on amortisation	(1,344)	1,275
Charge/(credit) on foreign exchange	583	(346)
Expenses not deductible for tax	104,490	94,410
Charge/(credit) on lease obligation	607	(987)
<b>Tax (credit)/charge</b>	<b>(8,861)</b>	<b>4,987</b>

Group	2021	2020
(b)	\$'000	\$'000
Short-term loss before taxation	(8,184)	(6,889)
Tax calculated at the rate of 30%	(2,455)	(2,092)
Income not subject to tax	2,280	102
Expenses deductible for tax	2	(16)
Prior year under accrual	—	6
Expenses not deductible for tax	5,224	2,352
<b>Tax charge</b>	<b>5,051</b>	<b>352</b>
(c) Long-term net investment income	104,259	167,267
Tax calculated at the rate of 15%	15,639	25,090
Prior year under accrual	(4,790)	232
Income not subject to tax	(6,293)	(7,623)
Expenses deductible for tax	(8,048)	(4,892)
<b>Tax (credit)/charge</b>	<b>(3,492)</b>	<b>12,807</b>
<b>Total income tax (credit)/charge</b>	<b>(7,302)</b>	<b>18,147</b>

## 26. Dividends

No dividend was approved by the directors for the year ended December 31, 2021 (2020: Nil).

## 27. Contingent liabilities

The Group is subject to legal proceedings and claims which have arisen as a result of the events of 27 July 1990. Management is of the opinion that these claims are without merit and the ultimate resolution will not have a materially adverse effect on the Group's financial position or results of operations. The Group is also subject to other legal actions in the normal course of business. Based on legal advice received, management has concluded that no significant unrecognised liabilities are expected to crystallise.

## 28. Net cash (outflow)/inflow from operating activities

Parent	2021	2020
	\$'000	\$'000
Profit before tax from continuing operations	30,068	77,868
(Loss)/profit before tax from discontinued operations (Note 32)	(4,313)	4,655
<b>Total profit before taxation</b>	<b>25,755</b>	<b>82,523</b>
Depreciation	9,324	9,123
Increase in reserves for unearned policy loan interest	382	251
Policyholders dividend expense	5,809	5,529
(Loss)/gain on foreign exchange	(1,189)	2,250
Interest income	(98,230)	(126,803)
Interest expense	443	456
Dividend income	(365)	(129)
Amortised bond discount	(5,707)	(4,934)
Gain on disposal of investment	(71,148)	(22,818)
Operating loss before changes in operating assets and liabilities	(134,926)	(54,552)
Increase/(decrease) in insurance contracts	171,598	(726,400)
Decrease/(increase) in reinsurance assets	(69,270)	(20,703)
Decrease in other assets	601	2,100
Increase in investment contracts	13,345	11,126
(Decrease)/increase in reinsurance payable	(3,026)	19,513
(Decrease)/increase in trade and other payables	(514,798)	549,510
Increase in lease liabilities (Note 33)	—	10,857
Decrease/(increase) in amounts due from related parties	1,733	(4,754)
Decrease/(increase) in other receivables	83	(1,456)
<b>Cash generated used in operations</b>	<b>(534,660)</b>	<b>(214,759)</b>
Dividends paid to policyholders	(4,661)	(4,572)
Corporation tax paid	(12,360)	(9,640)
<b>Net cash outflow from operating activities</b>	<b>(551,681)</b>	<b>(228,971)</b>

Group	2021 \$'000	2020 \$'000
Profit before tax from continuing operations	29,511	77,812
(Loss)/profit before tax from discontinued operations (Note 32)	(4,313)	4,655
<b>Total profit before taxation</b>	<b>25,198</b>	<b>82,467</b>
Depreciation	9,325	9,127
Increase in reserves for unearned policy loan interest	382	251
Policyholders dividend expense	5,809	5,529
(Loss)/gain on foreign exchange	(1,189)	2,250
Interest income	(98,230)	(126,803)
Interest expense	443	456
Dividend income	(365)	(129)
Amortised bond discount	(5,707)	(4,934)
Realised loss on investment property	700	—
Gain on disposal of investment	(71,148)	(22,818)
Operating loss before changes in operating assets and liabilities	(134,782)	(54,604)
Increase/(decrease) in insurance contracts	171,598	(726,400)
Decrease/(increase) in reinsurance assets	(69,270)	(20,703)
Decrease in other assets	601	2,100
Increase in investment contracts	13,345	11,126
(Decrease)/increase in reinsurance payable	(3,026)	19,513
(Decrease)/increase in trade and other payables	(515,111)	549,562
Increase in lease liabilities (Note 33)	—	10,857
Decrease/(increase) in amounts due from related parties	1,733	(4,754)
Decrease/(increase) in other receivables	83	(1,456)
<b>Cash generated used in operations</b>	<b>(534,829)</b>	<b>(214,759)</b>
Dividends paid to policyholders	(4,661)	(4,572)
Corporation tax paid	(12,191)	(9,640)
<b>Net cash outflow from operating activities</b>	<b>(551,681)</b>	<b>(228,971)</b>

## 29. Commitments

### (i) Capital commitments

The Group had no capital commitments as at the year end (2020: Nil).

### (ii) Operating lease commitments – where the group is the lessor

The Group has entered into lease agreements with three other companies for portions of its Head Office premises, located at 91-93 St. Vincent Street, Port of Spain. The terms of the leases vary from one year to three years, with leases expiring as far as February 2023. All tenants are charged a monthly rental and service charge based on the square footage occupied. All rent is payable in advance i.e. on the first day of the month.

The future minimum lease receivables under non-cancellable operating leases are as follows

Group	2021 \$'000	2020 \$'000
Not later than 1 year	2,550	5,704
Later than 1 year and not later than 5 years	336	870
	<b>2,886</b>	<b>6,574</b>

## 30. Related parties

The Group is a subsidiary of Pan-American Life Insurance Group. The parent Group provides various services to the following PALIG subsidiaries and their affiliates in the Caribbean:

- (i) International Reinsurances Group (INRECO) and its subsidiaries and branches
  - Pan-American International Insurances Corporation (PAIIC)
  - PAIIC Barbados
  - PAIIC Cayman Islands

(ii) Pan-American Life Insurance of the Eastern Caribbean Limited and its branches

- PALIC Antigua
- PALIC Dominica
- PALIC Grenada
- PALIC St Kitts
- PALIC St Lucia
- PALIC St Vincent

(iii) Pan-American Insurance Company of Aruba V.B.A.

(iv) Pan-American Life Insurance Company of Curacao and Saint Maarten, N.V.

(v) Pan-American Accident and Health Insurance Company N.V.

The following transactions and balances were carried out during the period with related parties in the normal course of business. There were no provision for doubtful debts at the reporting date and no bad debt expense in the year (2020: Nil).

	2021 \$'000	2020 \$'000
<b>Premiums ceded</b>		
INRECO	118,188	79,694
<b>Commissions received</b>		
INRECO	22,209	14,419
<b>Amounts due from reinsurers</b>		
INRECO	28,081	27,146
<b>Reinsurance payable</b>	9,324	7,671
<b>Ceded reserves – INRECO</b>	915,207	856,087
<b>Receivables from parent Group and related branches</b>		
PALIG	408	408
Affiliated companies	8,652	10,384
	9,060	10,792
<b>Payables to parent Group and related branches</b>		
PALIG	5,776	3,267
INRECO	—	535,059
Other Affiliated companies	22,074	27,166
	27,850	565,492
<b>Key management compensation</b>		
Salaries and other short-term employee benefits	12,264	10,953
<b>Total compensation paid to key management personnel</b>	12,264	10,953
<b>Directors' fees</b>	362	412

## 31. Fair value of financial instruments recognized in the consolidated statement of financial position

The following table shows an analysis of financial and non-financial assets that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable.

Parent	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total fair value \$'000
<b>As at 31 December 2021</b>				
<b>Investment properties</b>	—	7,500	—	7,500
<b>Land and buildings</b>	—	104,754	—	104,754
<b>Available-for-sale financial assets</b>				
Equity securities	10,712	—	45	10,757
Government and corporate securities	—	1,417,160	—	1,417,160
Mutual funds	56,324	—	—	56,324
	67,036	1,529,414	45	1,596,495

<b>As at 31 December 2020</b>				
<b>Investment properties</b>	—	7,500	—	7,500
<b>Land and buildings</b>	—	112,449	—	112,449
<b>Available-for-sale financial assets</b>				
Equity securities	8,713	—	45	8,758
Government and corporate securities	—	2,018,700	—	2,018,700
Mutual funds	55,000	—	—	55,000
	63,713	2,138,649	45	2,202,407

<b>Group</b>				
<b>As at 31 December 2021</b>				
<b>Investment properties</b>	—	13,050	—	13,050
<b>Land and buildings</b>	—	108,054	—	108,054
<b>Available-for-sale financial assets</b>				
Equity securities	10,712	—	45	10,757
Government and corporate securities	—	1,417,160	—	1,417,160
Mutual funds	56,324	—	—	56,324
	67,036	1,538,264	45	1,605,345

<b>As at 31 December 2020</b>				
<b>Investment properties</b>	—	13,750	—	13,750
<b>Land and buildings</b>	—	115,749	—	115,749
<b>Available-for-sale financial assets</b>				
Equity securities	8,713	—	45	8,758
Government and corporate securities	—	2,018,700	—	2,018,700
Mutual funds	55,000	—	—	55,000
	63,713	2,148,199	45	2,211,957

## Transfers between Level 1 and 2

For the year ended December 2021, there were no assets transferred between Level 1 and Level 2 (2020: Nil).

## Reconciliation of movements in Level 3 financial instruments measured at fair value

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

Available-for-sale financial assets	At 1 2021 \$'000	Foreign exchange gains \$'000	Gains from changes in fair value \$'000	Purchases \$'000	Sales and redemptions \$'000	Impairment \$'000	At 31 December 2021 \$'000
Equity securities	45	—	—	—	—	—	45
	45	—	—	—	—	—	45

Available-for-sale financial assets	At 1 2020 \$'000	Foreign exchange gains \$'000	Gains from changes in fair value \$'000	Purchases \$'000	Sales and redemptions \$'000	Impairment \$'000	At 31 December 2020 \$'000
Equity securities	80	—	—	—	(35)	—	45
	80	—	—	—	(35)	—	45

The Group does not regard that any reasonable change in the valuation assumptions of Level 3 assets will have a significant impact on the separate and consolidated financial statements.

## 32. Discontinued business

On 31 May 2010 the Company ceased conducting short-term insurance business which comprised the following main lines:

- Property
- Marine hull
- Motor vehicle
- Workmen's compensation
- Public liability
- Boiler or machinery
- Pecuniary loss

### General division - Statement of financial position

	2021 \$'000	2020 \$'000
<b>ASSETS</b>		
Financial assets	153,563	149,624
Cash and cash equivalents	7,102	7,103
Reinsurance assets	33	33
	<u>160,698</u>	<u>156,760</u>
<b>EQUITY</b>		
<b>Capital and reserves attributable to the Company's equity holders</b>		
Share capital	—	—
Statutory reserves	—	15,000
Revaluation reserves	15,907	7,424
Retained earnings	134,777	122,838
	<u>150,684</u>	<u>145,262</u>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Insurance contracts	86	86
Deferred tax liability	95	3,474
Reinsurance payable	430	232
Current income tax liabilities	9,403	7,706
<b>Total liabilities</b>	<u>10,014</u>	<u>11,498</u>
<b>Total equity and liabilities</b>	<u>160,698</u>	<u>156,760</u>

### General division - Statement of comprehensive income

<b>Fee income:</b>		
Investment income	(4,266)	4,729
<b>Net (loss)/income</b>	<u>(4,266)</u>	<u>4,729</u>
Insurance claims and loss adjustment expenses	(25)	—
Insurance claims and loss adjustment expenses recovered from reinsurers	—	—
<b>Net insurance benefits and claims</b>	<u>(25)</u>	<u>—</u>
Expenses for marketing and administration	72	74
<b>Total expenses</b>	<u>47</u>	<u>74</u>
<b>(Loss)/profit before taxation</b>	<u>(4,313)</u>	<u>4,655</u>
Taxation credit/(expense)	1,252	(2,163)
<b>(Loss)/profit for the year</b>	<u>(3,061)</u>	<u>2,492</u>
<b>Other comprehensive income:</b>		
Fair value gain/(loss) on available-for-sale financial assets	8,053	(1,522)
Deferred tax	430	823
<b>Other comprehensive income/(loss) for the year net of tax</b>	<u>8,483</u>	<u>(699)</u>
<b>Total comprehensive income for the year from discontinued operations</b>	<u>5,422</u>	<u>1,793</u>

## 33. Leases

### Right-of-use Assets

#### 2021

Balance at 1 January	11,021
Additions	—
Depreciation charge for the year	(4,026)
Balance at 31 December (Note 5)	6,995

### Lease liabilities

#### Maturity analysis - contractual undiscounted cash flows

Less than one year	3,527
One to five years	4,144
Total undiscounted lease liabilities at 31 December	7,670

### Lease liabilities included in the statement of financial position at 31 December

#### Current

Non-current

Lease liabilities (Note 17)

### Amounts recognised in statement of comprehensive income

Interest on lease liabilities	433
Expenses related to short-term leases	1,321
	<u>1,754</u>

### Statement of comprehensive income impact

	2021 \$'000	2020 \$'000
Expenses related to short-term leases	1,444	2,074
Depreciation charge for the year	4,131	4,390
Interest on lease liabilities	442	456
<b>Expense for the year</b>	<u>6,017</u>	<u>6,920</u>

### Right-of-use Assets

#### 2020

Balance at 1 January	4,225
Additions	10,857
Depreciation charge for the year	(4,061)
Balance at 31 December (Note 5)	11,021

### Lease liabilities

#### Maturity analysis - contractual undiscounted cash flows

Less than one year	4,373
One to five years	7,670
Total undiscounted lease liabilities at 31 December	12,043

### Lease liabilities included in the statement of financial position at 31 December

Current

Non-current

Lease liabilities (Note 17)

### Amounts recognised in statement of comprehensive income

Interest on lease liabilities	437
Expenses related to short-term leases	1,910
	<u>2,347</u>

## 34. Investment in subsidiaries

Parent	2021 \$'000	2020 \$'000
Eleven Dee Limited	5,915	5,915
ALGICO Properties Limited	3,150	3,150
Total investment in subsidiaries	<u>9,065</u>	<u>9,065</u>