# CUNA CARIBBEAN INSURANCE

## FINANCIAL STATEMENTS 2022

CUNA CARIBBEAN INSURANCE

Solutions for Developing Nations

KR CONSULTING

CUNA CARIBBEAN INSURANCE SOCIETY LIMITED
Actuarial Certificate of the Appointed Actuary
As At 31 December 2022

**ACTUARIAL CERTIFICATE OF THE APPOINTED ACTUARY – 2022 YEAR END**

I have examined the financial position and valued the policy liabilities and other actuarial liabilities, and reinsurance recoverables, of CUNA Caribbean Insurance Society Limited ("CCIS") for its statement of financial position as at 31 December 2022 and the corresponding changes in the statement of income for the year then ended 2022.

I certify that:
(a) I am currently in good standing with my governing actuarial accreditation body;

(b) I meet the appropriate qualification standards;

(c) I am familiar with the actuarial valuation and capital adequacy requirements applicable to insurers carrying on long-term insurance business in Trinidad and Tobago; and

(d) I have complied with the requirements of the Insurance Act, 2018 and applicable Regulations made thereunder.

In my opinion-
(a) The methods and procedures used in the verification of the valuation data are sufficient and reliable and fulfil acceptable standards of care;

(b) The methods and assumptions used to calculate the policy liabilities and other actuarial liabilities are appropriate to the circumstances of the insurer and of the underlying policies and claims; and

(c) The policy liabilities and other actuarial liabilities represented in the statement of financial position of CCIS amounting to TT$135,588,072 and the reinsurance recoverables of TT$20,294,349 make proper provision for all policy obligations.

**KYLE RUDDEN, FELLOW OF THE INSTITUTE AND FACULTY OF ACTUARIES**
**MANAGING DIRECTOR AND CONSULTING ACTUARY**
**KR SERVICES LIMITED**
**PORT OF SPAIN, TRINIDAD**
**23 March 2023**

# Statement of Management Responsibilities

Management is responsible for the following:

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

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

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

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

C.E.O.
23 March 2023

V.P – Finance & Corporate Governance
23 March 2023

# Independent auditor's report

To the Shareholder of CUNA Caribbean Insurance Society Limited

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

**What we have audited**
The Company's financial statements comprise:

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

## Independent auditor's report *(continued)*

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

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

PricewaterhouseCoopers

Port of Spain
Trinidad, West Indies
23 March 2023

## Statement of Financial Position

*(Expressed in Trinidad and Tobago dollars)*

| | Notes | Year ended 31 December 2022 $ | 2021 $ |
|---|---|---|---|
| **Assets** | | | |
| Property, plant and equipment | 9(i) | 2,653,529 | 3,075,265 |
| Right of use asset | 9(ii) | 10,294,883 | 11,904,652 |
| Intangible assets | 10 | 14,882,775 | 16,604,673 |
| Investment securities | 11 | 382,230,850 | 397,068,828 |
| Loans on policies | | -- | 1,867,739 |
| Other assets | 12 | 27,881,502 | 20,026,465 |
| Taxation recoverable | | 2,544,315 | 2,780,167 |
| Due from ultimate parent company | 13 | 21,297,080 | 32,811,116 |
| Due from related parties | 13 | 1,428,046 | 829,855 |
| Cash and cash equivalents | 14 | 109,833,354 | 68,875,837 |
| **Total assets** | | 573,046,334 | 555,844,597 |
| **Equity and liabilities** | | | |
| *Equity* | | | |
| Stated capital | 15 | 24,967,821 | 24,967,821 |
| Life surplus | 16 | 287,619,671 | 260,567,194 |
| Corporate Social Responsibility Fund | 16 | -- | 2,911,462 |
| Retained earnings | | 87,587,430 | 87,587,430 |
| **Total equity** | | 400,174,922 | 376,033,907 |
| *Liabilities* | | | |
| Insurance contracts | 17 | 129,522,245 | 129,501,152 |
| Lease liabilities | 18 | 12,765,810 | 14,292,595 |
| Reinsurance payable | 13 | 1,098,793 | 2,161,016 |
| Accounts payable and unallocated premium | 19 | 21,481,094 | 24,332,504 |
| Due to ultimate parent company | 13 | 7,224,292 | 9,518,680 |
| Due to related parties | 13 | -- | 4,743 |
| Taxation Payable | | 779,178 | -- |
| **Total liabilities** | | 172,871,412 | 179,810,690 |
| **Total equity and liabilities** | | 573,046,334 | 555,844,597 |

The notes on pages 8 to 63 are an integral part of these financial statements.

On 23 March 2023, the Board of Directors of CUNA Caribbean Insurance Society Limited authorised these financial statements for issue.

_______________ Director _______________ Director



## Statement of Comprehensive Income

*(Expressed in Trinidad and Tobago dollars)*

| | Notes | Year ended 31 December 2022 $ | 2021 $ |
|---|---|---|---|
| **Revenue** | | | |
| Gross premium income | | 219,241,472 | 213,097,688 |
| Reinsurance expense | 13(b)(i) | (4,619,121) | (4,413,078) |
| Net premium income | | 214,622,351 | 208,684,610 |
| Net investment income | 5(i) | 14,196,536 | 17,439,287 |
| Other income | 21 | 9,027,197 | 8,985,997 |
| | | 237,846,084 | 235,109,894 |
| **Policyholders' benefits** | | | |
| Claims and other benefits | 20 | (203,762,711) | (184,639,527) |
| Reinsurance recovery | | 48,082,650 | 31,551,870 |
| Net claims and other benefits | | (155,680,061) | (153,087,657) |
| Change in reserve for future policyholders' benefits | 17(ii) | (335,674) | (6,890,563) |
| **Total policyholders' benefits** | | (156,015,735) | (159,978,220) |
| **Expenses** | | | |
| Management and operating expenses | 22 | (40,316,298) | (39,397,950) |
| Policy administrative fees | 23 | (15,164,593) | (14,790,968) |
| | | (211,496,626) | (214,167,138) |
| **Profit before taxation** | | 26,349,458 | 20,942,756 |
| Taxation charge | 24 | (3,045,109) | (1,798,019) |
| **Profit for the year** | | 23,304,349 | 19,144,737 |
| **Other comprehensive income for the year, net of tax** | | -- | -- |
| **Profit for the year and total comprehensive income** | | 23,304,349 | 19,144,737 |

The notes on pages 8 to 63 are an integral part of these financial statements.



## Statement of Changes in Equity

*(Expressed in Trinidad and Tobago dollars)*

| | Stated Capital $ | Life Surplus $ | Retained earnings $ | Corporate Social Responsibility (CSR) Fund $ | Total equity $ |
|---|---|---|---|---|---|
| **Year ended 31 December 2022** | | | | | |
| Balance as at 1 January 2021 | 24,967,821 | 260,567,194 | 87,587,430 | 2,911,462 | 376,033,907 |
| Total comprehensive income for the year | -- | -- | 23,304,349 | -- | 23,304,349 |
| Transfer to life surplus (Note 16) | -- | 23,304,349 | (23,304,349) | -- | -- |
| Movement of reserve | -- | -- | | (32,100) | (32,100) |
| Transfer of reserves (Note 16) | -- | 3,748,128 | | (2,879,362) | 868,766 |
| **Balance as at 31 December 2022** | 24,967,821 | 287,619,671 | 87,587,430 | -- | 400,174,922 |
| **Year ended 31 December 2021** | | | | | |
| Balance as at 1 January 2021 | 24,967,821 | 241,422,457 | 87,587,430 | 2,948,132 | 356,925,840 |
| Total comprehensive income for the year | -- | -- | 19,144,737 | -- | 19,144,737 |
| Transfer to life surplus (Note 16) | -- | 19,144,737 | (19,144,737) | -- | -- |
| Movement of reserve | -- | -- | -- | (36,670) | (36,670) |
| **Balance as at 31 December 2021** | 24,967,821 | 260,567,194 | 87,587,430 | 2,911,462 | 376,033,907 |

The notes on pages 8 to 63 are an integral part of these financial statements.

## Statement of Cash Flows
## 31 December 2022
*(Expressed in Trinidad and Tobago dollars)*

| | Notes | Year ended 31 December 2022 $ | 2021 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before taxation | 24 | 26,349,457 | 20,942,756 |
| Adjustments to reconcile profit before taxation to net cash from operating activities: | | | |
| Depreciation expense | 9 | 2,963,568 | 3,410,546 |
| Amortisation expense | 10 | 3,252,846 | 2,881,386 |
| Adjustments in life surplus | | 3,748,128 | -- |
| Changes in CSR Covid relief | 16 | (2,911,462) | (36,670) |
| Revaluation adjustment | | (93,700) | -- |
| Unrealised loss/(gain) on equity | | 166,372 | (274,108) |
| Interest expense – lease liability | | 1,422,223 | 1,488,249 |
| Gain on disposal of property, plant and equipment | | 197,381 | -- |
| Change in insurance contracts | | 21,093 | 13,112,629 |
| Change in other liabilities | | (3,134,455) | 4,011,298 |
| Change in pension assets/tax recoverable/other assets | | (8,586,833) | (6,427,692) |
| Change in due to parent company | | (2,294,388) | 7,313,641 |
| Change in due from parent company | | 11,514,036 | (30,356,255) |
| Change in due from subsidiary/related parties | | (602,934) | 1,285,649 |
| Tax paid | | (3,045,109) | (1,798,019) |
| Interest paid – lease liability | | (1,422,223) | (1,488,249) |
| **Net cash generated from operating activities** | | 27,544,000 | 14,065,161 |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | | (513,093) | (391,411) |
| Purchase of motor vehicle | | (422,168) | (727,000) |
| Purchase of software | | (1,725,128) | (2,205,513) |
| Net movement in term deposits | | 944,897 | 1 |
| Disposal/(purchase) of bonds | | 14,423,705 | (16,401,467) |
| Redemption of bonds | | 320,851 | 9,735 |
| Policy loans granted net of repayment of loans | | 1,867,739 | 2,266,350 |
| **Net cash generated from/(used in) investing activities** | | 14,896,803 | (17,449,305) |
| **Cash flows from financing activities** | | | |
| Decrease in lease liabilities | | (1,526,785) | (1,700,177) |
| Adjustment in lease liability | | 43,499 | 50,119 |
| **Net cash (used in) financing activities** | | (1,483,286) | (1,650,058) |
| **Net increase/(decrease) in cash and cash equivalents for the year** | | 40,957,517 | (5,034,202) |
| **Cash and cash equivalents, beginning of year** | | 68,875,837 | 73,910,039 |
| **Cash and cash equivalents, end of year** | | 109,833,354 | 68,875,837 |
| **Cash and cash equivalents represented by:** | | | |
| Cash in hand and at bank | 14 | 81,655,692 | 41,172,666 |
| Mutual funds | 14 | 28,177,662 | 27,703,171 |
| | | 109,833,354 | 68,875,837 |

The notes on pages 8 to 63 are an integral part of these financial statements.



## Notes to the Financial Statements
## 31 December 2022
*(Expressed in Trinidad and Tobago dollars)*

1 **General information**

CUNA Caribbean Insurance Society Limited ('the Company') is incorporated in Trinidad and Tobago and is registered under the Insurance Act, 2018 to carry on long-term insurance business in Trinidad and Tobago. Its registered office is located at 11 Queen's Park East, Port of Spain. The Company is a wholly-owned subsidiary of CUNA Caribbean Holdings St. Lucia Limited, a Company incorporated in St. Lucia. CUNA Mutual Holding Company (`the Ultimate Parent') is incorporated in the United States of America.

2 **Basis of preparation**

a. *Basis of compliance*

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

b. *Basis of measurement*

The financial statements have been prepared on the historical cost basis, except for investment securities that are measured at fair value and insurance contract liabilities whose carrying value is actuarially determined.

c. *Functional and presentation currency*

Items in these financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). These financial statements are presented in Trinidad and Tobago dollars, which is the Company's functional currency.

d. *Use of estimates and judgments*

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are disclosed in Note 8.

e. *Use of going concern basis of accounting*

In March 2020, the World Health Organization declared the novel coronavirus, COVID-19, a global pandemic. The pandemic is still ongoing and the measures to control its impact have resulted in disruptions to economic and social activities, locally and globally, which could ultimately have a negative financial effect on the Company, depending on factors which are highly uncertain and cannot be estimated reliably at this time.

Due to the nature of this event, management is unable to fully quantify the impact of the pandemic on these financial statements. The impact on future performance and on the measurement of some assets and liabilities, or on liquidity, might be significant, however, management has determined that the circumstances do not, at the time of reporting, create a material uncertainty that casts significant doubt upon the entity's ability to continue as a going concern.

The Company has consistently applied the accounting policies as set out in Note 3 to all periods presented in these financial statements.



## Notes to the Financial Statements (continued)
## 31 December 2022
*(Expressed in Trinidad and Tobago dollars)*

3 **Significant accounting policies**

a. *Foreign currency*

Foreign exchange differences resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income. Transactions denominated in foreign currencies are translated into the functional currency at the rates of exchange prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate at that date.

b. *Financial instruments*

The Company classifies its financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity and available-for-sale. The classification is determined by management at initial recognition and depends on the purpose for which the instruments were acquired.

For the purpose of these financial statements, financial instruments comprise term deposits, investments, loans on policies, premiums receivable, due from/to parent company, cash balances, mutual funds, reinsurance assets and liabilities, accounts payable, lease liabilities and policy liabilities.

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

(i) *Recognition and initial measurement*

A financial asset or financial liability is measured at fair value plus transaction costs that are directly attributable to its acquisition or issue, except for financial assets carried at fair value through profit or loss where transaction costs are expensed as incurred.

The Company initially recognises loans on policies on the date on which they are originated. All other financial assets and liabilities are initially recognised on the settlement date at which the Company becomes a party to the contractual provisions of the instrument.

(ii) *Classification*

*Financial assets*

(a) *Financial assets at fair value through profit or loss*

A financial asset is classified into the 'financial assets at fair value through profit or loss' category if acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short-term profit-taking, or if so designated by management.

(b) *Loans and receivables*

Loans and receivables include financial assets with fixed or determinable payments that are not quoted in an active market, do not qualify as trading assets and have not been designated as available-for-sale. Loans on policies are fully secured by the cash surrender value of the related policies.



## Notes to the Financial Statements (continued)
## 31 December 2022
*(Expressed in Trinidad and Tobago dollars)*

3 **Significant accounting policies (continued)**

b. *Financial instruments (continued)*

(ii) *Classification (continued)*

*Financial assets (continued)*

(c) *Held-to-maturity financial assets*

Held-to-maturity assets are financial assets with fixed or determinable payments and fixed maturity that the Company's management has the positive intent and ability to hold to maturity. These include certain debt investments.

Interest on held-to-maturity investments is included in profit or loss and is reported as investment income.

(d) *Available-for-sale financial assets*

Available-for-sale investments are financial assets that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices or that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Mutual funds are classified as available-for-sale financial assets.

Available-for-sale investments, except mutual funds for individual customers, are stated at fair value with any resultant gain or loss recognised in other comprehensive income in the period in which they arise.

*Financial liabilities*

The Company classifies its financial liabilities as measured at amortised cost.

(iii) *Derecognition*

*Financial assets*

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of:

(i) the consideration received (including any new asset obtained less any new liability assumed); and

(ii) any cumulative gain or loss that had been recognised in other comprehensive income (OCI), is recognised in the statement of comprehensive income as gains and losses.

Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognised as an asset or liability in the statement of financial position.

3 **Significant accounting policies (continued)**

b. *Financial instruments (continued)*

(iii) *Derecognition (continued)*

*Financial Liability*

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled, or expired.

(iv) *Offsetting*

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Company's trading activity.

(v) *Amortised cost measurement*

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

(vi) *Determination of fair value*

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its nonperformance risk.

When available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses Discounted Cash Flow (DCF) valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price - i.e., the fair value of the consideration given or received. If the Company determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.



3 **Significant accounting policies (continued)**

b. *Financial instruments (continued)*

(vi) *Determination of fair value (continued)*

If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price. The Company recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred. No transfers have occurred during the year.

c. *Intangible assets*

Costs associated with developing or maintaining computer software are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use
- management intends to complete the software and use or sell it
- there is an ability to use or sell the software
- it can be demonstrated how the software will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

The rates of amortisation for the current and comparative periods are as follows:

| | |
|---|---|
| Intangible asset | 8 1/3% - 10% |

d. *Property, plant and equipment*

(i) *Owned assets*

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see accounting policy Note 3 (e) (iii)).

(ii) *Subsequent expenditure*

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognised in the statement of comprehensive income.

(iii) *Depreciation*

Depreciation is calculated over the depreciable amount, which is the cost of an asset less its residual value. Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of items of property, plant and equipment.



3 **Significant accounting policies (continued)**

d. *Property, plant and equipment (continued)*

The rates of depreciation for the current and comparative periods are as follows:

| | |
|---|---|
| Furniture and equipment | 10% - 16 1/3% |
| Computer equipment | 20% - 33 1/3% |
| Leasehold improvements | over the period of the lease |

(iv) *Disposal*

Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds with their carrying amounts and are recognised in the statement of comprehensive income.

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

e. *Impairment of assets*

(i) *Financial assets at amortised cost*

The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or 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 financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Company about the following events:

- Significant financial difficulty of the issuer or debtor;
- A breach of contract, such as a default or delinquency in payments;
- It becomes probable that the issuer or debtor will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- 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 assets in the Company, including:
- adverse changes in the payment status of issuers or debtors in the Company; or
- national or local economic conditions that correlate with defaults on the assets in the Company.



3 **Significant accounting policies (continued)**

e. *Impairment of assets (continued)*

(i) *Financial assets at amortised cost (continued)*

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Company 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 or held-to-maturity investments 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 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 statement of comprehensive income.

If a held-to-maturity investment or a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

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 recognised (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 statement of comprehensive income.

(ii) *Assets classified as available-for-sale*

The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is an objective evidence of impairment resulting in the recognition of an impairment loss. 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 the statement of comprehensive income - is removed from equity and recognised in the statement of 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 the statement of comprehensive income, the impairment loss is reversed through the statement of comprehensive income.

(iii) *Impairment of other non-financial assets*

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

3 **Significant accounting policies (continued)**

e. *Impairment of assets (continued)*

(iii) *Impairment of other non-financial assets (continued)*

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit 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). Impairment losses are recognised in the statement of comprehensive income unless the asset is recorded at a revalued amount in which case it is treated as a revaluation decrease in the statement of financial position.

(iv) *Reversals of impairment*

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

f. *Leases*

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.



3 **Significant accounting policies (continued)**

f. *Leases (continued)*

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Company did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line item in the statement of financial position. The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the Note 3(e).

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient. For a contract that contain a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

g. *Receivables and payables related to insurance contracts*

Insurance receivables are carried at cost less impairment losses (see accounting policy 3(e)). Bad debts are written-off when identified.

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



3 **Significant accounting policies (continued)**

h. *Cash and cash equivalents*

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash balances, bank overdrafts, mutual funds and short-term highly liquid investments with original maturities of three months or less from the acquisition date.

i. *Insurance contracts*

Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk.

(i) Long-term contracts

These contracts insure events associated with human life over a long duration. Premiums are recognised as revenue when they become receivable from the contract holder. Premiums are shown before deduction of commission but net of reinsurance costs.

Benefits are recorded as an expense when they are incurred.

A liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognised. Typically, the liability is determined as the sum of the expected discounted value of the benefit payments less the expected discounted value of the theoretical premiums that would be required to meet the benefits based on the valuation assumptions used (the valuation premiums). In particular, the liability is based on assumptions as to mortality and investment income that are established at the time the contract is issued. A margin for adverse deviations is included in the assumptions. The liabilities are re-calculated at each reporting date using the assumptions established at inception of the contracts.

Removal of Individual Life Portfolio

The individual life block was small and closed to new business. During 2022, CCIS took the decision to exit the portfolio. The Company agreed to buy out all remaining policyholders by paying off the sum assured, adjusted for policy loans, and dividends. Additionally, the portfolio was declassified as insurance business by the regulators. Therefore, CCIS was no longer required to hold policyholder insurance liabilities. Separate liabilities were set up to buy out any remaining contracts at the valuation date.

(ii) Outstanding claims

Provision for outstanding claims and the related costs of settlement are based on incidents reported before the end of the financial year and include appropriate provisions for claims incurred but not yet reported. Estimates are continually revised as more information becomes available and for the effect of anticipated inflation. Adjustments arising on these revisions are included within insurance contracts in the current year. The historical claims experience and corresponding reserves have been disclosed in note 4b(ii).

(iii) Policyholders' benefits

Death and disability claims and surrenders are recognised in the financial statements in the year in which they are incurred.

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



3 **Significant accounting policies (continued)**

i. *Insurance contracts (continued)*

(iv) *Reinsurance contracts held*

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets.

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

The Company assesses its reinsurance assets, from parties external to the Company, for impairment on a quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the statement of comprehensive income. The Company 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 calculated following the same method used for financial assets. These processes are described in accounting policy 3(e).

j. *Accounts payable and accrued liabilities*

Liabilities for accounts payable and accrued liabilities are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received.

3 **Significant accounting policies (continued)**

k. *Revenue recognition*

*Premium income*

Premium income is recognised in the period in which the insured risk is covered.

*Investment income*

Investment income is accounted for on the accruals basis that takes into account the effective yield of the asset and is shown net of direct investment expenses incurred in relation thereto.

l. *Pensions*

The Company maintains a defined contribution pension plan for its employees. This is a funded scheme and the Company's contributions are charged against profit for the year as incurred. During the year, $1,388,467 (2021: $1,370,568) was recognised as an expense in the statement of comprehensive income in respect of contributions to the pension plan.

m. *Taxation*

The tax expense for the period comprises current tax. Tax is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current tax charge is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Corporation tax for the Company is charged annually at 15% on investment income relating to the future policy benefits other than approved pension plans, less investment expenses allowable in relation thereto. When the profits of the long-term business are transferred to retained earnings, the amounts are grossed up at 15% and 10% corporation tax is charged. Corporation tax for the Company is charged annually at 30% on all business other than long-term insurance business.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amount in the financial statements. At year end there were no significant differences giving rise to deferred taxes.

n. *Policy administrative fees*

Policy Administrative fees relate to amounts paid to credit unions and affinity groups as processing fees for providing services to our members, during the financial year. These fees are spread over a period equivalent to that over which the premiums on the underlying business are earned.



3 **Significant accounting policies (continued)**

o. *COVID-19 Corporate Social Responsibility Fund*

COVID-19 *Corporate Social Responsibility Fund* was used to assist Family Indemnity Plan (with or without the Critical Illness Rider coverage) Certificate Holders, or Spouse/Significant Other on the certificate, who became unemployed after March 31, 2020.The Fund was fixed at $440,000 United States Dollars (equivalent of TTD$2,948,132) for the Company and ran until December 31, 2022.

The Board of Directors approved the establishment of this Fund which became effective on 1 January 2021.The balance of the fund of $2,879,362 was transferred to Life Surplus and closed as at on December 31, 2022.

p. *New, revised and amended standards and interpretations that became effective 2022*

Certain new, revised and amended standards and interpretations came into effect 1 January 2022. The Company has assessed these new standards, amendments and interpretations to existing standards and has determined that these amendments do not have a significant impact on these financial statements and therefore the disclosures have not been made.

- IAS 16 Property, Plant and Equipment- Amendments prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets - Amendments regarding the costs to include when assessing whether a contract is onerous
- Amendment to IFRS 3 – Reference to the Conceptual Framework

q. *New, revised and amended standards and interpretations not yet effective and have not been early adopted by the Company:*

Certain new, revised and amended standards and interpretations have been issued which are not yet effective for the current year and which the Company has not early-adopted. The Company has assessed the relevance of all such new standards, amendments and interpretations with respect to the Company's operations and has determined that the following are likely to have an effect on the financial statements.

- Amendments to IAS 1 – Classification of Liabilities as Current or Non-Current (Effective 1 January 2024)
- Amendments IAS1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies (Effective 1 January 2023).
- Amendment to IAS 8 – Definition of Accounting Estimates (Effective 1 January 2023)
- Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Effective 1 January 2023).



3 **Significant accounting policies (continued)**

q. *New, revised and amended standards and interpretations not yet effective and have not been early adopted by the Company (continued):*

(i) *IFRS 17 Insurance contracts*

*Scope, Definition and Effective Date*

The IASB issued IFRS 17 'Insurance Contracts' in 2017, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

An entity shall apply IFRS 17 to:

- Insurance contracts, including reinsurance contracts, it issues;
- Reinsurance contracts it holds; and
- Investment contracts with discretionary participation features it issues, provided the entity also issues insurance contracts.

It becomes effective for periods beginning on or after 1 January 2023 and for the Company this will be its date of initial application.

There is no substantial change in IFRS 17 compared to IFRS 4 with regards to which contracts fall within the scope of the standard. It is expected that all the Company's contracts currently in scope of IFRS 4 will be in scope of IFRS 17.

IFRS 17 includes new requirements to separate any distinct investment and service components from the host insurance contacts and account for these in accordance with IFRS 9 and IFRS 15 respectively. It has been assessed that Company's insurance contracts do not contain material distinct non-insurance components requiring separation.

IFRS 17 requirements for reinsurance contracts issued (assumed) are the same as requirements for insurance contracts issued directly.

A reinsurance contract is defined as "An insurance contract issued by one entity (the reinsurer) to compensate another entity for claims arising from one or more insurance contracts issued by that other entity (underlying contracts).

IFRS 17 requirements for reinsurance contracts held (ceded) follow the same principles as requirements for insurance contracts issued but adapted to reflect the different characteristics of reinsurance contracts held. The reinsurance contracts held will always be in different portfolios than insurance contracts issued because they are not subject to similar risks.



3 **Significant accounting policies (continued)**

q. *New, revised and amended standards and interpretations not yet effective and have not been early adopted by the Company (continued):*

(i) *IFRS 17 Insurance contracts (continued)*

*Transition approach*

IFRS 17 requires the full retrospective approach unless impracticable, in which case entities have the option of using either the modified retrospective approach or the fair value approach. The drivers for impracticability for retrospective application relate to a lack of required data and the use of hindsight, consistent with the principles of IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors. The Company expects to apply the full retrospective approach at transition as described in IFRS 17.

*Implementation project structure and status*

The Company has engaged the services of an outside consultant for GAP analysis and implementation of software to assist with IFRS 17 calculations. As part of the consultation, the Company has conducted a GAP analysis with regards to the requirements of IFRS 17 and its impact on the Company. From this Gap analysis, the Company has assessed and determined its accounting policies with respect to IFRS 17 including options and actuarial methods associated with level of aggregation, estimate of future cash flows, discount rates, risk adjustment, deferred acquisition costs as well as premium allocation approach measurement. The Company has also delivered training to staff on IFRS 17.

Currently, the Company is in the final stages of the implementation phase where a review of the results and disclosure notes from the software is being carried out by the implementation team. The Company is also at the process of updating the chart of accounts to include the new accounts from the IFRS 17 calculations that will produce the IFRS 17 financial statements.

*Contract boundary*

IFRS 17 uses the concept of contract boundary to identify cash flows included in the measurement of the liability for remaining coverage (LRC) of insurance contracts. It was determined that the boundary of the Company's Group life policies ends within one year. This assessment is based on the termination and re-pricing clauses included in the language of these policies and management's assessment that there are no significant factors restricting their practical ability to execute these clauses.

It was then concluded that the IFRS 17 boundary of the Pensions Plus deferred annuity product includes both the accumulation and annuity phases. This essentially means that the CSM will need to be calculated at the start of the 'accumulation' phase rather than the 'annuity' phase. The profit recognised over the coverage period will reflect the pattern of both the investment and insurance services.

3 **Significant accounting policies (continued)**

q. *New, revised and amended standards and interpretations not yet effective and have not been early adopted by the Company (continued):*

(i) *IFRS 17 Insurance contracts (continued)*

*Measurement method*

Under the Premium Allocation Approach (PAA), there is no requirement to quantify the separate "building blocks" (i.e. future cash flows, discounting, risk adjustment, and CSM) used in the General Measurement Model (GMM). It was determined that the Company's Group Life products are eligible for the Premium Allocation Approach by virtue of the coverage period for these policies being less than one year.

The Pensions Plus product was concluded to be ineligible for the PAA so as a result will apply the General Measurement Model for the measurement of LRC.

For non-onerous groups of contracts measured under the PAA, there is no explicit calculation of fulfilment cash flows required and hence no requirement to explicitly calculate the Risk adjustment (RA). However, if at any time during the coverage period facts and circumstances indicate that a group of contracts measured under the PAA has become onerous, the entity is required to estimate fulfilment cash flows to compare to the LRC under the PAA. The fulfilment cash flows are estimated as required by the GMM, including the associated requirements for the RA. This comparison is used to determine whether the LRC determined using the PAA approach needs to be increased, with a corresponding loss recognised in profit or loss.

The Company has elected to apply the Premium Allocation Approach ("PAA") for its Group Life insurance contracts and related reinsurance contracts held. The PAA simplifies the measurement of insurance contracts in comparison with the general model in IFRS 17. The Company has elected to not discount the Liability for incurred claims (LIC) where settlement is expected within 1 year, this is a policy choice when applying the PAA and settlement is expected within one year or less of incurral. The Group life/health products issued by the Company are monthly or annually renewable and all contracts have cancellation and re-pricing terms which supports an IFRS 17 contract boundary of 1 year or less.

The CSM for a group at the end of each reporting period represents the unearned profit relating to future service to be provided under the contracts in the group and is calculated using a roll forward approach. The five items that are included in the CSM roll forward are:

- The effect of new contracts added to the group;
- Interest accretion on the carrying amount of the CSM;
- The change in fulfilment cash flows relating to future service (limited by the amount of CSM);
- The effect of any currency exchange differences on the CSM; and
- The amounts recognised as insurance revenue because of the transfer of services in the period ("amortisation of CSM").

For groups of contracts that are onerous at initial recognition, a loss component (LC) is established representing losses recognised at initial recognition. If a non-onerous group of contracts becomes onerous on subsequent measurement, a LC is established for the amount of loss recognised.



3 **Significant accounting policies (continued)**

q. *New, revised and amended standards and interpretations not yet effective and have not been early adopted by the Company (continued):*

*IFRS 17 Insurance Contracts (continued)*

*Measurement method (continued)*

Coverage Units are used to represent the pattern of services under a group of insurance contracts, for purposes of CSM amortisation. The proportion of CSM recognised as revenue in the current reporting period is based on the ratio of the amount of services provided in that period compared to the amount of services estimated for current and future periods

Coverage units would be chosen so as to reflect insurance coverage service, and (where appropriate) would also reflect investment-related or investment-return services. The relative weighting of insurance coverage and investment services is a matter of judgement, and disclosure is required to explain how this judgement has been applied.

Insurance coverage for Deferred Annuities insurance coverage is provided over the period that survival is required to trigger a payment, as opposed to just in the period a payment could become due.

*Grouping*

The grouping of insurance contracts determines the 'unit of account' to be used when applying IFRS 17. Among other things, the grouping of insurance contracts affects the allocation of CSM to insurance revenue and the level at which onerous contracts are identified. Accordingly, these requirements can affect how performance will be reported in the financial statements of the Company.

The grouping requirements of IFRS 17 arrange insurance contracts into buckets based on two stages or levels:
(i) Portfolio level: by risk type and way of management
(ii) Group level:
a. by time of issuance (one year issuing period); and
b. by degree of profitability.

(i) *Portfolio level*

IFRS 17 requires an entity to identify portfolios of contracts subject to similar risks and being managed together. The IFRS 17 portfolio identified for the Company is Group life.

(ii) *Group level*

IFRS 17 requires a portfolio of contracts to be divided into annual 'cohorts' or shorter time buckets. A group may not include contracts issued more than one year apart. The Company intends to allocate to annual cohorts based on calendar year.

IFRS 17 requires an entity to further divide cohorts of insurance contracts into a minimum of: (A) a group of contracts that are onerous at initial recognition, if any; (B) a group of contracts that at initial recognition have no significant possibility of becoming onerous subsequently, if any; and (C) a group of the remaining contracts in the portfolio, if any.



3 **Significant accounting policies (continued)**

q. *New, revised and amended standards and interpretations not yet effective and have not been early adopted by the Company (continued):*

*IFRS 17 Insurance Contracts (continued)*

*Grouping (continued)*

(ii) *Group level (continued)*

Historically the Group Life blocks for the Company have been consistently underwritten on a profitable basis. Based on the Company's current product pricing strategy it is not expected that any set of insurance contracts will be onerous at initial recognition.

*Onerous contracts*

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

*Expense classification*

IFRS 17 requires operating expenses (including commission expenses) be classified into one of the following three categories:

1. Directly attributable acquisition expenses;
2. Directly attributable maintenance expenses; or
3. Non-directly attributable expenses.

IFRS 17 does not provide detailed guidance or clarification on what kinds of cost are considered "directly attributable". The Company has interpreted this to mean costs that relate directly to the acquisition and/or fulfilling/servicing of contracts.

Directly attributable expenses form part of the measurement of fulfilment cash flows under IFRS 17 and as a result must be allocated down to the IFRS 17 group level. Although non-directly attributable expenses are excluded from the measurement of insurance contracts, it is important to note that such costs are generally considered in the pricing of insurance contracts.

The standard provides a choice to insurers with contracts measured under the PAA to recognise acquisition expenses as incurred rather defer provided that all contacts in the IFRS 17 group are 12 months or less. The Company has decided to recognise directly attributable acquisition expenses as incurred when such a situation exist.

*Future cashflows*

*Liability for incurred claims (LIC)*

With the exception of the requirement to allocate cash flows into IFRS 17 groups, the requirements for estimating future undiscounted cash flows for claims incurred up to the valuation date under IFRS 17 are similar in many respects to the current IFRS 4 requirements.



3 **Significant accounting policies (continued)**

q. *New, revised and amended standards and interpretations not yet effective and have not been early adopted by the Company (continued):*

*IFRS 17 Insurance Contracts (continued)*

*Liability for remaining coverage (LRC)*

In the case of policies following the GMM, IFRS 17 requires the periodic estimation of future cash flows for the unexpired future coverage period to support the measurement of CSM.

*Discounting*

The liability for incurred claims is measured for contracts under the PAA at the amount of the fulfilment cash flows relating to incurred claims, in accordance with the general measurement model (GMM). Under the GMM, IFRS 17 requires that the fulfilment cash flows comprise estimates of future cash flows (inflows and outflows), adjusted to reflect the time value of money and any financial risks related to those future cash flows and a risk adjustment for non-financial risk. Under PAA the discounting and the effect of financial risk can be ignored if claims are expected to be fully paid within one year or less of incurral. Unless there is specific regulatory requirement to applying discounting, the Company will not be adjusting the LIC for the time value of money if the claim is expected to be paid in one year or less.

*Risk adjustment*

IFRS 17 does not prescribe methods for determining the risk adjustment for non-financial risk. Therefore, judgement is necessary to determine an appropriate risk adjustment technique to use. Two possible approaches are currently being considered for the estimation of a confidence interval.

(i) The actuary determined margin is used and disclosure is made of the equivalent confidence level
(ii) Management determines a target confidence level (e.g. 75%, as required in Australia), and the IBNR risk margin adjusted accordingly.

The Company has also chosen to expense acquisition cash flows as incurred, and the risk adjustment is projected initially to approximate provisions for adverse deviations (PFADs) used for IFRS reporting and there changes to previous IFRS 9 classifications.

*Impact of IFRS 17 on the Company's financial statements*

IFRS 17 will introduce expanded disclosure requirements and changes in classification and presentation for both the Statement of Financial Position and the Statement of Comprehensive Income. These are expected to change the nature and extent of the Company's disclosures around revenue, insurance contracts and reinsurance particularly in the year of the adoption of the new standard. It will also impact when and how the profits from insurance contracts are recognized and the methodology and assumptions for the measurement approach of liabilities. This may give rise to adjustments to the Company's retained earnings on transition.

The Company is adopting IFRS 17 retrospectively to its 2022 comparatives as required by the standard. At the date of approval of these financial statements, the Company continues the preparation of the comparative period financial information based on the requirements of IFRS 17, for the year ended 31 December 2022, which will include transition to IFRS 9 (Note 3(r)). At this date, it is not practicable to reliably quantify the effects of adopting IFRS 17 on the financial statements at the transition date of 1 January 2022, nor for the year ended 31 December 2022.

The Company's initial assessment is that IFRS 17 is not expected to have a material impact on the policyholders in terms of available products, coverages offered, claims administration, and pricing. The Company continues to work with its actuarial partners and consultants to finalize this assessment.

3 **Significant accounting policies (continued)**

q. *New, revised and amended standards and interpretations not yet effective and have not been early adopted by the Company (continued):*

(ii) *IFRS 9 Financial instruments*

*Nature of change*

IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The financial assets held by the Company include debt instruments and deposits currently classified as held-to-maturity and measured at amortised cost which meet the conditions for classification at amortised cost under IFRS 9. A financial asset is measured at amortised cost if it meets both of the following conditions; Assets within the business model are held for collection of contractual cash flows where the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

*Solely Payments of Principal and Interest (SPPI) assessment*

This is an assessment of a financial instrument's contractual cash flows characteristic to determine whether contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding on specified dates i.e., the contractual cash flows are consistent with a basic lending arrangement. The SPPI test is one of the criteria that must be met for a debt instrument to be subsequently measured at amortised cost. The most significant elements of interest within a debt arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set. The Company undertakes a comprehensive review of financial asset documentation and the terms of securities to assess what the entity is being compensated for and whether there is a basic amortisation arrangement. As such, both Government and Term Deposits are recorded at Amortised cost having satisfied the SPPI criteria.

Accordingly, the Company does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.

There will be no impact on the Company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Company does not have any such liabilities. The derecognition rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income (FVOCI), contract assets under IFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. While the Company has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.



3 **Significant accounting policies (continued)**

q. *New, revised and amended standards and interpretations not yet effective and have not been early adopted by the Company (continued):*

(ii) *IFRS 9 Financial instruments (continued)*

In its ECL models, management has considered a broad range of macroeconomic economic inputs such as, Real GDP Growth rate, Inflation and Debt to GDP Ratio, in its future scenarios, and has determined that the impact is not material on overall financial performance. Probability weighted future scenarios were considered to incorporate forward-looking information. Point estimates of PD and LGD were used to represent the Base Scenario, two adverse scenarios were added. Adverse Scenario 1 would have effectively assumed that the ECL will be 25% above the Base Scenario, whilst Adverse Scenario 2 assumed ECL would be 50% above Base scenario. The aggregate ECL was then calculated as the weighted average ECL computed under these three scenarios.

To determine the classification and measurement category, IFRS 9 requires all financial assets to be assessed based on a combination of the Company's business model for managing the assets and the instruments' contractual cash flow characteristics. The IAS 39 measurement categories for financial assets have been replaced as follows:

| Financial Asset Class | IAS 39 classification | IFRS 9 classifications |
|---|---|---|
| Government bonds | Held to maturity | Amortised cost. |
| Corporate bonds | Held to maturity | Amortised cost. |

| Financial Asset Class | IAS 39 classification | IFRS 9 classifications |
|---|---|---|
| Term deposits | Held to maturity | Amortised cost. |
| Equities | FVTPL | FVTPL |
| Mutual fund units | Available for sale | FVTPL |

Amendments to IFRS 4, 'Insurance contracts' regarding the implementation of IFRS 9, 'Financial instruments'

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Company's disclosures around its financial instruments particularly in the year of the adoption of the new standard. The Company has exercised the option to adopt the temporary exemption from applying IFRS 9 until 2023 given to companies whose activities are predominantly connected with insurance due to the amendment to IFRS 4 'Insurance contracts', as discussed below Amendments to IFRS 4, 'Insurance contracts' regarding the implementation of IFRS 9, 'Financial instruments'

These amendments introduce two approaches: an overlay approach and a deferral approach. The amended standard gives all companies that issue insurance contracts the option to recognise in other comprehensive income (OCI), rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard IFRS 17 is issued; and give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2023. The entities that defer the application of IFRS 9 continues to apply the existing financial instruments standard IAS 39.



3 **Significant accounting policies (continued)**

q. *New, revised and amended standards and interpretations not yet effective and have not been early adopted by the Company (continued):*

(ii) *IFRS 9 Financial instruments (continued)*

Amendments to IFRS 4, 'Insurance contracts' regarding the implementation of IFRS 9, 'Financial instruments' (continued)

A company's activities are predominately connected with insurance if, and only if:

(i) Greater than 90 per cent; or

(ii) Less than or equal to 90 per cent but greater than 80 per cent, and the company does not engage in a significant activity unconnected with insurance.

Provided that the Company has not previously applied any version of IFRS 9, along with its activities being predominantly related to insurance, which comprise contractual activities within the scope of IFRS 4, demonstrated by liabilities whose carrying amount was significant compared with the total carrying amount of the entitiy's liabilities the qualifying criteria for temporary exemption would have been met. The predominance ratio to support the exemption would have been determined as followed:

An assessment conducted on the Company's liabilities for the years ended 31 December 2015 shows the calculated percentages to be above 90%. The predominance ratio to support the exemption would have been determined as followed:

| | 2015 |
|---|---|
| Insurance contracts | 138,603,365 |
| Reinsurance payables | 2,488,510 |
| Unallocated premiums and premiums paid in advance | 11,259,067 |
| Liabilities arising from activities related to insurance | 152,350,942 |
| *Total liabilities* | 166,777,370 |
| Predominance Ratio(A/B) | 91% |

Overall, having satisfied the eligibility criteria of not having applied any version of IFRS 9, and the entity predominance ratio being 91%, with no existence of any significant activity that is unrelated to insurance, the Company has opted to apply the deferral approach and, therefore, apply the temporary exemption allowed by the IFRS 9 standard.



3 **Significant accounting policies (continued)**

r. *Reclassifications*

Right of use assets were previously not disclosed as a separate financial statement line item within the Statement of Financial position but included in Property Plant Equipment, however it was disclosed separately in the notes to the financials. The company has reclassified $11,904,652 from Property Plant Equipment to Right of use assets from the prior year financial statements as required to correct this misclassification. The reclassification had no impact on the Company's profit or equity.

4 **Management of insurance risk**

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

a. *Insurance risk*

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

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

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

b. *Long-term insurance contracts*

(i) *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 the ongoing COVID pandemic or wide spread changes in lifestyle, such as eating, smoking and exercise habits resulting in earlier or more claims than expected.

The Company manages these risks through its underwriting and reinsurance arrangement. The Company uses an excess over loss reinsurance arrangement for its products.

4 **Management of insurance risk (continued)**

b. *Long-term insurance contracts (continued)*

(ii) *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 behavior.

The estimated cost of unpaid claims (both reported and IBNR), are assessed by the actuaries as described in note 4b (iii).

The following table illustrates the historical claims experience of the Group Life products.

| Territory | Product | Year | Premiums (TT$ '000s) | Claims (TT$ '000s) | Loss Ratio | YE Claim Reserve (TT$ '000s) | YE Res / 3yr avg mthly claims |
|---|---|---|---|---|---|---|---|
| Trinidad & Tobago | LPLS | 2020 | 73,839 | 43,696 | 59.2% | 43,172 | 11.12 |
| | | 2021 | 73,646 | 54,355 | 73.8% | 53,204 | 13.85 |
| | | 2022 | 72,695 | 63,644 | 87.5% | 56,113 | 12.49 |
| | FIP | 2020 | 127,982 | 94,200 | 73.6% | 13,630 | 1.84 |
| | | 2021 | 134,123 | 124,727 | 93.0% | 18,087 | 2.07 |
| | | 2022 | 139,453 | 126,955 | 91.0% | 21,317 | 2.22 |
| | GREC | 2020 | 2 | 27 | 1255.0% | 1,600 | 49.21 |
| | | 2021 | -- | -- | N/A | -- | -- |
| | | 2022 | -- | -- | N/A | -- | -- |
| | GTL Members | 2020 | -- | -- | N/A | 37 | 12.67 |
| | | 2021 | -- | -- | N/A | -- | N/A |
| | | 2022 | -- | -- | N/A | -- | N/A |
| | GTL D&E | 2020 | 1,523 | 1,931 | 126.8% | 761 | 10.91 |
| | | 2021 | 1,542 | 250 | 16.2% | 771 | 11.08 |
| | | 2022 | 1,413 | 1,854 | 131.1% | 707 | 6.31 |
| | Payment Protector | 2020 | 1,919 | 80 | 4.2% | 1,629 | 87.12 |
| | | 2021 | 1,289 | 147 | 11.4% | 300 | 13.17 |
| | | 2022 | 1,257 | 1,005 | 79.9% | 300 | 5.92 |
| | Golden Harvest | 2020 | 5 | -- | 0.0% | 29 | N/A |
| | | 2021 | 4 | -- | 0.0% | 30 | N/A |
| | | 2022 | 2 | 10 | 443.4% | 21 | 73.40 |
| | FIP CI Rider | 2020 | 997 | -- | 0.0% | 1,234 | 355.53 |
| | | 2021 | 988 | 20 | 2.0% | 595 | 225.64 |
| | | 2022 | 1,031 | 200 | 19.4% | 603 | 98.71 |
| | FCIP | 2020 | 438 | -- | 0.0% | 351 | N/A |
| | | 2021 | 615 | 150 | 24.4% | 570 | 136.88 |
| | | 2022 | 553 | 50 | 9.0% | 852 | 153.43 |
| | APP | 2020 | 1,090 | -- | 0.0% | 782 | 5,896.73 |
| | | 2021 | 1,622 | 490 | 30.2% | 1,347 | 98.07 |
| | | 2022 | 2,074 | 2,283 | 110.1% | 900 | 11.68 |
| | LS PLUS | 2020 | 25 | 24 | 96.6% | 716 | 27.54 |
| | | 2021 | -- | -- | N/A | -- | -- |
| | | 2022 | -- | -- | N/A | -- | -- |



4 **Management of insurance risk (continued)**

b. *Long-term insurance contracts (continued)*

(ii) *Sources of uncertainty in the estimation of future benefit payments and premium receipts (continued)*

The following table illustrates the historical claims experience of the Group Life products.

| Territory | Product | Year | Premiums (TT$ '000s) | Claims (TT$ '000s) | Loss Ratio | YE Claim Reserve (TT$ '000s) | YE Res / 3yr avg mthly claims |
|---|---|---|---|---|---|---|---|
| Bermuda | FIP | 2020 | -- | -- | N/A | -- | N/A |
| | | 2021 | 2 | -- | 0.0% | 1 | N/A |
| | | 2022 | 500 | 167 | 33.4% | 158 | 34.03 |
| | FIP CI Rider | 2020 | -- | -- | N/A | -- | N/A |
| | | 2021 | -- | -- | N/A | -- | N/A |
| | | 2022 | 38 | -- | 0.0% | 23 | N/A |
| | LPLS | 2020 | -- | -- | N/A | -- | N/A |
| | | 2021 | -- | -- | N/A | -- | N/A |
| | | 2022 | 557 | 116 | 20.8% | 246 | 76.68 |

*Insurance contracts reserving methods for Loan Protection Loan Savings (LPLS)*

| **Reserves (TT$'000s)** | **2022** | **2021** |
|---|---|---|
| Claims Res for large disability claims | 1,110 | 1,221 |
| Claims Res for all other claims | 52,331 | 49,449 |
| Subtotal | 53,441 | 50,670 |
| Margin of Safety | 2,672 | 2,534 |
| TOTAL | 56,113 | 53,204 |

Claims paid over the past 48 months were arranged into a lag triangle by month of incurral and month of payment. Reserves were estimated for each month of incurral using five different reserving methods:

- Completion factor method
  This is the traditional approach to setting claims reserves. The completion factors were calculated for the lag triangle using standard link ratio methods. These factors were applied to recent claims to estimate the ultimate amount of claims expected to be paid. The difference between the expected ultimate claims and the actual amount paid to date is the claims reserve estimate. Actual data was considered when determining ultimate claim levels to help reduce the volatility which naturally occurs when using "early duration" completion factors.



4 **Management of insurance risk (continued)**

b. *Long-term insurance contracts (continued)*

(ii) *Sources of uncertainty in the estimation of future benefit payments and premium receipts (continued)*

*Insurance contracts reserving methods for LPLS (continued)*

• Expectation (Average Claim Cost) Method
The claims reserves estimate for more recent incurred "early duration" months is based on an expectation approach. An assumed average claim cost (expected claims per $1,000 of coverage in force) was applied to the coverage for each month to determine the ultimate estimate for that period.

• Bornhuetter-Ferguson ("BF") Method (included in 2022 valuation)
This combines the Completion Factor and Expectation methods. Selected claim costs were applied to monthly coverage to calculate expected losses. Claims reserves were calculated as the proportion of the expected losses predicted to arise in the future. This was based on the observed completion factors. This methodology has the advantage of giving more credibility to actual experience in older months and to expected losses in more recent and underdeveloped months.

• Historical runout method
This is based on the same claims data from the first method. For each evaluation date, the amount of claims incurred prior to that date and paid after that date was calculated. This was added to the outstanding claims reserves at each evaluation date. The historical runout amounts were used to estimate the runout expected for the current valuation period.

• Number of months method
This uses the same completion factors from the first method to estimate the number of months of average claims which are outstanding at a given time. For example, if 1% of claims incurred in a month are paid in that same month, then that implies that 99% of that month's claims are paid in later months. Similarly, if after two months, 5% of the ultimate claims have been paid, that indicates that 95% of that month's claims are still outstanding. The number of months of claims outstanding at a given time, multiplied by the average monthly claim amount, provides the third estimate of the claims reserves.

*General assumptions used*

- *Mix of methods*
The aggregate claims reserve was determined for each incurred month as the weighted average of these five estimates. Weights were subjectively set based on the nature of the product and the observed historic settlement patterns.

COVID-19 affected both mortality risk levels and settlement patterns in recent years. This increased the uncertainty related to both the Completion Factor and Expectation methods. The BF method was introduced in 2022 to hopefully provide a more stable projection of ultimate estimates. It effectively replaced the use of the expectation approach in 2021. For the 2022 LPLS Claims Reserves estimate, 100% of the BF approach was used for the most recent 12 months of incurral. For older months, more emphasis was placed on the Completion Factor, Historical Runout and Number of Months methods.



4 **Management of insurance risk (continued)**

b *Long-term insurance contracts(continued)*

*General assumptions used (continued)*

- Margin of Safety
A margin of safety of 5% was applied to the resulting total reserves to allow for any adverse deviation from expected results. This is unchanged from 2021.

- *Ultimate claim cost factors*
The expectation and BF approaches require an assumption for the ultimate claim cost (i.e. expected claims per $1,000 of coverage in force). This represents the assumed level of mortality risk for the block. Our selected factors for this valuation were based partly on the observed claim costs for deaths incurred prior to 2020. This was considered to represent the baseline mortality. We adjusted this baseline to allow for the impact of COVID-19 on country-wide mortality in 2021 and 2022. The detailed claims data provided included an identifier for COVID-19 related deaths. We compared the counts of LPLS claims incurred to date in each month to the reported number of COVID-19 related deaths in Trinidad and Tobago. April 2021 and prior were ignored due to the low level of deaths in those months.

LPLS COVID claim counts represent between 20%-35% of country-wide deaths for claims incurred in May to December 2021.

This ratio falls off gradually during 2022, likely due to claims not being fully reported and paid as yet. We used these patterns to estimate the expected increase in mortality in recent months due to COVID-19.

- Adjustment for Large Disability Claims
Since 2014, all large Trinidad and Tobago LPLS disability claims (greater than TT$250k) have been extracted from the data and analysed and reserved for separately. These unusually large disability claims were mainly incurred between 2009 and 2012 and relate to one credit union. Two such disability claims have been incurred and paid since 2012. These claims were large enough to distort the claim development patterns of the block. All other claims were reserved for using the methodology described above.

Due to the nature of disability claims, there may be some delay between the occurrence and the reporting of these claims. A maximum reporting period of two years was assumed for such claims.

Therefore, claims reserves were set up for large disability claims that may have been incurred after 2020. This was set as twice the average annual disability claims incurred during the period 2010 to 2020. There were no outstanding large disability claims as at December 31, 2022.

*Insurance contracts reserving methods for Family Indemnity Plan (FIP)*

In previous valuations, we used a similar reserving approach as described above for TTLPLS. The resulting claims reserve estimates were generally expected to cover all future payments on claims, whether reported or not at the valuation date. This year, we adjusted our method to incorporate pending claims.

4 **Management of insurance risk (continued)**

b *Long-term insurance contracts(continued)*

*Insurance contracts reserving methods for FIP (continued)*

The analysis was based on the same 4-year window as in prior years. We reviewed claims paid to date on all claims incurred between 2019 – 2022. Pending claims information was only available since March 2020. However, the expected time to settlement for FIP claims is much shorter than three years. Therefore, the lack of pending information as at 2019 quarter-ends is not expected to have a significant impact on our results.

Claims paid were arranged into a lag triangle by quarter of death and quarter of settlement. Similarly, pending claims were triangulated by incurred and development quarter. These were combined to provide an incurred lag triangle.

Reserves were estimated for each quarter of incurral using three different reserving methods:

• Incurred Loss Development Factor ("LDF") Method

• Expectation (Average Claim Cost) Method (same as LPLS)

• BF Method (same as LPLS)

The Incurred LDF method is similar to the Completion Factor method described above for LPLS. LDF are the inverse of completion factors. Ultimate estimates were determined by linking together selected incurred LDF for each development quarter. These factors were applied to claims incurred to date for each incurred quarter to estimate the ultimate amount of claims expected to be paid. The difference between the expected ultimate claims and the actual amount paid to date is the claims reserve estimate.

*General assumptions used*

• Mix of methods
The aggregate claims reserve was determined for each incurred month as the weighted average of these three estimates. Weights for each incurred month were subjectively set based on the nature of the product and the observed historic settlement patterns.

1) Incurred claims are largely fully developed after two quarters. Therefore, no significant reserves are required for unreported claims older than six months.
2) The increase in claims during the second quarter is relatively stable, allowing for credible claim projections.

We used some of the Average Claim Cost method results for the most recent incurred quarter. Otherwise, our estimates are based on a mix of the Incurred LDF and BF approaches.

• Margin of safety
The following margins were applied to the resulting total reserves to allow for any adverse deviation from expected results.



4 **Management of insurance risk (continued)**

b *Long-term insurance contracts(continued)*

*Insurance contracts reserving methods for FIP (continued)*

*General assumptions used (continued)*

The expected payment on pending claims is fairly certain. Therefore, a relatively low margin of safety was used. The margin on unreported claims was subjectively set based on professional judgement. However, the level of unreported claims is relatively small, so the selected margin is considered reasonable.

| Reserve Element | Margin of Safety |
|---|---|
| Reported claims (pending) | 1% |
| Unreported claims | 10% |

When viewed by incurred quarter, the ultimate claim costs and loss ratios for FIP are generally stable for 2019 -2020. More recent quarters show spikes correlating to the number of COVID deaths in the country.

The average loss ratio for 2022 is 92%. CCIS is currently in the process of repricing FIP to ensure the continued economic viability of the product.

• Ultimate Claim Cost Factors
Similar to LPLS, our assumed claim cost factors were based on pre-COVID levels, adjusted for the expected COVID impact on mortality in recent years.
The ratio of FIP COVID claim counts to population COVID deaths showed more volatility in 2022. It was assumed a 35% ratio in determining the ultimate claims cost assumption for 2022 Q4 claims.

Other group Items

The claim reserves as at December 31, 2022 for the miscellaneous CCIS group life product lines other than Trinidad and Tobago LPLS and FIP amounted to TT$3.8 million in aggregate. Reserves for these lines were largely calculated using the Expected Loss Ratio method. Under this method, an assumed ultimate loss ratio is multiplied by the premium earned during the year to estimate the annual claims incurred. The ending reserve is calculated as the sum of the opening reserves plus estimated annual claims incurred less any claims paid during the year. The choice of loss ratio is based on observed historical loss experience where available. These lines are relatively small, with low and potentially volatile levels of claim volumes.

Where necessary, limits were placed on the movements in the claims reserves resulting from the calculations described above. This was done to avoid the possibility of unreasonably high or low claims reserve estimates.



4 **Management of insurance risk (continued)**

b *Long-term insurance contracts(continued)*

*Sensitivity analysis*

For liabilities under long-term insurance contracts with fixed and guaranteed terms, changes in assumptions will not cause a change to the amount of the liability, unless the change is severe enough to trigger a liability adequacy test adjustment. In practice, this is unlikely to occur.

**FIP**

| Trinidad | LAT Calculated | Change from Reported |
|---|---|---|
| Reported Reserves | 21,317,303 | -- |
| Increase interest by 0.5% | 21,317,303 | -- |
| Decrease interest by 0.5% | 21,317,303 | -- |
| Increase expenses by 10% | 21,317,303 | -- |
| Increase mortality by 10% | 23,449,033 | 2,131,730 |

| Bermuda | LAT Calculated | Change from Reported |
|---|---|---|
| Reported Reserves | 157,874 | -- |
| Increase interest by 0.5% | 157,874 | -- |
| Decrease interest by 0.5% | 157,874 | -- |
| Increase expenses by 10% | 157,874 | -- |
| Increase mortality by 10% | 173,661 | 15,787 |

**LPLS**

| Trinidad | LAT Calculated | Change from Reported |
|---|---|---|
| Reported Reserves | 56,113,389 | -- |
| Increase interest by 0.5% | 56,113,389 | -- |
| Decrease interest by 0.5% | 56,113,389 | -- |
| Increase expenses by 10% | 56,113,389 | -- |
| Increase mortality by 10% | 61,724,728 | 5,611,339 |

| Bermuda | LAT Calculated | Change from Reported |
|---|---|---|
| Reported Reserves | 246,480 | -- |
| Increase interest by 0.5% | 246,480 | -- |
| Decrease interest by 0.5% | 246,480 | -- |
| Increase expenses by 10% | 246,480 | -- |
| Increase mortality by 10% | 271,128 | 24,648 |



4 **Management of insurance risk (continued)**

*Insurance contracts reserving methods for annuity reserves*

*Summary*

KRS calculated estimates as at December 31, 2022 for the following elements of the Company's Pensions Plus annuity business:

• Reserves for potential onerousness of guaranteed annuitisation rates on deferred annuities
The Pensions Plus contract includes guaranteed annuitisation rates. The Company faces the risk that the annuitisation rates based on the prevailing interest and mortality assumptions will provide a lower benefit than the guaranteed rates.

Included a reserve of TT$1.4 million to allow for the possibility of the guaranteed rates being onerous for future maturities. This is based partly on the level of UTC fund held at the valuation date.

• Rider contracts
Reserves for these were set to one year's premium (around TT$0.2 million). The estimates are based on inforce data as at August 31, 2022. Results would not be materially different if used equivalent data at the valuation date.

Separate reserves were held by the Company for the following:

• Value of mutual funds held for deferred annuities
There is no uncertainty in the liability owed in the event of withdrawal.

• Reserves for annuities in payment
This product is not yet mature and there are fewer than 40 policies in payment. The liability held for each policy is the fund value at maturity that was used to purchase the annuity less any annuity payments to date. The held reserves were considered to be adequate.

5 **Financial risk management**

The Company is exposed to a range of financial risks through its financial assets, financial liabilities, reinsurance assets and reinsurance liabilities.

*Introduction and overview*

The Company has adopted risk management policies and has set appropriate limits and controls to manage and mitigate against financial risk. The Company has exposure to the following risks arising from its use of financial instruments and from foreign currency transactions.

- Market risk
- Credit risk
- Liquidity risk

i. *Market risk*

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's income or the value of its holdings of financial instruments. The Company invests in financial instruments in the ordinary course of business. The Company's objective is to manage and control these exposures within acceptable parameters.

The Company has more than 90% of its investment denominated in TT currency thus hedging against significant exchange rate fluctuations. The Company also maintains a mix of fixed rate and floating rate bonds and short-term deposits that allows it to mitigate the effects of interest rate fluctuations.

5 **Financial risk management (continued)**

i. Market risk *(continued)*

(a) *Interest rate risk*

*Exposure to interest rate risk*

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of changes in market interest rates.

The Company adopts a policy of ensuring that between 80 and 90 percent of its exposure to changes in interest rate on investments is on a fixed rate basis.

| | 2022 $ | 2021 $ |
|---|---|---|
| *Financial income and expenses recognised in profit or loss* | | |
| Interest income on unimpaired held-to-maturity investments | 14,565,750 | 14,159,773 |
| Interest income on bank deposits | 903,260 | 812,334 |
| **Financial income** | 15,469,010 | 14,972,107 |
| Interest expense | 31,172 | 31,081 |
| Unrealised foreign exchange loss | 10,334 | -- |
| Foreign exchange loss | 30,878 | -- |
| Loss on sale of investment | -- | 37,843 |
| Impairment loss | 1,057,671 | (2,233,904) |
| **Financial expenses** | 1,130,055 | (2,164,980) |
| **Net financial income** | 14,338,955 | 17,137,087 |



5 **Financial risk management (continued)**

i. Market risk *(continued)*

(a) *Interest rate risk (continued)*

*Exposure to interest rate risk (continued)*

| | Up to one year $ | One to five years $ | Over five years $ | Non-interest bearing $ | Total $ |
|---|---|---|---|---|---|
| **As at 31 December 2022** | | | | | |
| **Assets** | | | | | |
| Investments securities | 61,134,225 | 96,974,632 | 223,355,400 | -- | 381,464,257 |
| Loans on policies | -- | -- | -- | -- | -- |
| Other assets | -- | -- | -- | 27,881,503 | 27,881,503 |
| Due from ultimate parent Company | -- | -- | -- | 21,297,080 | 21,297,080 |
| Due from related party | -- | -- | -- | 1,428,046 | 1,428,046 |
| Cash and cash equivalents | 109,833,354 | -- | -- | -- | 109,833,354 |
| **Total assets exposed to Interest rate risk** | 170,967,579 | 96,974,632 | 223,355,400 | 50,606,629 | 541,904,240 |
| **Liabilities** | | | | | |
| Insurance contracts | -- | -- | -- | 129,522,245 | 129,522,245 |
| Lease liabilities | 12,765,810 | -- | -- | -- | 12,765,810 |
| Reinsurance payable | -- | -- | -- | 1,098,793 | 1,098,793 |
| Accounts payable and unallocated premium | -- | -- | -- | 21,481,094 | 21,481,094 |
| Due to parent company | -- | -- | -- | 7,224,292 | 7,224,292 |
| Due to related parties | -- | -- | -- | -- | -- |
| Taxation Payable | -- | -- | -- | 779,178 | 779,178 |
| **Total liabilities exposed to interest rate risk** | 12,765,810 | -- | -- | 160,105,602 | 172,871,412 |
| **As at 31 December 2021** | | | | | |
| **Assets** | | | | | |
| Investments securities | 41,125,611 | 107,894,562 | 247,115,690 | 932,965 | 397,068,828 |
| Loans on policies | -- | -- | 1,867,739 | -- | 1,867,739 |
| Other assets | -- | -- | -- | 20,026,465 | 20,026,465 |
| Due from ultimate parent Company | -- | -- | -- | 32,811,116 | 32,811,116 |
| Due from related party | -- | -- | -- | 829,855 | 829,855 |
| Cash and cash equivalents | 68,875,837 | -- | -- | -- | 68,875,837 |
| **Total assets exposed to Interest rate risk** | 110,001,448 | 107,894,562 | 248,983,429 | 54,600,401 | 521,479,840 |
| **Liabilities** | | | | | |
| Insurance contracts | -- | -- | -- | 129,501,152 | 129,501,152 |
| Lease liabilities | 14,292,595 | -- | -- | -- | 14,292,595 |
| Reinsurance payable | -- | -- | -- | 2,161,016 | 2,161,016 |
| Accounts payable and unallocated premium | -- | -- | -- | 24,332,504 | 24,332,504 |
| Due to parent company | -- | -- | -- | 9,518,680 | 9,518,680 |
| Due to related parties | -- | -- | -- | 4,743 | 4,743 |
| **Total liabilities exposed to interest rate risk** | 14,292,595 | -- | -- | 165,518,095 | 179,810,690 |



5 **Financial risk management (continued)**

i. *Market risk (continued)*

(a) *Interest rate risk (continued)*

*Exposure to interest rate risk (continued)*

*Sensitivity analysis*

The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. For financial instruments and insurance contracts described in this note, the sensitivity is solely associated with the former, as the carrying amounts of the latter are not directly affected by changes in market risks.

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

| | | |
|---|---|---|
| **Change in variables** | | |
| 2022 | +1% | -1% |
| 2021 | +1% | -1% |
| **Impact on Statement of Income** | | |
| 2022 | 3,690,328 | (3,690,328) |
| 2021 | 3,416,691 | (3,416,691) |



5 **Financial risk management (continued)**

i. *Market risk (continued)*

(b) *Currency risk*

The Company is exposed to currency risk from investments and transactions that are denominated in currencies other than its functional currency. The other primary currency that these transactions are denominated in is United States Dollar (USD

| 2022 | TTD | XCD | USD | JCA | GYD | Total |
|---|---|---|---|---|---|---|
| **Assets:** | | | | | | |
| Cash and cash equivalents | 25,359,984 | 9,336,167 | 68,503,403 | -- | 6,633,800 | 109,833,354 |
| Other assets premiums receivable | 13,910,205 | -- | 108,400 | -- | -- | 14,018,605 |
| Available-for-sale Investments | 40,499,210 | | -- | -- | -- | 40,499,210 |
| Held-to-maturity Investments | 328,348,889 | -- | 12,662,612 | -- | -- | 341,011,501 |
| Fair value through profit or loss | 720,139 | -- | -- | -- | -- | 720,139 |
| Loans on Policies | -- | -- | -- | -- | -- | -- |
| Other Assets | 13,862,897 | -- | -- | -- | -- | 13,862,897 |
| Due from ultimate parent company | -- | -- | 21,297,080 | -- | -- | 21,297,080 |
| Due from related parties | -- | -- | 49,495 | 1,378,551 | -- | 1,428,046 |
| **Liabilities:** | | | | | | |
| Insurance contracts | 129,081,320) | (14,019) | (426,906) | -- | -- | (129,522,245) |
| Accounts payable & unallocated premiums | (26,712,906) | 4,788,128 | 443,684 | -- | -- | (21,481,094) |
| Due to ultimate parent Company | -- | -- | (7,224,292) | -- | -- | (7,224,292) |
| Due to related party | -- | -- | -- | -- | -- | -- |
| Net assets/(liabilities) | 266,907,098 | 14,110,276 | 95,413,476 | 1,378,551 | 6,633,800 | 384,443,201 |

| 2021 | TTD | XCD | USD | JCA | GYD | Total |
|---|---|---|---|---|---|---|
| **Assets:** | | | | | | |
| Cash and cash equivalents | 21,359,528 | 9,336,167 | 29,912,842 | -- | 8,267,300 | 68,875,837 |
| Other assets premiums receivable | 13,677,203 | -- | 1,059 | -- | -- | 13,678,262 |
| Available-for-sale Investments | 39,531,562 | | -- | -- | -- | 39,531,562 |
| Held-to-maturity Investments | 343,988,143 | -- | 12,662,611 | -- | -- | 356,650,754 |
| Fair value through profit or loss | 886,511 | -- | -- | -- | -- | 886,511 |
| Loans on Policies | 1,867,739 | -- | -- | -- | -- | 1,867,739 |
| Other Assets | 6,349,263 | -- | -- | -- | -- | 6,349,263 |
| Due from ultimate parent company | -- | -- | 32,811,116 | -- | -- | 32,811,116 |
| Due from related parties | -- | -- | 69,981 | 759,874 | -- | 829,855 |
| **Liabilities:** | | | | | | |
| Insurance contracts | (129,486,101) | (14,019) | (1,032) | -- | -- | (129,501,152) |
| Accounts payable & unallocated premiums | (30,142,710) | 4,922,463 | 887,743 | -- | -- | (24,332,504) |
| Due to ultimate parent Company | -- | -- | (9,518,680) | -- | -- | (9,518,680) |
| Due to related party | -- | -- | -- | (4,743) | -- | (4,743) |
| Net assets/(liabilities) | 268,031,138 | 14,244,611 | 66,825,640 | 755,131 | 8,267,300 | 358,123,820 |



5 **Financial risk management (continued)**

i. *Market risk (continued)*

(b) *Currency risk (continued)*

The Company is exposed to USD through investments and transactions with the ultimate parent who are based in the United States of America.

*Sensitivity analysis*

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

| | XCD | USD | GYD | JCA |
|---|---|---|---|---|
| **Change in variables** | | | | |
| 2022 | +5% | +5% | +5% | +5% |
| 2021 | +5% | +5% | +5% | +5% |
| **Impact on Statement of Income** | | | | |
| 2022 | 705,514 | 4,770,674 | 331,690 | 68,928 |
| 2021 | 712,231 | 3,341,282 | 413,365 | 37,757 |

(c) *Other Price Risk*

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

The sensitivity analysis for equity price risk illustrates how changes in the fair value of equity securities will fluctuate because of changes in market prices at the reporting date. The following table shows the estimated effect of reasonably possible changes in equity prices on the statement of income and equity.

| | | 2022 $ | | 2021 $ | |
|---|---|---|---|---|---|
| | | Price | Income | Price | Income |
| FCB Shares | +10% Effect | 55.66 | (72,014) | 68.52 | (88,651) |
| | -10% Effect | 45.54 | 72,014 | 56.06 | 88,651 |

5 **Financial risk management (continued)**

ii. *Credit risk*

The Company is exposed to credit risk, which is the risk that a customer or counterparty will not be able to meet its obligations.

Key areas where the Company is exposed to credit risk are:

- Reinsurers' share of insurance liabilities
- Amounts due from reinsurers in respect of claims already paid
- Amounts due from insurance contract holders
- Amounts due from loans and receivables
- Amounts due from debt securities
- Amounts due from mutual funds and cash positions.

*Other assets - premiums receivable*

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Company's customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk.

Management has a credit policy in place and exposure to credit risk is monitored on an ongoing basis. The Company does not require collateral in respect of financial assets.

At the reporting date there was no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying amount of the financial asset in the statement of financial position.

The Company mitigates its credit risk by maintaining a three (3) month accrual policy for all Credit Unions and Affinity Groups, therefore, at no time does the Company have recorded in its books more than three (3) months premium owed to it by any Credit Union. Amounts overdue for more than three months relate primarily to Individual Life policies.

Currently the Premium Due stands at 6.39% (2022: 2021: 6.42%) of Premium Income.

| | 0-30 days | 31-60 days | 61-90 days | Over 90 days | Total due and uncollected |
|---|---|---|---|---|---|
| **Other assets – premiums receivable** | 10,456,892 | 1,640,405 | 621,473 | 1,299,834 | 14,018,604 |

*Reinsurance*

Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. The creditworthiness of reinsurers (external to the Company) is considered on an annual basis by reviewing their financial strength prior to the finalisation of any contract. Currently, all reinsurance contracts are with the Ultimate Parent.



5 **Financial risk management (continued)**

ii. *Credit risk (continued)*

*Debt securities, mutual funds and cash positions*

Debt securities, mutual funds and cash positions are placed with financial institutions having sound credit rating.

Maximum exposure to credit risk before collateral held or other credit enhancements:

| | 2022 $ | 2021 $ |
|---|---|---|
| *Debt securities:* | | |
| Held to maturity: | | |
| - Listed securities | 146,150,467 | 146,414,694 |
| - Unlisted securities | 167,805,931 | 234,047,247 |
| - Term deposits | 27,055,103 | 28,000,000 |
| **Total Debt Securities** | 341,011,501 | 408,461,941 |
| Available for sale: | | |
| - Unlisted securities | 40,499,210 | 39,531,562 |
| Fair value through profit or loss: | | |
| - Listed securities | 720,139 | 886,511 |
| *Loans and receivables, at amortised cost:* | | |
| - Insurance receivables | 14,018,606 | 13,678,262 |
| - Loan on policies | -- | 1,867,739 |
| - Other | 16,293,674 | 8,437,303 |
| | 31,032,419 | 23,983,304 |
| *Cash and cash equivalents:* | 102,899,103 | 60,391,599 |
| **Total assets bearing credit risk** | 581,947,776 | 533,254,917 |

The above table represents a worst-case scenario of credit risk exposure to the Company as at 31 December 2022 and 2021, without taking account of any collateral held or other credit enhancements attached.



5 **Financial risk management (continued)**

ii. *Credit risk (continued)*

The table below provides information regarding the credit risk exposure of the company by classifying financial assets according to the Standard & Poor's issued credit rating.

| | BBB- $ | BB- $ | NR $ | Total $ |
|---|---|---|---|---|
| **As at 31 December 2022** | | | | |
| Fixed deposits | 27,055,103 | -- | -- | 27,055,103 |
| Corporate bonds | 33,393,992 | -- | -- | 33,393,992 |
| Government bonds | 286,314,340 | -- | -- | 286,314,340 |
| Money market funds | 28,177,662 | -- | -- | 28,177,662 |
| Other investments | 40,498,210 | -- | 1,000 | 40,499,210 |
| | 415,439,306 | -- | 325,677 | 415,764,983 |
| **As at 31 December 2021** | | | | |
| Fixed deposits | 28,000,000 | -- | -- | 28,000,000 |
| Corporate bonds | 35,112,050 | -- | -- | 35,112,050 |
| Government bonds | 293,226,818 | -- | 311,865 | 293,538,683 |
| Money market funds | 27,703,171 | -- | -- | 27,703,171 |
| Other investments | 39,530,562 | -- | 1,000 | 39,531,562 |
| | 423,572,601 | -- | 312,865 | 423,885,466 |

Other financial assets comprise of premium receivables, due from ultimate parent company, due from related parties, and bank deposits which are unrated.

iii. *Liquidity risk*

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations from its financial liabilities.

The Company manages its liquidity via prudent cash flow management, to allow it to meet all its financial obligations when they fall due. It also maintains mutual fund accounts should the need arise to meet extra demands for funds.

The table below presents the cash flow payable by the Company for managing liquidity risk by remaining contractual maturities at the date of the statement of financial position. The amounts disclosed in the table are the contracted undiscounted cash flows.

The table also provides an aggregation of the liquidity analysis on a Company level. The maturity analysis is illustrated in Note 5(i) above. All liabilities are presented on a contractual cash flow basis except for the insurance liabilities, which are presented with their expected cash flows.



5 **Financial risk management (continued)**

iii. *Liquidity risk (continued)*

| | Carrying Amount $ | Payments due by period as at 31 December 2022 — 0-1 Year $ | 2 - 5 Years $ | Over 5 Years $ | Total undiscounted cash flows $ |
|---|---|---|---|---|---|
| Individual Life Business | | | | | |
| Insurance liabilities | 1,579,196 | -- | -- | -- | -- |
| Policyholders' dividend and other amounts on deposit | (55) | (55) | -- | -- | (55) |
| Other liabilities and payables | 1,722,504 | 1,722,504 | -- | -- | 1,722,504 |
| Total contractual Obligation | 3,301,645 | 1,722,449 | -- | -- | 1,722,449 |
| Group Life Business | | | | | |
| Insurance liabilities | 81,255,977 | 44,039,582 | 34,838,967 | 2,361,506 | 81,240,055 |
| Policyholders' dividend and other amounts on deposit | 46,687,127 | 6,399,865 | 9,158,020 | 31,129,241 | 46,687,126 |
| Other liabilities and Payables | 5,241,065 | 5,241,065 | -- | -- | 5,241,065 |
| Total contractual obligations | 133,184,169 | 55,680,512 | 43,996,987 | 33,490,747 | 133,168,246 |
| Other contractual obligations | | | | | |
| Lease liabilities | 12,765,810 | 2,206,311 | 10,559,499 | -- | 12,765,810 |
| Reinsurance payable | -- | -- | -- | --- | -- |
| Due to ultimate | 1,098,793 | 1,098,793 | -- | -- | 1,098,793 |
| parent company | 7,224,292 | 7,224,292 | -- | -- | 7,224,292 |
| Other liabilities and payables | 14,517,525 | 14,517,525 | -- | -- | 14,517,525 |
| Taxation payable | 779,178 | 779,178 | -- | -- | 779,178 |
| Total contractual obligations | 36,385,598 | 25,826,099 | 10,559,499 | -- | 36,385,598 |
| Total Insurance liabilities | 136,485,814 | 57,402,961 | 43,996,987 | 33,490,747 | 134,890,695 |
| Other liabilities and payables | 36,385,598 | 25,826,099 | 10,559,499 | -- | 36,385,598 |
| Total contractual obligations | 172,871,412 | 83,229,060 | 54,556,486 | 33,490,747 | 171,276,293 |

5 **Financial risk management (continued)**

iii. *Liquidity risk (continued)*

**Payments due by period as at 31 December 2021**

| | Carrying Amount $ | 0-1 Year $ | 2 - 5 Years $ | Over 5 Years $ | Total undiscounted cash flows $ |
|---|---|---|---|---|---|
| Individual Life Business | | | | | |
| Insurance liabilities | 10,207,579 | 771,679 | 2,593,745 | 11,808,300 | 15,173,724 |
| Policyholders' dividend and other amounts on deposit | 541,555 | 541,555 | -- | -- | 541,555 |
| Other liabilities and payables | 240,642 | 240,642 | -- | -- | 240,642 |
| Total contractual obligations | 10,989,776 | 1,553,876 | 2,593,745 | 11,808,300 | 15,955,921 |
| Group Life Business | | | | | |
| Insurance liabilities | 74,921,145 | 39,085,237 | 33,579,334 | 2,240,651 | 74,905,222 |
| Policyholders' dividend and other amounts on deposit | 43,830,873 | 6,020,447 | 9,542,142 | 28,268,284 | 43,830,873 |
| Other liabilities and Payables | 9,665,721 | 9,665,721 | -- | -- | 9,665,721 |
| Total contractual obligations | 128,417,739 | 54,771,405 | 43,121,476 | 30,508,935 | 128,401,816 |
| Other contractual obligations | | | | | |
| Lease liabilities | 14,292,595 | 1,895,939 | 10,007,588 | 2,389,068 | 14,292,595 |
| Reinsurance payable | 2,161,016 | 2,161,016 | -- | -- | 2,161,016 |
| Due to ultimate parent company | 9,518,680 | 9,518,680 | -- | -- | 9,518,680 |
| Due to related parties | 4,743 | 4,743 | -- | -- | 4,743 |
| Other liabilities and payables | 14,426,143 | 14,426,143 | -- | -- | 14,426,143 |
| Total contractual obligations | 40,403,177 | 28,006,521 | 10,007,588 | 2,389,068 | 40,403,177 |
| Total Insurance liabilities | 139,407,515 | 56,325,281 | 45,715,221 | 42,317,235 | 144,357,737 |
| Other liabilities and payables | 40,403,177 | 28,006,521 | 10,007,588 | 2,389,068 | 40,403,177 |
| Total contractual obligations | 179,810,692 | 84,331,802 | 55,722,809 | 44,706,303 | 184,760,914 |



6 **Capital management**

The Company's objectives when managing capital are:

- To comply with the insurance capital requirements that the regulators of the insurance markets where the Company operates require. In Trinidad, this is the Inspector of Financial Institutions and the capital adequacy provisions of the Insurance Act, 2018.
- To safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.
- To provide an adequate return to shareholders by pricing insurance and investment contracts commensurately with the level of risk.

The defined Company capital consists solely of equity and there were no changes in the Company's approach to capital management during the year.

The Company is subject to the capital requirements under the Insurance Act, 2018, as follows:

a) Section 22(1): No company shall be registered as an insurer to carry on long-term insurance business or general insurance business unless it has a minimum stated capital of fifteen million dollars.

b) Section 82(1): An insurer or financial holding company shall, in relation to its operations on an individual and consolidated basis maintain

(i) adequate capital; and

(ii) 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.

With the introduction of the new Insurance Act 2018, which became effective January 2021, the statutory requirement held under the preceding Act was no longer required.

During the year, the Company was compliant with the externally imposed capital requirements.



7 **Fair value of financial instruments**

The fair value of financial assets and liabilities that are traded in active markets are based on quoted market prices or dealer quotations. For all other financial instruments, the Company determines fair values using a manual calculations with the pricing information received from the Caribbean Information & Credit Rating Services Limited (Caricris).

a. *Valuation models*

The Company's accounting policy on fair value measurements is discussed in accounting policy 3(b)(vi).

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

There were no transfers of financial instruments between levels during the year, neither were there any changes in the categorisation from the prior year.

b. *Financial instruments measured at fair value - fair value hierarchy*

At year end, the following financial instruments were measured at fair value.

| | Level 1 $'000 | Level 2 $'000 | Level 3 $'000 | Fair value $'000 |
|---|---|---|---|---|
| **As at 31 December 2022** | | | | |
| Equity securities | 720,139 | -- | -- | 720,139 |
| Mutual funds | -- | -- | 40,499,210 | 40,499,210 |
| **As at 31 December 2021** | | | | |
| Equity securities | 886,511 | -- | -- | 886,511 |
| Mutual funds | -- | -- | 39,531,562 | 39,531,562 |



7 **Fair value of financial instruments (continued)**

b. *Financial instruments measured at fair value - fair value hierarchy (continued)*

(i) *Reconciliation for movements in Level 3 assets measured at fair value*

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

| | Mutual funds $ | Total $ |
|---|---|---|
| **At 31 December 2022** | | |
| Balance at beginning of year | 39,531,562 | 39,531,562 |
| Net movements in fund | 967,648 | 967,648 |
| Balance at end of year | 40,499,210 | 40,499,210 |
| **At 31 December 2021** | | |
| Balance at beginning of year | 33,606,121 | 33,606,121 |
| Net movements in fund | 5,925,441 | 5,925,441 |
| Balance at end of year | 39,531,562 | 39,531,562 |

c. *Financial instruments not measured at fair value*

The table below shows the financial assets and liabilities not measured at fair value and analyses them by the level in the fair value hierarchy into which the fair value measurement is categorised. It does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

| | Level 1 $ | Level 2 $ | Level 3 $ | Fair value $ | Total carrying amount $ |
|---|---|---|---|---|---|
| **As at 31 December 2022** | | | | | |
| *Assets* | | | | | |
| Held-to-maturity Securities | 13,537,413 | 304,247,854 | -- | 317,785,267 | 314,752,918 |
| *Liabilities* | | | | | |
| Lease liabilities | (12,765,810) | -- | -- | (12,765,810) | (12,765,810) |
| **As at 31 December 2021** | | | | | |
| *Assets* | | | | | |
| Held-to-maturity Securities | 13,517,527 | 309,529,332 | -- | 323,046,859 | 328,296,419 |
| *Liabilities* | | | | | |
| Lease liabilities | -- | (14,292,595) | -- | (14,292,595) | (14,292,595) |

Where available, the fair value of investment securities is based on observable market transactions. As at the year-end 31 December 2022, fair value of the held-to-maturity securities was above the carrying amount. However, management has deemed that no further impairment is required as the issuers of these securities are meeting their obligations and continue to have a good credit rating with the market.

8 **Significant estimates and judgments**

Management discusses with the Audit Committee the development, selection and disclosure of the Company's critical accounting policies and their application, and assumptions made relating to major estimation uncertainties. (See note 2d)

a. *Key sources of estimation uncertainty*

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

The determination of the liabilities under long-term insurance contracts is dependent on estimates made by the Company. Estimates are made as to the expected number of deaths for each of the years in which the Company is exposed to risk. The Company bases these estimates on standard mortality tables adjusted where appropriate to reflect the Company's own experience or expectations (See note 4b(ii)).

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

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

(ii) *Valuation method*

For 2022, the reserves for the individual life reserve were valuated using the above method up to quarter 3, 2022 and at December 31st, 2022, these reserves were written off. The Company exited out of the Individual Life portfolio as at December 31st, 2022.

b. *Critical accounting judgments made in applying the Company's accounting policies include:*

(i) *Determining fair values*

Fair value reflects the present value of future cash flows associated with a financial asset or liability where an active market exists. Under normal circumstances, observable market prices or rates are used to determine fair value. For financial instruments with no active market or a lack of price transparency, fair values are estimated using calculation techniques based on factors such as discount rates, credit risk and liquidity. The assumptions and judgments applied here affect the derived fair value of the instruments.

(ii) *Held-to-maturity investments*

The Company follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires judgment. In making this judgment, the Company evaluates its intention and ability to hold such investments to maturity.



8 **Significant estimates and judgments (continued)**

b. *Critical accounting judgments made in applying the Company's accounting policies include (continued):*

(ii) *Held-to-maturity investments (continued)*

If the Company fails to keep these investments to maturity other than for the specific circumstances - for example, selling other than an insignificant amount close to maturity - it will be required to reclassify the entire class as available-for-sale. The investments would therefore be measured at fair value, not amortised cost.

(iii) *Impairment of assets*

Judgment is required to determine whether there are indicators of impairment. If impairment is indicated then the amount is determined using the techniques described in accounting policy 3(e).

(iv) *Lease classification*

Judgments are made as to the classification of lease arrangements where substantially all the risks and rewards of the leased item is with the Company, then the item is classified as a lease liability. Judgment is required as to when the risks and rewards of ownership lie.

(v) *Taxation*

Judgements are required in determining the provision for income taxes. The tax liability or asset arising from certain transactions or events may be uncertain in the ordinary course of business. In cases of such uncertainty, the company recognises liabilities for possible additional taxes based on its judgement. Where, on the basis of a subsequent determination, the final tax outcome in relation to such matters is different from the amount that was initially recognised, the difference will impact the current and deferred income tax provisions in the period in which such determination is made.

(vi) *Depreciation methods, useful lives and residual values*

Depreciation methods, useful lives and residual values rely on judgement and estimates by management, one of which is that the relevant assets will continue to be used for their current purpose. In addition, useful lives and residual values vary between individual assets and are dependent upon continuation of the current level of maintenance. Should there be a change in the present use or level of maintenance this could change the charge for depreciation and net book value of property, plant and equipment within the next financial year.



9 (i) **Property, plant and equipment**

| | Office furniture and equipment $ | Computer equipment $ | Leasehold improvements $ | Total $ |
|---|---|---|---|---|
| **Year ended 31 December 2022** | | | | |
| Opening net book value | 1,027,480 | 525,231 | 1,522,554 | 3,075,265 |
| Additions | -- | 513,093 | -- | 513,093 |
| Disposal | (3,198) | -- | -- | (3,198) |
| Depreciation charge | (263,921) | (386,656) | (281,054) | (931,631) |
| Closing net book value | 760,361 | 651,668 | 1,241,500 | 2,653,529 |
| **At 31 December 2022** | | | | |
| Cost | 2,591,605 | 2,352,571 | 2,845,434 | 7,789,610 |
| Accumulated depreciation | (1,831,244) | (1,700,903) | (1,603,934) | (5,136,081) |
| Net book value | 760,361 | 651,668 | 1,241,500 | 2,653,529 |
| **Year ended 31 December 2021** | | | | |
| Opening net book value | 1,300,369 | 631,397 | 1,803,607 | 3,735,373 |
| Additions | -- | 391,411 | | 391,411 |
| Depreciation charge | (272,889) | (497,577) | (281,053) | (1,051,519) |
| Closing net book value | 1,027,480 | 525,231 | 1,522,554 | 3,075,265 |
| **At 31 December 2021** | | | | |
| Cost | 2,611,799 | 2,267,275 | 2,845,434 | 7,724,508 |
| Accumulated depreciation | (1,584,319) | (1,742,044) | (1,322,880) | (4,649,243) |
| Net book value | 1,027,480 | 525,231 | 1,522,554 | 3,075,265 |



9 (ii) **Right of use asset**

| | Right of use asset vehicles $ | Right of use asset building $ | Right of use asset photocopier $ | Total $ |
|---|---|---|---|---|
| **Year ended 31 December 2022** | | | | |
| Opening net book value | 967,784 | 10,660,506 | 276,362 | 11,904,652 |
| Additions | 422,167 | -- | -- | 422,167 |
| Disposals | (442,766) | (603,996) | -- | (1,046,762) |
| Depreciation charge | 70,896 | (917,889) | (138,181) | (985,174) |
| Closing net book value | 1,018,081 | 9,138,621 | 138,181 | 10,294,883 |
| **At 31 December 2022** | | | | |
| Cost | 1,922,848 | 15,226,162 | 1,105,449 | 18,254,459 |
| Accumulated depreciation | (904,767) | (6,087,541) | (967,268) | (7,959,576) |
| Net book value | 1,018,081 | 9,138,621 | 138,181 | 10,294,883 |
| **Year ended 31 December 2021** | | | | |
| Opening net book value | 700,285 | 12,333,788 | 552,724 | 13,586,797 |
| Additions | 727,000 | -- | -- | 727,000 |
| Write off adjustment | (50,119) | -- | -- | (50,119) |
| Depreciation charge | (409,382) | (1,673,282) | (276,362) | (2,359,026) |
| Closing net book value | 967,784 | 10,660,506 | 276,362 | 11,904,652 |
| **At 31 December 2021** | | | | |
| Cost | 1,943,447 | 15,830,158 | 1,105,449 | 18,879,054 |
| Accumulated depreciation | (975,663) | (5,169,652) | (829,087) | (6,974,402) |
| Net book value | 967,784 | 10,660,506 | 276,362 | 11,904,652 |

## 10 Intangible assets

| | Software 2022 $ | 2021 $ |
|---|---|---|
| Opening net book value | 16,604,673 | 17,280,545 |
| Additions | 1,725,128 | 2,205,513 |
| Disposals | (194,180) | -- |
| Amortisation charge | (3,252,846) | (2,881,385) |
| Closing net book value | 14,882,775 | 16,604,673 |
| Cost | 30,656,796 | 29,487,016 |
| Accumulated amortisation | (15,774,021) | (12,882,343) |
| Net book value | 14,882,775 | 16,604,673 |

## 11 Investment securities

The Company's investment securities are summarised by Carrying Value (CV) and Fair Value (FV) categories in the table below:

| | CV 2022 $ | FV 2022 $ | CV 2021 $ | FV 2021 $ |
|---|---|---|---|---|
| Available-for-sale (a) | 40,499,210 | 40,499,210 | 39,531,562 | 39,531,562 |
| Held-to-maturity (b) | 341,011,501 | 344,840,369 | 356,650,755 | 338,358,026 |
| Fair value through profit or loss (c) | 720,139 | 720,139 | 886,511 | 886,511 |
| | 382,230,850 | 386,059,718 | 397,068,828 | 378,776,099 |
| a. *Available-for-sale* | | | | |
| Mutual funds | 40,499,210 | 40,499,210 | 39,531,562 | 39,531,562 |
| b. *Held-to-maturity* | | | | |
| Term deposits | 27,055,103 | 27,055,103 | 28,000,000 | 28,000,000 |
| Corporate bonds | 33,213,636 | 33,969,803 | 34,909,091 | 35,964,345 |
| Government bonds | 281,384,056 | 283,815,463 | 294,676,199 | 274,393,681 |
| | 341,652,795 | 344,840,369 | 357,585,290 | 338,358,026 |
| Less impairment | (641,294) | (641,294) | (934,535) | (934,535) |
| | 341,011,501 | 344,199,075 | 356,650,755 | 337,423,491 |
| c. *Fair value through profit or loss* | | | | |
| Equities | 720,139 | 720,139 | 886,511 | 886,511 |

Included in held-to-maturity investments are floating rate/variable rate instruments totaling 2022: $0.00 (2021: $3,270,022). Other held-to-maturity investments include Government bonds and Corporate bonds which both pay a fixed interest rate as follows:

| | 2022 $ | 2021 $ |
|---|---|---|
| Term deposits | 27,055,103 | 28,000,000 |
| Government bonds | 280,562,344 | 290,268,683 |
| Corporate bonds | 33,394,053 | 35,112,050 |
| | 341,011,500 | 353,380,733 |



## 11 Investment securities (continued)

| | 2022 $ | 2021 $ |
|---|---|---|
| Investment Securities Current | 63,631,775 | 40,770,000 |
| Investment Securities Non-Current | 318,599,075 | 356,298,828 |
| | 382,230,850 | 397,068,828 |

## 12 Other assets

| | 2022 $ | 2021 $ |
|---|---|---|
| Premiums receivable | 14,018,605 | 13,678,262 |
| Interest receivable | 6,693,387 | 5,616,884 |
| Prepayments | 673,990 | 31,228 |
| Other receivable | 6,495,520 | 700,091 |
| | 27,881,502 | 20,026,465 |

## 13 Related parties

a. *Identity of related party*

The Company has a related party relationship with its parent, directors and key management personnel. number of transactions have been entered into with related parties in the normal course of business.

b. *Related party transactions and balance*

(i) *Transactions for the period*

| | 2022 $ | 2021 $ |
|---|---|---|
| Cost recovery | 9,016,573 | 8,773,928 |
| Software acquisition | (1,725,128) | (2,205,513) |
| Software upgrade expenses | (35,489) | (525,413) |
| Reinsurance premiums | (4,619,121) | (4,413,078) |
| Reinsurance Recoverable | 48,082,650 | 31,551,871 |
| Directors' fees | (160,000) | (160,000) |



## 13 Related parties (continued)

b. *Related party transactions and balance (continued)*

(ii) *Amounts due from (to) ultimate parent, subsidiary company and related parties*

| | | 2022 $ | 2021 $ |
|---|---|---|---|
| Due from: | | | |
| Ultimate parent company | - Intercompany | 994,240 | 1,259,245 |
| | - Reinsurance Recoverable | 20,294,349 | 31,551,870 |
| | - Software Upgrade | 8,491 | -- |
| | | 21,297,080 | 32,811,115 |
| Related party | | 1,428,046 | 829,856 |
| | | 22,725,126 | 33,640,971 |
| Due to: | | | |
| Re-insurance payable to ultimate parent company | | (1,098,793) | (2,161,016) |
| Ultimate parent company | - Intercompany | (7,222,660) | (9,518,680) |
| | - Software | | |
| Upgrade | | (1,632) | -- |
| | | (7,224,292) | (9,518,680) |
| Related party | | -- | (4,743) |
| | | (8,323,085) | (11,684,439) |

c. *Transactions with key management personnel*

In addition to their salaries, the Company also provides a non-cash benefit to key management personnel. The key management personnel compensation is as follows:

| | 2022 $ | 2021 $ |
|---|---|---|
| Long-term employee benefits | 721,932 | 714,947 |
| Short-term employee benefits | 10,907,139 | 10,435,476 |
| Number of key management personnel | 13 | 14 |



## 14 Cash and cash equivalents

| | 2022 $ | 2021 $ |
|---|---|---|
| Cash in hand and at bank | 81,655,692 | 41,172,666 |
| Mutual funds | 28,177,662 | 27,703,171 |
| | 109,833,354 | 68,875,837 |

## 15 Stated capital

| | 2022 | 2021 |
|---|---|---|
| Authorised | | |
| Ordinary shares of no par value | Unlimited | Unlimited |
| Issued and fully paid | | |
| 12,256 ordinary shares of no par value (2022: 24,967,821; 2021: 24,967,821) | 24,967,821 | 24,967,821 |

## 16 Life surplus account

This represents the net surplus arising from the life insurance business. This surplus is not available for distribution to the shareholder in accordance with the requirements of Section 43 of the Insurance Act 2018.

| | 2022 | 2021 |
|---|---|---|
| Balance 1 January | 260,567,194 | 241,422,456 |
| Transfer from statement retained earnings | 23,304,349 | 19,144,738 |
| Transferred to Life Surplus Account (i)Adjustment IL reserves | 868,766 | -- |
| Transferred to Life Surplus Account (ii) CSR Reserve | 2,879,362 | -- |
| Total transferred to Life Surpls | 3,748,128 | -- |
| Balance 31 December | 287,619,671 | 260,567,194 |

During 2020 the board made the decision to create a 'COVID-19 Corporate Social Responsibility Fund to assist members who have lost their jobs due to COVID-19. The amount for the Company of $440,000 USD equivalent to TTD$2,948,132 was transferred from the Life Surplus Account and transferred to the COVID-19 Corporate Social Responsibility Reserve as at 31st December 2020. In 2021, the COVID- 19 Corporate Social Responsibility Fund was launched and $3670 was processed for 2021 bringing the balance down to TTD$2,911,462. In 2022, $32,100 was processed, the Fund was suspended as at December 31 2022, and the remaining amount of the reserve TTD$ 2,879,362 was transferred back to the Life Surplus account as at December 31, 2022.

## 17 Insurance contracts

| | 2022 $ | 2021 $ |
|---|---|---|
| Future policyholders' benefits | | |
| Individual Life (i) | -- | 8,733,045 |
| Group Life (ii) | 81,240,055 | 74,905,222 |
| Pension Plus | 1,579,196 | 1,474,534 |
| Accounts Payable-Group Claims | 15,922 | 15,922 |
| Policyholders' dividend and other amounts on deposit | 46,687,072 | 44,372,429 |
| | 129,522,245 | 129,501,152 |

(i) *Future policyholder's benefits*

| | 2022 $ | 2021 $ |
|---|---|---|
| Individual life reserves | | |
| Liability as at January 1 | 8,733,045 | 12,906,040 |
| Pension Plus Liability as at January 1 | 1,474,534 | 1,374,825 |
| Total Liability as at January 1 | 10,207,579 | 14,280,865 |
| Release of Reserves on Policies No Longer In Force | (8,733,045) | (5,274,306) |
| Interest during the year | -- | 369,269 |
| Valuation premiums | 4,662 | 451,016 |
| Additional Reserve for Annuity Guarantees | 100,000 | 100,000 |
| Expenses | -- | (675,600) |
| Claims | -- | -- |
| Other | -- | 956,335 |
| Liability as at December 31 – Individual Life | -- | 8,733,045 |
| Liability as at December 31 – Pension Plus | 1,579,196 | 1,474,534 |

The Company discontinued the Individual Life product during the year. There are still some amounts due for payout to the policyholders and the remaining balances due are recorded in the accounts payable account (note 19).

*Group life reserves*

| | 2022 | | | |
|---|---|---|---|---|
| | FIP $ | LPLS $ | Other $ | Total $ |
| Liability as at January 1 | 18,086,521 | 53,203,649 | 3,615,052 | 74,905,222 |
| Add: Change in Ult Est for AY 2021 and Prior | 4,147,116 | 11,095,268 | 2,406,256 | 17,648,640 |
| Add: Ult Est for AY 2022 | 128,007,723 | 55,120,952 | 3,471,587 | 186,600,262 |
| Less: Payments made in 2022 | (128,008,576) | (63,280,956) | (5,683,532) | (196,973,064) |
| Data Adjustments | (915,481) | -- | -- | (915,481) |
| Other | -- | (25,524) | -- | (25,524) |
| Liability as at December 31 | 21,317,303 | 56,113,389 | 3,809,363 | 81,240,055 |



## 17 Insurance contracts (continued)

(ii) *Future policyholder's benefits*

*Group life reserves*

There were no transfers made to the Shareholders' account during the years 2021 and 2022. The decrease for 2022 was in keeping with the Company's actuarial valuation of the individual life portfolio and the group reserves.

| | 2022 $ | 2021 $ |
|---|---|---|
| Net decrease/increase in reserve for policyholders' benefits | (335,674) | (6,890,563) |

## 18 Lease liabilities

The Company recognizes these lease liabilities under IFRS 16 and they are as follows:

- Vehicle Leases are held for the provision of Company vehicles for management which are held with NCB Global Finance Limited at a rate of 6.5% per annum.
- Office Space lease 3rd and 6th floor Savannah East are held with RGM limited at a rate of 9.5% per annum. The 6th floor lease ended in June 2021 and was not renewed.
- Photocopier lease is held with Amaranth Business Solutions Limited at a rate of 6.5% per annum.

*Lease liabilities - minimum lease payments*

| | 2022 $ | 2021 $ |
|---|---|---|
| Not later than one year | 3,359,396 | 3,215,621 |
| Later than one year and not later than five years | 13,594,856 | 13,932,775 |
| More than five years | -- | 2,616,030 |
| | 16,954,252 | 19,764,426 |
| Future interest charges on lease liabilities | (4,188,442) | (5,471,831) |
| Present value of lease liabilities | 12,765,810 | 14,292,595 |

The present value of lease liabilities may be analysed as follows:

| | 2022 $ | 2021 $ |
|---|---|---|
| Not later than one year - current | 2,206,311 | 1,895,938 |
| Later than one year and not later than five years - non-current | 10,559,499 | 10,007,588 |
| More than 5 years – non-current | -- | 2,389,069 |
| | 12,765,810 | 14,292,595 |



## 19 Accounts payable and unallocated premium

| | 2022 $ | 2021 $ |
|---|---|---|
| Accounts payable | 16,984,891 | 19,135,050 |
| Unallocated premiums & premiums paid in advance | 3,580,755 | 4,432,970 |
| Accrued expenses | 915,448 | 764,484 |
| | 21,481,094 | 24,332,504 |

## 20 Claims and other benefits

| | 2022 $ | 2021 $ |
|---|---|---|
| Claims paid (death and disability) | 204,034,901 | 182,376,119 |
| Surrenders | (276,899) | 2,176,517 |
| Dividend to policyholders | 4,709 | 4,891 |
| Company service commissions | -- | 82,000 |
| Total of Claims and other benefits | 203,762,711 | 184,639,527 |

## 21 Other income

| | 2022 $ | 2021 $ |
|---|---|---|
| Commission and Fee Income | 208,004 | 214,743 |
| Cost recovery Cuna Mutual CCIJ | 5,011,356 | 5,053,646 |
| Cost recovery Cuna Mutual OECS | 4,005,218 | 3,720,282 |
| Gain/loss on sale of Fixed Asset | (197,381) | (2,674) |
| | 9,027,197 | 8,985,997 |

## 22 Management and operating expenses

| | 2022 $ | 2021 $ |
|---|---|---|
| Staff costs | 22,491,687 | 21,158,686 |
| Depreciation and amortisation | 6,216,411 | 6,291,932 |
| Auditors' remuneration | 641,110 | 900,153 |
| Directors' fees | 160,000 | 160,000 |
| Software upgrade expenses | -- | 525,413 |
| Building expenses | 2,587,540 | 2,929,809 |
| Advertising & promotion | 826,445 | 604,219 |
| Other expenses | 7,393,105 | 6,827,738 |
| | 40,316,298 | 39,397,950 |
| Staff costs includes: | | |
| Salaries, wages and bonuses | 19,702,572 | 18,826,310 |
| Severance payments | 112,500 | (255,100) |
| Group life & health | 401,274 | 395,940 |
| National insurance | 797,386 | 745,357 |
| Pension costs | 1,388,467 | 1,370,568 |
| Pre-employment costs | 48,018 | 19,225 |
| Other | 41,470 | 56,386 |
| | 22,491,687 | 21,158,686 |
| Average number of employees | 70 | 62 |



## 23 Policy administrative fees

| | 2022 $ | 2021 $ |
|---|---|---|
| Administrative fees | 14,962,534 | 14,590,968 |
| League fees | 202,059 | 200,000 |
| Total policy administrative fees | 15,164,593 | 14,790,968 |

## 24 Taxation

*Current tax*

Current tax expense for the year is the expected tax payable on the taxable income for the year, calculated at the annual income tax rate applied to the pre-tax income for the year.

Current tax liability for current and prior periods is classified as a current liability to the extent that it is unpaid. Amounts paid in excess of amounts owed are classified as a current asset.

| | 2022 | 2021 |
|---|---|---|
| Corporation tax | 2,082,482 | 1,118,792 |
| Green fund levy | 962,627 | 689,961 |
| Withholding tax | -- | (10,734) |
| Current tax | 3,045,109 | 1,798,019 |

The Company's effective tax rate varies from the statutory rate as a result of the differences shown below:

| | 2022 | 2021 |
|---|---|---|
| Profit before taxation | 26,349,457 | 20,942,756 |
| Tax calculated at the rate of 30% | 7,904,837 | 6,282,827 |
| Tax effect of different tax rates on lines of business | (2,082,482) | (1,998,712) |
| Tax effect of income not subject to tax | (82,905,396) | (76,090,667) |
| Tax effect of expenses not deductible | 79,259,519 | 75,039,626 |
| Green fund levy | 863,498 | 688,545 |
| Prior year green fund levy tax under accruals | 99,128 | 1,416 |
| Withholding tax adjustment | -- | (10,734) |
| Tax refunds received in current year | (281,192) | (762,176) |
| Other differences | 187,195 | (1,352,105) |
| Tax charge | 3,045,109 | 1,798,019 |

## 25 Subsequent events

There were no events subsequent to the balance sheet date which require adjustment to the balances or disclosures included within these financial statements.

## 26 Contingent liability

There Company had no contingent liabilities as at 31 December 2022 (2021: Nil).