Financial Statements of

**THE INSURANCE COMPANY OF THE WEST INDIES (TRINIDAD) LIMITED**

December 31, 2023
*(Expressed in Trinidad and Tobago dollars)*

**THE INSURANCE COMPANY OF THE WEST INDIES (TRINIDAD) LIMITED**

For the period ended December 31, 2023

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**Statement of Management's Responsibilities**
**The Insurance Company of The West Indies (Trinidad) Limited**

Management is responsible for the following:

- Preparing and fairly presenting the accompanying financial statements of The Insurance Company of The West Indies (Trinidad) Limited (the Company), which comprise the statement of financial position as at December 31, 2023, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the period then ended and notes, comprising material 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 the Company's operational efficiencies.

- Ensuring that the system of internal control operated effectively during the reporting period.

- Producing reliable financial reporting that complies with laws and regulations, including the Companies and Insurance Acts; and

- Using reasonable and prudent judgment in the determination of estimates.

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

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

| | |
|---|---|
| Name: Paul Lalor | Name: Sandra Johnson |
| Title: Chairman | Title: Vice President, Finance |
| Date: October 8, 2024 | Date: October 8, 2024 |

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**Independent Auditors' Report to the Shareholder of**
**The Insurance Company of the West Indies (Trinidad) Limited**

## Opinion

We have audited the financial statements of the Insurance Company of the West Indies (Trinidad) Limited ("the Company"), which comprise the statement of financial position as at December 31, 2023, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the period then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023, and its financial performance and its cash flows for the period then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

## 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants including International Independence Standards (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Trinidad and Tobago, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting 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.

**Independent Auditors' Report to the Shareholder of**
**The Insurance Company of the West Indies (Trinidad) Limited** (continued)

## Auditors' 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 auditors' 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 skepticism throughout the audit. We also:

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' 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.

**Independent Auditors' Report to the Shareholder of**
**The Insurance Company of the West Indies (Trinidad) Limited** (continued)

**Auditors' Responsibilities for the Audit of the Financial Statements** (continued)

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.

Chartered Accountants

KPMG

Port of Spain
Trinidad and Tobago
October 8, 2024

**THE INSURANCE COMPANY OF THE WEST INDIES (TRINIDAD) LIMITED**

Statement of Financial Position

For the period ended December 31, 2023
*(Expressed in thousands of Trinidad and Tobago dollars)*

| | Notes | 2023<br>$'000 |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | 7 | 12,759 |
| Investments in securities | 8 | 16,077 |
| Accrued investment income | | 34 |
| Reinsurance contract assets | 9(b) | 14,832 |
| Other accounts receivables and prepayments | 10 | 1,513 |
| Right-of-use assets | 12(a) | 6,273 |
| Property and equipment | 13 | 7,333 |
| **Total assets** | | 58,821 |
| **LIABILITIES AND SHAREHOLDER'S EQUITY** | | |
| Insurance contract liabilities | 9(a) | 37,025 |
| Other payables and accrued charges | 14 | 1,869 |
| Due to group companies | 11 | 2,396 |
| Lease liabilities | 12(b) | 6,312 |
| Deferred tax liabilities | 19(c) | 41 |
| **Total liabilities** | | 47,643 |
| **Equity** | | |
| Share capital | 15 | 15,000 |
| Accumulated deficit | | (3,822) |
| **Total equity** | | 11,178 |
| **Total liabilities and equity** | | 58,821 |

*The accompanying notes form an integral part of the financial statements.*

The financial statements on pages 5 to 70 were approved by the Board of Directors on October 7, 2024 and signed on its behalf by:

__________ Chairman __________ Director

**THE INSURANCE COMPANY OF THE WEST INDIES (TRINIDAD) LIMITED**

Statement of Profit or Loss and Other Comprehensive Income

For the Eleven Months Period Ended December 31, 2023
*(Expressed in thousands of Trinidad and Tobago dollars)*

| | Notes | 2023 |
|---|---|---|
| | | **$'000** |
| Insurance revenue | 9(a) | 28,997 |
| Insurance service expenses | 9(a) | (27,869) |
| **Insurance service result before reinsurance contracts held** | | 1,128 |
| Net income or expense from reinsurance contracts held | 9(b) | (2,275) |
| **Insurance service result** | | (1,147) |
| Income from financial instruments | 16 | 158 |
| Net gain from foreign exchange | | 3 |
| **Net investment income** | | 161 |
| Insurance finance expense from insurance contracts issued | 9(a) | (416) |
| Finance income from reinsurance contracts held | 9(b) | 34 |
| **Net insurance finance income or expenses** | | (382) |
| **Net insurance and investment result** | | (1,368) |
| Other income | 17 | 96 |
| Other operating expenses | 18 | (2,392) |
| **Loss before tax** | | (3,664) |
| Taxation expense | 19 | (158) |
| **Loss for the period** | | (3,822) |

*The accompanying notes form an integral part of the financial statements.*

**THE INSURANCE COMPANY OF THE WEST INDIES (TRINIDAD) LIMITED**

Statement of Changes in Equity

For The Eleven Months Period Ended December 31, 2023
*(Expressed in thousands of Trinidad and Tobago dollars)*

| | **Share Capital** (Note 15) | **Accumulated deficit** | **Total** |
|---|---|---|---|
| | **$'000** | **$'000** | **$'000** |
| Issue of ordinary shares | 15,000 | - | 15,000 |
| Loss for the period, being total comprehensive loss | - | (3,822) | (3,822) |
| **Balances at December 31, 2023** | 15,000 | (3,822) | 11,178 |

*The accompanying notes form an integral part of the financial statements.*

**THE INSURANCE COMPANY OF THE WEST INDIES (TRINIDAD) LIMITED**

Statement Of Cash Flows

For The Eleven Months Period Ended December 31, 2023
*(Expressed in thousands of Trinidad and Tobago dollars)*

| | Notes | 2023<br>$'000 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Loss for the period | | (3,822) |
| Adjustments for: | | |
| Depreciation on property and equipment | 13 | 368 |
| Depreciation on right-of-use assets | 12(a) | 763 |
| Impairment loss of property and equipment | 13 | 9 |
| Income from financial instruments | | (158) |
| Foreign exchange gain | | (3) |
| Interest expense on lease liabilities | 12(c) | 106 |
| Taxation | 19(a) | 158 |
| | | (2,579) |
| Changes in: | | |
| Reinsurance contract assets | | (67) |
| Insurance contract liabilities | | 6,429 |
| Other accounts receivables and prepayments | | 9,158 |
| Other payables and accrued charges | | 551 |
| | | 13,492 |
| Tax paid | | (117) |
| **Net cash from operating activities** | | 13,375 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Additions to property and equipment | 13 | (212) |
| Interest received | | 162 |
| Proceeds from the sale of investment securities | | 525 |
| Investment securities purchased | | ( 5,107) |
| **Net cash flows used in in investing activities** | | ( 4,632) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Repayment of lease liabilities | 12(c) | (886) |
| Due to immediate parent company | | (933) |
| **Net cash flows used in financing activities** | | ( 1,819) |
| **Movement in cash and cash equivalents** | | 6,924 |
| **Cash and Cash equivalents transferred from ICWI JA** | | 5,835 |
| **INCREASE IN CASH AND CASH EQUIVALENTS, BEING CASH AT THE END OF THE PERIOD** | | 12,759 |

*The accompanying notes form an integral part of the financial statements.*

**1. Corporate structure and nature of business**

The Insurance Company of the West Indies (Trinidad) Limited ("ICWI TT" or 'the Company'), is incorporated and domiciled in the Republic of Trinidad and Tobago. ICWI TT is a wholly owned subsidiary of The Insurance Company of the West Indies Limited (ICWI JA") (immediate parent), which is incorporated in Jamaica. The ultimate holding Company is Atlantic and Caribbean Sea Development Company Limited which is owned by Caribbean Sea Development Limited and Hon. Dennis Lalor O.J. and it is controlled by Hon. Dennis Lalor O.J.

The principal activity of the Company is underwriting general insurance business. The registered office of the Company is 13 Gray Street, St Clair, Port of Spain, Trinidad and Tobago.

On January 10, 2023, ICWI TT received a license from The Central Bank of Trinidad and Tobago ("CBTT") to write motor and other long-term insurance business in Trinidad and Tobago.

On January 17, 2022, ICWI JA notified its regulator in Jamaica, The Financial Services Commission, of the planned conversion of the Trinidad and Tobago branch of ICWI JA into a stand-alone operation.

Effective February 1, 2023, ICWI JA converted its Trinidad branch to a stand-alone operation in the name of The Insurance Company of the West Indies (Trinidad) Limited ("ICWI TT" or 'the Company'). Consequent on this transaction, ICWI TT became a wholly owned subsidiary of ICWI JA and the insurance portfolio and assets and liabilities of the Trinidad branch of ICWI JA were transferred to ICWI.

**2. Insurance licence**

The Company is registered under the Insurance Act 2018, (as amended) (the Act) which came into effect on January 1, 2021.

## 3. Statement of compliance and basis of preparation

(a) Statement of compliance:

The Company prepares the financial statements in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (IFRS Accounting Standards).

(b) Basis of preparation and measurement:

The financial statements have been prepared on the historical cost basis.

(c) New and amended standards that became effective during the year:

- Amendments to IAS 1 *Presentation of Financial Statements* are effective for annual periods beginning on or after January 1, 2023. The amendments help companies provide useful accounting policy disclosures.

  The key amendments to IAS 1 include:

  - requiring companies to disclose their *material* accounting policies rather than their significant accounting policies;
  - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
  - clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a Company's financial statements.

  The amendments are consistent with the refined definition of material:

  *"Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements".*

  The Company adopted *Disclosure of Accounting Policies* (Amendments to IAS 1 and IFRS Practice Statement 2) from February 1, 2023.

**3. Statement of compliance and basis of preparation** (continued)

(c) New and amended standards that became effective during the year: (continued)

- IFRS 17 *Insurance Contracts* became effective for annual periods beginning on or after January 1, 2023. The standard is required for all companies that issue insurance contracts.

  IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with discretionary participation features. It introduces a model that measure groups of contracts based on the Company's estimates of the present value of future cash flows that are expected to arise as the Company fulfils the contracts and explicit risk adjustment for non-financial risk.

(d) New and amended standards issued but not yet effective:

At the date of authorisation of these financial statements, certain new and amended standards and interpretations have been issued which were not effective for the current year and which the Company has not early-adopted. The Company has assessed them with respect to its operations and has determined that the following are relevant:

- Amendments to IAS 1 *Presentation of Financial Statements* apply retrospectively and is effective for annual periods beginning on or after January 1, 2024. The amendments clarify how a Company classifies a liability that can be settled in its own shares – e.g. convertible debt.

  When a liability includes a counterparty conversion option that involves a transfer of the Company's own equity instruments, the conversion option is recognised as either equity or a liability separately from the host liability under IAS 32 *Financial Instruments: Presentation*. The IASB has now clarified that when a Company classifies the host liability as current or non-current, it can ignore only those conversion options that are recognised as equity.

  Companies may have interpreted the existing IAS 1 requirements differently when classifying convertible debt. Therefore, convertible debt may become current.

  The amendments promote consistency in application and clarify the requirements on determining if a liability is current or non-current. The amendments require new disclosures for non-current liabilities that are subject to future covenants.

**3. Statement of compliance and basis of preparation** (continued)

(d) New and amended standards issued but not yet effective: (continued)

- IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information*, is effective for annual reporting periods beginning on or after January 1, 2024 (with earlier application permitted as long as IFRS S2 Climate-related Disclosures is also applied).

  IFRS S1 requires an entity to disclose information about its sustainability-related risks and opportunities that are useful to users of general-purpose financial reports in making decisions relating to providing resources to the entity.

  The standard also requires entities to disclose information about all sustainability-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium or long term (collectively referred to as sustainability-related risks and opportunities that could reasonably be expected to affect the entity's prospects').

  IFRS S1 prescribes how an entity prepares and reports its sustainability-related financial disclosures and sets out general requirements for the content and presentation of those disclosures so that the information disclosed is useful to users in making decisions relating to providing resources to the entity.

  Under the standard, entities are required to provide disclosures about the governance processes, controls and procedures, strategies and processes the entity uses to monitor, manage and oversee sustainability-related risks and opportunities, as well as, the entities performance and progress towards any targets the entity has set or is required to meet by law or regulation.

- IFRS S2 *Climate-related Disclosures*, is effective for annual reporting periods beginning on or after January 1, 2024 (with earlier application permitted as long as IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* is also applied).

**3. Statement of compliance and basis of preparation** (continued)

(d) New and amended standards issued but not yet effective (continued)

- FRS S2 *Climate-related Disclosures* (continued)

  IFRS S2 requires entities to disclose information about its climate-related risks and opportunities that is useful to users of general-purpose financial reports in making decisions relating to providing resources to the entity. The standard also requires entities to disclose information about climate-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium or long term (collectively referred to as climate-related risks and opportunities that could reasonably be expected to affect the entity's prospects). IFRS S2 applies to climate-related physical risks; climate-related transition risks; and climate-related opportunities available to an entity.

  IFRS S2 sets out the requirements for disclosing information about an entity's climate-related risks and opportunities. Under the standard, entities are required to provide disclosures about the governance processes, controls and procedures, strategies and processes the entity uses to monitor, manage and oversee climate-related risks and opportunities, as well as, the entities performance and progress towards any targets the entity has set or is required to meet by law or regulation.

- Annual improvements to IFRS Accounting Standards effective January 1, 2026:

  - Amendments remove conflict between IFRS 9 and IFRS 15 over the amount at which a trade receivable is initially measured. Under IFRS 15, a trade receivable may be recognised at an amount the differs from the transaction price e.g. when the transaction price is variable. Conversely, IFRS 9 requires that companies initially measure trade receivables without a significant financing component at the transaction price. The IASB has amended IFRS 9 to require companies to initially measure a trade receivable without a significant financing component at the amount determined by apply IFRS 15.

  - If a lease liability is derecognised, then the derecognition is accounted for under IFRS 9. However, when a lease liability is modified, the modification is accounted for under IFRS 16 Leases. The IASB's amendment states that when lease liabilities are derecognised under IFRS 9, the difference between the carrying amount and the consideration paid is recognised in profit or loss. However, the amendment does not address how the distinguish between derecognition and modification of a lease liability. The IASB has indicated that it may consider this issue as part of a future project.

**3. Statement of compliance and basis of preparation** (continued)

(d) New and amended standards issued but not yet effective (continued)

- IFRS 18 *Presentation and Disclosure in Financial Statements*, is effective for annual reporting periods beginning on or after January 1, 2027

  Under current IFRS Accounting Standards, companies use different formats to present their results, making it difficult for investors to compare financial performance across companies. IFRS 18 promotes a more structured income statement. In particular, it introduces a newly defined 'operating profit' subtotal and a requirement for all income and expenses to be allocated between three new distinct categories (Operating, Investing and Financing) based on a Company's main business activities.

  All companies are required to report the newly defined 'operating profit' subtotal – an important measure for investors' understanding of a Company's operating results – i.e. investing and financing activities are specifically excluded. This means that the results of equity-accounted investees are no longer part of operating profit and are presented in the 'investing' category.

  IFRS 18 also requires companies to analyse their operating expenses directly on the face of the income statement – either by nature, by function or using a mixed presentation. Under the new standard, this presentation provides a 'useful structured summary' of those expenses. If any items are presented by function on the face of the income statement (e.g. cost of sales), then a Company provides more detailed disclosures about their nature.

  IFRS 18 requires some 'non-GAAP' measures to be reported in the financial statements. It introduces a narrow definition for management performance measures (MPMs), requiring them to be a subtotal of income and expenses, used in public communications outside the financial statements and reflective of management's view of financial performance. For each MPM presented, companies will need to explain in a single note to the financial statements why the measure provides useful information, how it is calculated and reconcile it to an amount determined under IFRS Accounting Standards.

  Companies are discouraged from labelling items as 'other' and will now be required to disclose more information if they continue to do so.

The Company is assessing the impact that these standards and amendments may have on its future financial statements.

## 3. Statement of compliance and basis of preparation (continued)

(e) Functional and presentation currency

These financial statements are presented in Trinidad and Tobago dollars, the Company's functional currency. The values presented in the financial statements have been rounded to the nearest thousands unless otherwise stated.

## 4. Use of estimates and judgement

The preparation of financial statements in conformity with IFRS Accounting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

Estimates and underlying assumptions are reviewed on a regular basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised or in the period of revisions and future periods if the revision impacts both the reporting period and future period.

Information about assumptions and estimation uncertainties at December 31, 2023 that have a risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year are as followed:

(i) Insurance and reinsurance contracts

*Liability for incurred claims*

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques.

**4. Use of estimates and judgement** (continued)

(i) Insurance and reinsurance contracts (continued)

*Liability for incurred claims* (continued)

The main assumption underlying these techniques is that a Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. These methods extrapolate the development of paid and incurred losses, average costs per claim (including claims handling costs), and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios.

Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the probability weighted expected value outcome from the range of possible outcomes, taking account of all the uncertainties involved.

Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency exchange rates.

## 4. Use of estimates and judgement (continued)

(i) Insurance and reinsurance contracts (continued)

*Risk adjustment for non-financial risk*

- The risk adjustment for non-financial risk is the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts. The risk adjustment reflects an amount that a Company would rationally pay to remove the uncertainty that future cash flows will exceed the expected value amount.

- The Company has estimated the risk adjustment using a confidence level (probability of sufficiency) approach at the 70th percentile. That is, the Company has assessed its indifference to uncertainty for all product lines (as an indication of the compensation that it requires for bearing non-financial risk) as being equivalent to the 70th percentile confidence level less the mean of an estimated probability distribution of the future cash flows. The Company has estimated the probability distribution of the future cash flows, and the additional amount above the expected present value of future cash flows required to meet the target percentiles.

*Discount rates*

The top-down approach was used to derive the discount rates. Insurance contract liabilities are calculated by discounting expected future cash flows at a risk-free rate, plus an illiquidity premium where applicable. The risk-free yield is derived using the Central Bank of Trinidad and Tobago yield curve. The illiquidity premium is determined by reference to observable market rates.

Discount rates applied for discounting of future cash flows are listed below:

| | 1 Year | 5 Years | 10 Years |
|---|---|---|---|
| Insurance contracts issued and reinsurance held | 1.79% | 4.00% | 4.66% |

## 5. New accounting policies

In these financial statements, the Company has applied IFRS 17 and IFRS 9 which came into effect January 1, 2023.

IFRS 17 Insurance contracts

*Classification and measurement*

IFRS 17 establishes specific principles for the recognition and measurement of insurance contracts issued and reinsurance contracts held by the Company.

IFRS 17 distinguishes three measurement approaches, under which insurance contracts should be measured:

- The General Measurement Model (GMM),
- Premium Allocation Approach (PAA), and
- Variable Fee Approach (VFA)

Under IFRS 17, the Company's insurance contracts issued, and reinsurance contracts held are all eligible to be measured by applying the PAA. The PAA simplifies the measurement of insurance contracts in comparison with the general model in IFRS 17.

The measurement principles of the PAA differ from the 'earned premium approach' under IFRS 4 in the following key areas:

- The liability for remaining coverage reflects premiums received less deferred insurance acquisition cash flows and less amounts recognised in revenue for insurance services provided.

- Measurement of the liability for remaining coverage involves an explicit evaluation of risk adjustment for non-financial risk when a group of contracts is onerous in order to calculate a loss component (previously these may have formed part of the unexpired risk reserve provision).

**5. New accounting policies** (continued)

IFRS 17 Insurance contracts (continued)

*Classification and measurement* (continued)

The measurement principles of the PAA differ from the 'earned premium approach' used by the Company under IFRS 4 in the following key areas:

- Measurement of the liability for incurred claims (previously claims outstanding and incurred-but-not- reported (IBNR) claims) is determined on a discounted probability-weighted expected value basis and includes an explicit risk adjustment for non-financial risk. The liability includes the Company's obligation to pay other incurred insurance expenses.
- Measurement of the asset for remaining coverage (reflecting reinsurance premiums paid for reinsurance held) is adjusted to include a loss-recovery component to reflect the expected recovery of onerous contract losses where such contracts reinsure onerous direct contracts.

The Company issues and holds the following insurance contracts and reinsurance contracts held that are accounted for using premium allocation approach under the following lines of business:

- Bonds
- Engineering
- Fire
- General Accident
- Liability
- Motor
- Marine

*Accounting policy choices*

The Company has an accounting policy choice to:

(a) include all insurance finance income or expenses (IFIE) for the period in the profit and loss; or

(b) disaggregate insurance finance income or expenses for the period to include in profit or loss an amount determined by a systematic allocation of the expected total IFIE over the duration of the group of contracts.

**5. New accounting policies** (continued)

IFRS 17 Insurance contracts (continued)

*Classification and measurement* (continued)

*Accounting policy choices (continued)*

The Company has decided to include all insurance finance income or expenses in profit and loss to ensure consistency in presentation across the financial statements.

For reinsurance contracts held the amounts relating to reinsurance premiums and reinsurance recoveries will be presented as part of the insurance service expense line item as a single net amount (net presentation).

*Presentation and disclosure*

For presentation in the statement of financial position, the Company aggregates insurance and reinsurance contracts issued and reinsurance contracts held, respectively and presents separately:

- Portfolios of insurance and reinsurance contracts issued that are assets
- Portfolios of insurance and reinsurance contracts issued that are liabilities
- Portfolios of reinsurance contracts held that are assets
- Portfolios of reinsurance contracts held that are liabilities

The portfolios referred to above are those established at initial recognition in accordance with the IFRS 17 requirements.

Portfolios of insurance contracts issued include any assets for insurance acquisition cash flows.

Under IFRS 17, the line-item descriptions in the statement of profit or loss and other comprehensive income are presented as follows;

- Insurance revenue
- Insurance service expenses
- Insurance finance income or expenses
- Income or expenses from reinsurance contracts held

The Company provides disaggregated qualitative and quantitative information about:

- Amounts recognised in its financial statements from insurance contracts.
- Significant judgements, and changes in those judgements, when applying the standard

**5. New accounting policies** (continued)

IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

The nature of the changes in accounting policies can be summarised, as follows:

*Classification and measurement*

To determine their 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 categories are:

- Financial assets at fair value through profit or loss, including equity instruments and derivatives.
- Debt instruments at fair value through other comprehensive income, with gains or losses recycled to profit or loss on derecognition
- Equity instruments at fair value through other comprehensive income (FVOCI), with no recycling of gains or losses to profit or loss on derecognition (not used by the Company).
- Financial instruments at amortised cost

The Company's classification of its financial assets is explained in Note 6c.

*Impairment calculation*

The adoption of IFRS 9 has fundamentally changed the accounting for impairment losses for debt instruments held at FVOCI or amortised cost with a forward-looking expected credit loss (ECL) approach.

IFRS 9 requires the Company to record an allowance for ECLs for all debt instruments not held at FVTPL.

For debt instruments, the ECL is based on the portion of lifetime ECLs (LTECL) that would result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination or purchase of the assets, the allowance is based on the full LTECL.

**5. New accounting policies** (continued)

IFRS 9 Financial Instruments (continued)

Impairment calculation (continued)

The Company considers an instrument to be in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider an instrument to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full.

The Company measures all its financial assets at amortised cost.

**6. Material accounting policies**

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

(a) Property and equipment

(i) Measurement

Property and equipment are measured at cost or deemed cost, less accumulated depreciation and impairment losses

(ii) Depreciation

Property and equipment with the exception of freehold land and work-in-progress, on which no depreciation is provided, are depreciated using the straight-line method at annual rates estimated to write-off the property and equipment over their estimated residual values at the end of their expected useful lives.

The annual depreciation rates are as follows:

| | |
|---|---|
| Buildings | 2½% |
| Leasehold improvements | 10% |
| Furniture, fixtures and equipment | 10% |
| Motor vehicles | 20% |
| Computers | 20% |
| Right-of-use assets | Over the lease term |

The depreciation methods, useful lives and residual values are reassessed annually at each reporting date and adjusted as appropriate.

**6. Material accounting policies** (continued)

(a) Property and equipment (continued)

(iii) Disposal

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Repairs and maintenance to these assets are charged to profit or loss during the financial period in which they are occurred.

(b) Financial assets

*Initial recognition*

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments.

Financial instruments are initially recognised on the trade date measured at their fair value. Except for financial assets recorded at FVTPL, transaction costs are added to this amount.

*Measurement categories*

The Company classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms. The categories include the following:

- Amortised cost
- Fair value through other comprehensive income (FVOCI)
- Fair value through profit or loss (FVTPL)

*Debt instruments measured at amortised cost*

Debt instruments are held at amortised cost if both of the following conditions are met:

- The instruments are held within a business model with the objective of holding the instrument to collect the contractual cash flows.
- The contractual terms of the debt instrument give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below.

*Business model assessment*

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

## 6. Material accounting policies (continued)

### (b) Financial assets (continued)

*Business model assessment* (continued)

The Company holds financial assets to generate returns and provide a capital base to provide for settlement of claims as they arise. The Company considers the timing, amount and volatility of cash flow requirements to support insurance liability portfolios in determining the business model for the assets as well as the potential to maximise return for shareholders and future business development.

The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios that is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Company's key management personnel.
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.
- The expected frequency, value and timing of asset sales are also important aspects of the Company's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

*SPPI Test*

As a second step of its classification process the Company assesses the contractual terms to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

## 6. Material accounting policies (continued)

### (b) Financial assets (continued)

*SPPI Test* (continued)

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.

*Financial assets measured at fair value through profit or loss*

Financial assets in this category are those that are managed in a fair value business model, or that have been designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. This category includes debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or both to collect contractual cash flows and sell.

*Subsequent measurement*

*Debt instruments at amortised cost*

After initial measurement, debt instruments are measured at amortised cost, using the effective interest rate (EIR) method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. ECLs are recognised in the statement of profit or loss when the investments are impaired.

*Debt instruments at fair value through other comprehensive income*

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost as explained above. The ECL calculation for debt instruments at FVOCI is explained in policies that follows below. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

**6. Material accounting policies** (continued)

(b) Financial assets (continued)

*Financial assets at fair value through profit or loss*

Financial assets at FVTPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit or loss. Interest earned on assets mandatorily required to be measured at FVTPL is recorded using contractual interest rate. Dividend income from equity instruments measured at FVTPL is recorded in profit or loss when the right to the payment has been established.

*Impairment of financial assets*

The Company recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the appropriate effective interest rate.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Company considers a financial asset to be in default (credit impaired) when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

## 6. Material accounting policies (continued)

(b) Financial assets (continued)

*Impairment of financial assets* (continued)

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI with a corresponding charge to profit or loss. The accumulated gain recognised in OCI is recycled to the profit or loss upon derecognition of the assets.

*Forward looking information*

In its ECL model, the Company relies on a broad range of forward-looking information as economic inputs such as GDP growth, unemployment rate and Central Bank rates. The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the reporting date. To reflect this, qualitative adjustment or overlays are occasionally made as temporary adjustments when such differences are significantly material.

*Securities purchased under resale agreements:*

Securities purchased under resale agreements ("reverse repos") are short-term transactions whereby an entity buys securities and simultaneously agrees to resell the securities on a specified date and at a specified price. Title to the security is not actually transferred unless the counterparty fails to comply with the terms of the contract. Reverse repos are accounted for as short-term collateralised lending, classified and measured at amortised cost.

The difference between the sale and repurchase considerations is recognised on an accrual basis over the period of the transaction and is included in interest income.

Any gain or loss on disposal of securities purchased under resale agreement is recognised in profit or loss.

**6. Material accounting policies** (continued)

(c) De-recognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognized financial asset that is create or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position if the Company currently has a legally enforceable right to offset the amounts and intends to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(d) Financial liabilities

*Initial recognition and subsequent measurement*

Financial liabilities are classified as FVTPL or at amortised cost.

The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value. The Company's financial liabilities include other payables and accrued charges due to group companies, lease liabilities and insurance liabilities. The Company has not designated any financial liabilities upon initial recognition as fair value through profit and loss.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

## 6. Material accounting policies (continued)

(e) Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 – *Related Party Disclosures* as the "reporting entity"). An entity is related to a reporting entity if any of the following conditions applies:

(a) A person or a close member of that person's family is related to a reporting entity if that person:

(i) has control or joint control over the reporting entity;

(ii) has significant influence over the reporting entity; or

(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity

(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

**6. Material accounting policies** (continued)

(e) Related parties (continued)

(b) An entity is related to a reporting entity if any of the following conditions applies (continued)

(vi) The entity is controlled, or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity or any member of a group which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

The Company has a related party relationship with its ultimate and intermediate holding companies and their subsidiaries, the directors of the Company and those of its holding companies, its key management personnel, companies with common directors, its subsidiary and pension plans established for the benefit of its employees. “Key management personnel” represents certain senior officers of the Company.

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances measured at amortised cost.

(g) Foreign currencies

Transactions in foreign currencies are converted at the rates of exchange ruling at the dates of those transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Trinidad and Tobago dollars at the rates of exchange ruling on that date. Gains and losses arising from fluctuations in exchange rates are recognised in profit or loss.

(h) Taxation

Taxation on profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income, in which case it is also recognised in other comprehensive income.

**6. Material accounting policies** (continued)

(h) Taxation (continued)

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

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the reporting date. For investment properties that are measured at fair value, the presumption that the carrying amount of the investment properties will be recovered through sale has not been rebutted.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

(i) Recognition of income

*(i) Insurance Revenue*

See note 6(k)

*(ii) Interest income*

Interest income comprises amounts calculated using the effective interest method and other methods. These are disclosed separately on the face of the income statement.

Other interest income includes interest on all financial assets measured at FVTPL, using the contractual interest rate.

The Company calculates interest income on financial assets, other than those considered credit-impaired, by applying the EIR to the gross carrying amount of the financial asset.

**6. Material accounting policies** (continued)

(i) Recognition of income (continued)

*(iii) Other investment income*

Dividend income is recognised when the irrevocable right to receive income is established. Usually this is the ex-dividend date for equity securities. Rental income from investment properties under operating leases is recognised in profit or loss on a straight-line basis over the term of each lease.

(j) Insurance and reinsurance contracts classification

The Company issues insurance contracts in the normal course of business, under which it accepts significant insurance risk from its policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits payable after an insured event with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk. The Company issues non-life insurance to individuals and businesses. These products offer protection of policyholder's assets and indemnification of other parties that have suffered damage as a result of a policyholder's accident.

The Company does not issue any contracts with direct participating features.

(k) Insurance and reinsurance contracts accounting treatment

*Separating components from insurance and reinsurance contracts*

The Company assesses its non-life insurance and reinsurance products to determine whether they contain distinct components which must be accounted for under another IFRS instead of under IFRS 17. After separating any distinct components, the Company applies IFRS 17 to all remaining components of the (host) insurance contract. Currently, the Company's products do not include any distinct components that require separation.

*Level of aggregation*

IFRS 17 requires a Company to determine the level of aggregation for applying its requirements. The level of aggregation for the Company is determined firstly by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together.

Portfolios are further divided based on expected profitability at inception into three categories: onerous contracts, contracts with no significant risk of becoming onerous, and the remainder. This means that, for determining the level of aggregation, the Company identifies a contract as the smallest 'unit', i.e., the lowest common denominator.

**6. Material accounting policies** (continued)

(k) Insurance and reinsurance contracts accounting treatment (continued)

*Level of aggregation* (continued)

However, the Company makes an evaluation of whether a series of contracts need to be treated together as one unit based on reasonable and supportable information, or whether a single contract contains components that need to be separated and treated as if they were stand-alone contracts. As such, what is treated as a contract for accounting purposes may differ from what is considered as a contract for other purposes (i.e., legal or management). IFRS 17 also requires that no group for level of aggregation purposes may contain contracts issued more than one year apart.

The profitability of groups of contracts is assessed by actuarial valuation models that take into consideration existing and new business. The Company assumes that no contracts in the portfolio are onerous at initial recognition unless facts and circumstances indicate otherwise. For contracts that are not onerous, the Company assesses, at initial recognition, that there is no significant possibility of becoming onerous subsequently by assessing the likelihood of changes in applicable facts and circumstance.

The Company considers facts and circumstances to identify whether a group of contracts are onerous based on:

- Pricing information
- Results of similar contracts it has recognised
- Environmental factors, e.g., a change in market experience or regulations

The Company divides portfolios of reinsurance contracts held applying the same principles set above, except that the references to onerous contracts refer to contracts on which there is a net gain on initial recognition. For some groups of reinsurance contracts held, a group can comprise a single contract.

*Recognition*

The Company recognises groups of insurance contracts it issues from the earliest of the following:

- The beginning of the coverage period of the group of contracts.
- The date when the first payment from a policyholder in the group is due or when the first payment is received if there is no due date.

**6. Material accounting policies** (continued)

(k) Insurance and reinsurance contracts accounting treatment (continued)

*Recognition* (continued)

- For a group of onerous contracts, if facts and circumstances indicate that the group is onerous.

The Company recognises a group of reinsurance contracts held it has entered into from the earlier of the following:

- The beginning of the coverage period of the group of reinsurance contracts held. However, the Company delays the recognition of a group of reinsurance contracts held that provide proportionate coverage until the date any underlying insurance contract is initially recognised, if that date is later than the beginning of the coverage period of the group of reinsurance contracts held and
- The date the Company recognises an onerous group of underlying insurance contracts if the Company entered into the related reinsurance contract held in the group of reinsurance contracts held at or before that date.

The Company adds new contracts to the group in the reporting period in which that contract meets one of the criteria set out above.

*Contract boundary*

The Company includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay the premiums, or in which the Company has a substantive obligation to provide the policyholder with insurance contract services.

A substantive obligation to provide insurance contract services ends when:

- The Company has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks; or

**6. Material accounting policies** (continued)

(k) Insurance and reinsurance contracts accounting treatment (continued)

*Contract boundary* (continued)

- Both of the following criteria are satisfied:
  - The Company has the practical ability to reassess the risks of the portfolio of insurance contracts that contain the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio.
  - The pricing of the premiums up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date.

A liability or asset relating to expected premiums or claims outside the boundary of the insurance contract is not recognised. Such amounts relate to future insurance contracts.

*Measurement - premium allocation approach*

| | **Adopted approach for IFRS 17** |
|---|---|
| Premium allocation approach (PAA) eligibility | Coverage period for all lines of business and reinsurance assumed is one year or less and so qualifies automatically for PAA. |
| Insurance acquisition cash flows for insurance contracts issued | For all lines of business, insurance acquisition cash flows are allocated to related groups of insurance contracts and amortised over the coverage period of the related group. |
| Liability for remaining coverage (LFRC), adjusted for financial risk and time value of money | For all lines of business, there is no allowance as the premiums are received within one year of the coverage period. |
| Liability for incurred claims, (LIC) adjusted for time value of money | For LIC, the estimates of future cash flows are adjusted using the current discount rates to reflect the time value of money and the financial risks related to those cash flows, to the extent not included in the estimates of cash flows. |
| Insurance finance income and expense | For all lines of business, the change in LIC as a result of changes in discount rates are captured within profit or loss. |

**6. Material accounting policies** (continued)

(k) Insurance and reinsurance contracts accounting treatment (continued)

*Insurance contracts – initial measurement*

The Company applies the premium allocation approach (PAA) to all the insurance contracts that it issues and reinsurance contracts that it holds, as:

- The coverage period of each contract in the group is one year or less, including insurance contract services arising from all premiums within the contract boundary; or
- For contracts longer than one year, the Company has modelled possible future scenarios and reasonably expects that the measurement of the liability for remaining coverage for the group containing those contracts under the PAA does not differ materially from the measurement that would be produced applying the general model. In assessing materiality, the Company has also considered qualitative factors such as the nature of the risk and types of its lines of business.

For a group of contracts that is not onerous at initial recognition, the Company measures the liability for remaining coverage as:

- The premiums, if any, received at initial recognition
- Minus any insurance acquisition cash flows at that date, with the exception of contracts which are one year or less where this is expensed,
- Plus or minus any amount arising from the derecognition at that date of the asset recognised for insurance acquisition cash flows and
- Any other asset or liability previously recognised for cash flows related to the group of contracts that the Company pays or receives before the group of insurance contracts is recognized.

There is no allowance for time value of money as the premiums are received within one year of the coverage period.

Where facts and circumstances indicate that contracts are onerous at initial recognition, the Company performs additional analysis to determine if a net outflow is expected from the contract. Such onerous contracts are separately grouped from other contracts and the Company recognises a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the Company for the liability for remaining coverage for such onerous group depicting the losses recognised.

**6. Material accounting policies** (continued)

(k) Insurance and reinsurance contracts accounting treatment (continued)

*Reinsurance contracts held – initial measurement*

The Company measures its reinsurance assets for a group of reinsurance contracts that it holds on the same basis as insurance contracts that it issues. However, they are adapted to reflect the features of reinsurance contracts held that differ from insurance contracts issued, for example the generation of expenses or reduction in expenses rather than revenue.

Where the Company recognises a loss on initial recognition of an onerous group of underlying insurance contracts or when further onerous underlying insurance contracts are added to a group, the Company establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the recovery of losses.

The Company calculates the loss-recovery component by multiplying the loss recognised on the underlying insurance contracts and the percentage of claims on the underlying insurance contracts the Company expects to recover from the group of reinsurance contracts held. The Company uses a systematic and rational method to determine the portion of losses recognised on the group to insurance contracts covered by the group of reinsurance contracts held where some contracts in the underlying group are not covered by the group of reinsurance contracts held.

The loss-recovery component adjusts the carrying amount of the asset for remaining coverage.

*Insurance contracts – subsequent measurement*

The Company measures the carrying amount of the liability for remaining coverage at the end of each reporting period as the liability for remaining coverage at the beginning of the period:

- Plus, premiums received in the period
- Minus insurance acquisition cash flows, with the exception of property insurance product line for which the Company chooses to expense insurance acquisition cash flows as they occur.
- Plus any amounts relating to the amortisation of the insurance acquisition cash flows recognised as an expense in the reporting period for the group
- Minus the amount recognised as insurance revenue for the services provided in the period

**6. Material accounting policies** (continued)

(k) Insurance and reinsurance contracts accounting treatment (continued)

*Insurance contracts – subsequent measurement* (continued)

The Company estimates the liability for incurred claims as the fulfilment cash flows related to incurred claims. The fulfilment cash flows incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows, they reflect current estimates from the perspective of the Company and include an explicit adjustment for non-financial risk (the risk adjustment).

Where, during the coverage period, facts and circumstances indicate that a group of insurance contracts is onerous, the Company recognises a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the Company for the liability for remaining coverage for such onerous group depicting the losses recognised.

Insurance acquisition cash flows are allocated on a straight-line basis as a portion of premium to profit or loss (through insurance revenue).

*Reinsurance contracts held – subsequent measurement*

The subsequent measurement of reinsurance contracts held follows the same principles as those for insurance contracts issued and has been adapted to reflect the specific features of reinsurance held.

Where the Company has established a loss-recovery component, the Company subsequently reduces the loss- recovery component to zero in line with reductions in the onerous group of underlying insurance contracts in order to reflect that the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the entity expects to recover from the group of reinsurance contracts held.

*Insurance acquisition cash flows*

Insurance acquisition cash flows arise from the costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs.

**6. Material accounting policies** (continued)

(k) Insurance and reinsurance contracts accounting treatment (continued)

*Insurance acquisition cash flows* (continued)

The Company uses a systematic and rational method to allocate:

(a) Insurance acquisition cash flows that are directly attributable to a group of insurance contracts:

(i) to that group; and

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

(b) Insurance acquisition cash flows directly attributable to a portfolio of insurance contracts that are not directly attributable to a group of contracts, to groups in the portfolio.

Where insurance acquisition cash flows have been paid or incurred before the related group of insurance contracts is recognised in the statement of financial position, a separate asset for insurance acquisition cash flows is recognised for each related group.

The asset for insurance acquisition cash flow is derecognised from the statement of financial position when the insurance acquisition cash flows are included in the initial measurement of the related group of insurance contracts.

At the end of each reporting period, the Company revises amounts of insurance acquisition cash flows allocated to groups of insurance contracts not yet recognised, to reflect changes in assumptions related to the method of allocation used.

If an impairment loss is recognised, the carrying amount of the asset is adjusted and an impairment loss is recognised in profit or loss.

The Company recognises in profit or loss a reversal of some or all of an impairment loss previously recognised and increases the carrying amount of the asset, to the extent that the impairment conditions no longer exist or have improved.

*Insurance contracts – modification and derecognition*

The Company derecognises insurance contracts when:

- The rights and obligations relating to the contract are extinguished (i.e., discharged, cancelled or expired); or
- The contract is modified such that the modification results in a change in the measurement model; or

**6. Material accounting policies** (continued)

(k) Insurance and reinsurance contracts accounting treatment (continued)

*Insurance contracts – modification and derecognition* (continued)

The Company derecognises insurance contracts when (continued):

- the applicable standard for measuring a component of the contract, substantially changes the contract boundary, or requires the modified contract to be included in a different group. In such cases, the Company derecognises the initial contract and recognises the modified contract as a new contract.

When a modification is not treated as a derecognition, the Company recognises amounts paid or received for the modification with the contract as an adjustment to the relevant liability for remaining coverage.

*Insurance revenue*

The insurance revenue for the period is the amount of expected premium receipts allocated to the period. The Company allocates the expected premium receipts to each period of insurance contract services on the basis of the passage of time. But if the expected pattern of release of risk during the coverage period differs significantly from the passage of time, then the allocation is made on the basis of the expected timing of incurred insurance service expenses.

The Company changes the basis of allocation between the two methods above as necessary, if facts and circumstances change. The change is accounted for prospectively as a change in accounting estimate.

For the periods presented, all revenue has been recognised on the basis of the passage of time.

*Insurance finance income and expense*

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

- The effect of the time value of money and changes in the time value of money; and
- The effect of financial risk and changes in financial risk.

*Net income or expense from reinsurance contracts held*

The Company presents net on the face of the statement of profit or loss the amounts expected to be recovered from reinsurers, and an allocation of the reinsurance premiums paid.

**6. Material accounting policies** (continued)

(k) Insurance and reinsurance contracts accounting treatment (continued)

*Net income or expense from reinsurance contracts held* (continued)

The Company treats reinsurance cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be reimbursed under the reinsurance contract held and excludes investment components and commissions from an allocation of reinsurance premiums presented on the face of the statement of profit or loss and other comprehensive income.

(m) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

*As a lessee*

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term.

In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

**6. Material accounting policies** (continued)

(m) Leases (continued):

*As a lessee* (continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

## 6. Material accounting policies (continued)

(m) Leases (continued):

*As a lessee* (continued)

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets and lease liabilities separately in the statement of financial position.

*Short-term leases and leases of low-value assets*

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and low-value assets. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(n) Share capital

Ordinary shares are classified as equity when there is no obligation to transfer cash or other assets. Transaction costs directly attributable to the issuance of shares are shown in equity as a deduction from the proceeds of the share issue.

(o) Impairment of 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 assets recoverable amount is estimated, and on impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

## 7. Cash and cash equivalents

Cash and cash equivalents include US$44,815.

## 8. Investment in securities

| | 2023<br>$'000 |
|---|---|
| Debt instruments at amortised cost: | |
| Government of Trinidad and Tobago | 4,977 |
| Certificate of deposits and reverse repurchase agreements | 11,100 |
| | 16,077 |

Investments, excluding interest receivable, are due from the reporting date as follows:

| | 2023<br>$'000 |
|---|---|
| Government of Trinidad and Tobago security: | |
| From 3 months to 1 year | 4,977 |
| Certificates of deposit and reverse repurchase agreements: | |
| Within 3 months | 2,214 |
| From 3 months to 1 year | 8,886 |
| | 11,100 |
| | 16,077 |

*(Expressed in thousands of Trinidad and Tobago dollars)*

## 9. Insurance and reinsurance contracts

(a) Insurance contract liabilities

Roll-forward of net asset or liability for insurance contracts issued showing the liability for remaining coverage and the liability for incurred claims is disclosed in the table below:

| | | Liability for incurred claims | | |
|---|---|---|---|---|
| | **Liability for remaining coverage** | **Estimates of the present value of future cash flows** | **Risk adjustment** | **Total** |
| **Period ended 2023** | **$'000** | **$'000** | **$'000** | **$'000** |
| Reinsurance contract assets, beginning of the period | 9,107 | 21,034 | 451 | 30,592 |
| Transfer from ICWI JA (Note 1) | | | | |
| **Changes in the statement of comprehensive profit or loss** | | | | |
| **Insurance revenue** | (28,997) | - | - | (28,997) |
| Insurance service expense: | | | | |
| Incurred claims and the other insurance service expenses | - | 20,557 | - | 20,557 |
| Insurance acquisition cash flows amortisation | 6,767 | - | - | 6,767 |
| Adjustments to liabilities for incurred claims | - | 131 | 414 | 545 |
| **Insurance service expenses** | 6,767 | 20,688 | 414 | 27,869 |
| **Insurance service result** | (22,230) | 20,688 | 414 | (1,128) |
| Net finance income from insurance contracts | - | 416 | - | 416 |
| **Total changes in statement of comprehensive income** | (22,230) | 21,104 | 414 | (712) |
| **Cash flows** | | | | |
| Premiums received | 30,533 | - | - | 30,533 |
| Claims and other insurance service expenses paid | - | (19,932) | - | (19,932) |
| Insurance acquisition cash flows amortisation | (3,456) | - | - | (3,456) |
| **Total cash flows** | 27,077 | (19,932) | - | 7,145 |
| **Net closing balance as at December 31, 2023** | 13,954 | 22,206 | 865 | 37,025 |

*(Expressed in thousands of Trinidad and Tobago dollars)*

## 9. Insurance and reinsurance contracts (continued)

(b) Reinsurance contract assets /liabilities (net)

The below table represents the reconciliation of changes in reinsurance contracts by remaining coverage and incurred claims.

| | Asset for remaining coverage | Asset for incurred claims: Estimate of the present value of future cash flow | Asset for incurred claims: Risk adjustment for non financial asset | Total |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| **Period ended 2023** | | | | |
| Transfer from ICWI JA (Note 1) | | | | |
| Reinsurance contract assets, beginning of the period | (5,346) | 19,882 | 226 | 14,762 |
| Reinsurance expense | (16,601) | - | - | (16,601) |
| Net income from reinsurance contracts | 6,405 | - | - | 6,405 |
| Recoveries on incurred claims and other incurred reinsurance service expense | - | 7,661 | 260 | 7,921 |
| **Net expenses from reinsurance contracts** | (10,196) | 7,661 | 260 | (2,275) |
| Net finance income from reinsurance contracts | - | 34 | - | 34 |
| **Total changes in the statement of comprehensive income** | (10,196) | 7,695 | 260 | (2,241) |
| **Cash flows** | | | | |
| Premiums paid | 11,592 | - | - | 11,592 |
| Amounts received from reinsurers relating to incurred claims | - | (9,281) | - | (9,281) |
| | 11,592 | (9,281) | - | 2,311 |
| **Net closing balance as at December 31, 2023** | (3,950) | 18,296 | 486 | 14,832 |

*(Expressed in thousands of Trinidad and Tobago dollars)*

## 10. Other accounts receivable and prepayments

| | **2023** <br> **$'000** |
|---|---|
| Prepayments | 276 |
| Due from financial institution | 840 |
| Other | 397 |
| | 1,513 |

Due from financial institution represents amount receivable for investments that matured during the year.

## 11. Related party balances/transactions

(a) The statement of financial position includes balances, arising in the ordinary course of business with related parties, as follows:

| | **2023** <br> **$'000** |
|---|---|
| **Due to group companies** | |
| Due to immediate parent: | |
| The Insurance Company of the West Indies Limited | 2,396 |

Related party balances are interest free, unsecured and are repayable on demand.

(b) Key management compensation

| | **2023** <br> **$'000** |
|---|---|
| Salaries and other benefits | 869 |

*(Expressed in thousands of Trinidad and Tobago dollars)*

## 12. Leases

The Company leases properties for its branch operations. The term of the leases run for the period of one (1) to five (5) years, with an option to renew after that date. Lease payments are renegotiated to reflect market rates.

The Company elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and/or short-term leases. Information about leases for which the Company is a lessee is presented below:

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

| | 2023<br>$'000 |
|---|---|
| Transferred from ICWI JA (Note 1) | 1,882 |
| Additions to right-of-use assets | 6,618 |
| De-recognition of right-of-use assets | (1,882) |
| Balance at December 31 | 6,618 |
| Transferred from ICWI JA (Note 1) | 1,307 |
| Depreciation charge for the period | 763 |
| Eliminated on de-recognition | ( 1,725) |
| Balance at December 31 | 345 |
| Carrying amount of right-of-use assets | 6,273 |

### (b) Lease liabilities

Maturity analysis – contractual undiscounted cash flows:

| | 2023<br>$'000 |
|---|---|
| Less than one year | 1,584 |
| One to five years | 6,060 |
| Total undiscounted lease liabilities at December 31 | 7,644 |
| Less: future interest expense | (1,332) |
| Carrying amount of lease liabilities | 6,312 |
| Current | 1,148 |
| Non-current | 5,164 |
| | 6,312 |

**12. Leases** (continued)

(c) Amount recognised in profit or loss

| | **2023** **$'000** |
|---|---|
| Interest expense on lease liabilities | 106 |
| Expenses relating to lease of low-value assets (note 18) | 439 |

Amounts recognised in the statement of cash flows

| | **2023** **$'000** |
|---|---|
| Total cash outflow for leases | 886 |

(d) Extension options

Certain property leases includes extension options exercisable by the Company up to one year before the end of the non-cancellable contract period. Where practicable, the Company seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Company and not by the lessors. The Company assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

*(Expressed in thousands of Trinidad and Tobago dollars)*

## 13. Property and equipment

| | Land, buildings and leasehold improvement | Furniture, fixtures, equipment and computers | Motor vehicles | Work-in-progress | Total |
|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| At cost or deemed cost: | | | | | |
| February 1, 2023 | | | | | |
| Transfer from ICWI JA (Note 1) | 7,721 | 1,977 | 907 | - | 10,605 |
| Additions | 116 | 44 | - | 52 | 212 |
| Disposals | - | (13) | (163) | - | (176) |
| December 31 2023 | 7,837 | 2,008 | 744 | 52 | 10,641 |
| Depreciation: | | | | | |
| February 1, 2023 | | | | | |
| Transfer from ICWI JA (Note 1) | 979 | 1,409 | 719 | - | 3,107 |
| Charge for the period | 111 | 157 | 100 | - | 368 |
| Eliminated on disposals | - | (4) | (163) | - | (167) |
| December 31 2023 | 1,090 | 1,562 | 656 | - | 3,308 |
| Net book values: | | | | | |
| December 31 2023 | 6,747 | 446 | 88 | 52 | 7,333 |

## 14. Other payables and accrued charges

| | 2023 |
|---|---|
| | $'000 |
| Accrued charges | 1,078 |
| Other payables | 791 |
| | 1,869 |

*(Expressed in thousands of Trinidad and Tobago dollars)*

## 15. Share Capital

| | 2023 | |
|---|---|---|
| | **$'000** | **Number of shares** |
| Stated capital: | | |
| In issue at December 31 – fully paid ordinary shares of no par value | 15,000 | 15,000 |

There is no maximum limit to the authorised shares that the Company can issue.

## 16. Income from financial instruments

| | **2023 $'000** |
|---|---|
| Interest income | 158 |

## 17. Other income

| | **2023 $'000** |
|---|---|
| Credit balances and other deposits written off | 10 |
| Other | 86 |
| | 96 |

## 18. Operating expenses

| | **2023 $'000** |
|---|---|
| Claims and benefits | 14,451 |
| Fees and commissions | 6,767 |
| Staff cost | 3,946 |
| Audit and accounting fees | 388 |
| Legal and professional fees | 321 |
| Office rental [note 12(c)] | 439 |
| Repairs and maintenance | 448 |
| Other administrative expenses | 2,680 |
| Interest expense on lease liabilities [note 12(c)] | 106 |
| Depreciation - Property and equipment (note 13) | 368 |
| - Right-of-use assets (note 12) | 763 |
| | 30,677 |
| Represented by: | |
| Insurance service expenses [Note 9(a)] | 28,285 |
| Other operating expenses | 2,392 |
| | 30,677 |

*(Expressed in thousands of Trinidad and Tobago dollars)*

## 19. Taxation

(a) Taxation is based on the profit for the period adjusted for tax purposes and is made up as follows:

| | **2023** **$'000** |
|---|---:|
| Deferred tax | 41 |
| Business levy | 117 |
| | 158 |

(b) Reconciliation of expected tax expense and actual tax expense

The actual tax expense differed from the "expected" tax expense for the period as follows:

| | **2023** **$'000** |
|---|---:|
| Loss before taxation | (3,664) |
| Tax at the statutory rate of 30% | (1,099) |
| Tax effect of expenses not allowable and exempt income | (48) |
| Business levy | 117 |
| Tax losses not recognised | 1,147 |
| Deferred tax [note 19(c)] | 41 |
| | 158 |

*(Expressed in thousands of Trinidad and Tobago dollars)*

**19. Taxation** (continued)

(c) Deferred tax liability is attributable to the following

| | Recognised in profit or loss $'000 | Total $'000 |
|---|---|---|
| Property and equipment | (43) | (43) |
| Other accounts receivables and prepayments | (9) | (9) |
| Net lease liabilities | 11 | 11 |
| | ( 41) | ( 41) |

As of December 31, 2023, the Company had estimated unutilised tax losses to carry forward of $3,824,000. No deferred tax asset had been recognised on the unutilised tax losses.

## 20. Insurance risk management

The Company's management of insurance risk is a critical aspect of the business. The primary insurance activity carried out by the Company is the transfer of risk from persons or entities that are directly subject to the risk, by means of the sale of insurance policies. As such, the Company is exposed to uncertainty surrounding the timing, frequency and severity of claims under these policies.

The principal types of policy written by the Company are as follows:

Motor insurance
Property insurance
Liability insurance

The Company manages its insurance risk through its underwriting policy that includes, *inter alia*, authority limits, approval procedures for transactions that exceed set limits, pricing guidelines and the centralised management of reinsurance.

The Company actively monitors insurance risk exposures both for individual and portfolio types of risks. These methods include internal risk measurement, portfolio modelling and scenario analyses.

## 20. Insurance risk management (continued)

*Underwriting strategy:*

The Company seeks to underwrite a balanced portfolio of risks at rates and terms that will produce underwriting results consistent with its long-term objectives.

The Board of Directors approves the underwriting strategy which is set out in an annual business plan and management is responsible for the attainment of the established objectives.

*Reinsurance strategy:*

The Company reinsures a portion of the risks it underwrites in order to protect capital resources and to limit its exposure to variations in the projected frequency and severity of losses.

Ceded reinsurance includes credit risk, and the Company monitors the financial condition of reinsurers on an ongoing basis and reviews its reinsurance arrangements periodically. The Board of Directors is responsible for setting the minimum security criteria for accepting reinsurance and monitoring the purchase of reinsurance against those criteria. They also monitor its adequacy on an ongoing basis. Credit risk on reinsurance is addressed in more detail in note 21.

## 20. Insurance risk management (continued)

Terms and conditions of general insurance contracts:

The table below provides an overview of the terms and conditions of general insurance contracts written by the Company and the key factors upon which the timing and uncertainty of future cash flows of these contracts depend.

| Type of contract | Terms and conditions | Key factors affecting future cash flows |
|---|---|---|
| Motor | Motor insurance contracts provide cover in respect of policyholders' motor vehicles and their liability to third parties in respect of damage to property and injury. The exposure on motor insurance contracts is normally limited to the market value of the vehicle and policy limits in respect of third party damage and bodily injury. | In general, claims reporting lags are minor and claim complexity is relatively low. The frequency of claims is affected by excessive speeding, the condition of the road network, failure by some motorists to obey traffic signals and an overall increase in the incidence of motor vehicle theft. The number of claims is also correlated with economic activity, which also affects the amount of traffic activity.<br><br>Although majority of bodily injury claims have a relatively long tail, the majority of the claims incurred by the Company are settled in the short term. In general, these claims involve higher estimation uncertainty. |
| Property | Property insurance indemnifies, subject to any limits or excesses, the policyholders against the loss or damage to their own material property and business interruption arising from this damage. | The risk on any policy varies according to many factors such as location, safety measures in place and the age of the property.<br><br>The event giving rise to a claim for damage to buildings or contents usually occurs suddenly (as for fire and burglary) and the cause is easily determinable. Therefore, claims are generally notified promptly and can be settled without delay (property business is therefore classified as "short-tailed" and expense deterioration and investment return is of less importance in estimating provisions).<br><br>The cost of repairing or rebuilding assets, of replacement or indemnity for contents and the time taken to restart or resume operations to original levels for business interruption losses are the key factors influencing the level of claims under these policies. |

**20. Insurance risk management** (continued)

Terms and conditions of general insurance contracts (continued):

| Type of contract | Terms and conditions | Key factors affecting future cash flows |
|---|---|---|
| Liability | Under these contracts, compensation is paid for injury suffered by individuals, including employees or members of the public. The main liability exposures are in relation to bodily injury. | The timing of claim reporting and settlement is a function of factors such as the nature of the coverage and the policy provisions.<br><br>Although majority of bodily injury claims have a relatively long tail, the majority of the claims incurred by the Company are settled in the short term. In general, these claims involve higher estimation uncertainty. |

Motor contracts:

The risks relating to motor contracts are managed primarily through the pricing process and reinsurance. The Company monitors and reacts to changes in trends of injury awards, litigation and frequency of claims.

Property contracts:

The risks relating to property contracts are managed primarily through the pricing process and reinsurance. The Company uses strict underwriting criteria to ensure that the risk of losses is acceptable. Furthermore, the Company accepts property insurance risks for one year so that each contract can be re-priced on renewal to reflect the continually evolving risk profile.

Liability contracts:

Risks arising from liability insurance are managed primarily through pricing, product design, risk selection, adopting an appropriate investment strategy, rating and reinsurance. The Company monitors and reacts to changes in the general economic and commercial environment in which it operates to ensure that only liability risks which meet its criteria for profitability are underwritten. In pricing contracts, the Company makes assumptions that costs will increase in line with the latest available financial and actuarial forecasts.

*(Expressed in thousands of Trinidad and Tobago dollars)*

**20. Insurance risk management** (continued)

Liability contracts: (continued)

The following tables show the concentration of net insurance contract liabilities by type of contract:

| | Insurance contracts liabilities $'000 | Reinsurance contract asset $'000 | Net $'000 |
|---|---|---|---|
| Motor | (36,070) | 14,474 | (21,596) |
| Bonds | (909) | 410 | (499) |
| Liability | (36) | (16) | (52) |
| Other insurance issued | (10) | (36) | (46) |
| **Total net insurance contracts** | (37,025) | 14,832 | (22,193) |

*Sensitivities*

The liability for incurred claims is sensitive to the key assumptions in the table below. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

The following sensitivity analysis shows the impact on gross and net liabilities, profit before tax and equity for reasonably possible movements in key assumptions with all other assumptions held constant. The correlation of assumptions will have a significant effect in determining the ultimate impacts, but to demonstrate the impact due to changes in each assumption, assumptions have been changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

## 20. Insurance risk management (continued)

Sensitivities (continued)

The method used for deriving sensitivity information and significant assumptions did not change from the previous period.

| | Increase (decrease) in profit or loss before taxation |
|---|---|
| | **2023** |
| | **$'000** |
| Ultimate claims 10% increase | 1,048 |
| Ultimate claims 10% decrease | (1,048) |

### Claims development table

The following tables show the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each reporting date, together with cumulative payments to date.

As required by IFRS 17, in setting claims provisions, the Company gives consideration to the probability and magnitude of future experience being more adverse than assumed which is reflected in the risk adjustment. In general, the uncertainty associated with the ultimate cost of settling claims is greatest when the claim is at an early stage of development. As claims develop, the ultimate cost of claims becomes more certain.

*(Expressed in thousands of Trinidad and Tobago dollars)*

## 20. Insurance risk management (continued)

**Claims development table** (continued)

*Gross undiscounted liabilities for incurred claims for 2023*

| | 2023<br>$'000 |
|---|---|
| **Gross reinsurance** | |
| Estimates of undiscounted gross cumulative claims at the end of accident period | 37,668 |
| Cumulative gross claims paid | (12,865) |
| | 24,803 |
| Effect of discounting | (1,732) |
| Gross liabilities for incurred claims included in the Statement of Financial Position | 23,071 |

*Net undiscounted liabilities for incurred claims for 2023*

| | 2023<br>$'000 |
|---|---|
| **Net of reinsurance** | |
| Estimates of undiscounted net cumulative claims at the end of accident period | 17,313 |
| Cumulative net claims paid | (6,070) |
| | 11,243 |
| Effect of discounting | (760) |
| Net liabilities for incurred claims included in the Statement of Financial Position | 10,483 |

## 21. Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

Credit risk
Liquidity risk
Market risk

*Risk management framework*

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk and the Company's management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's financial risk management framework. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The focus of financial risk management for the Company is ensuring that the proceeds from its financial assets are sufficient to fund the obligations arising from its insurance and investment contracts. The goal of the investment management process is to optimise the net of taxes, risk- adjusted investment income and risk-adjusted total return by investing in a diversified portfolio of securities, whilst ensuring that the assets and liabilities are managed on a cash flow and duration basis.

The asset/liability matching process is largely influenced by estimates of the timing of payments required in terms of insurance. These estimates are re-evaluated on a regular basis. There are also criteria for ensuring the matching of assets and liabilities as investment markets change.

Firstly, the risk is managed through the establishment of an appropriate underwriting strategy and its implementation by means of the Company's underwriting policy.

Secondly, the risk is managed through the use of reinsurance. The Company arranges proportional reinsurance at the risk level and purchases excess of loss covers for motor, property and liability business. The Company assesses the costs and benefits associated with the reinsurance programme on a regular basis.

(a) Credit risk

Credit risk is the risk that one party to a financial instrument, insurance contract issued in an asset position or reinsurance contract held will cause a financial loss for the other party by failing to discharge an obligation.

**21. Financial risk management** (continued)

(a) Credit risk (continued)

The Company's key areas of exposure to credit risk include:

- debt securities and cash and cash equivalents;
- reinsurers' share of insurance liabilities (components of reinsurance contract assets);
- amounts due from reinsurers in respect of payments already made to policyholders; and
- amounts due from related parties

*Management of credit risk*

The Company manages its credit risk in respect of debt securities by placing limits on its exposure to a single counterparty, by reference to information available in the market place relating to the financial standing of the counterparty. The Company has a policy of investing only in high quality corporate bonds and government issued debts.

The Company operates a policy to manage its reinsurance counterparty exposures. The Company assesses the credit worthiness of all reinsurers by reviewing public rating information and from internal investigations. The impact of reinsurer default is measured regularly and managed accordingly.

Cash and Cash equivalents is managed in line with the Company's policy. Cash and Cash equivalents are subject to the impairment requirements of IFRS 9, however these are assessed to have little or no impairment loss due to the reputable financial institutions in which they are held. Excess funds are invested for short periods of time, depending on the Company's cash flow requirements. These surplus funds are placed with approved financial institutions with no concentration of funds being at any specific counterparty and thereby mitigating potential financial loss.

All related party transactions are pre-authorised and approved by management during the budgeting process and subsequently in the normal course of business.

Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year by the board of directors and are subject to regular reviews. At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy.

*(Expressed in thousands of Trinidad and Tobago dollars)*

**21. Financial risk management** (continued)

(a) Credit risk (continued)

Management of credit risk (continued)

The credit risk in respect of customer balances incurred on non–payment of premiums will only persist during the grace period specified in the policy document. Commission paid to intermediaries is netted off against amounts receivable from them to reduce the risk of default.

(i) Exposure to credit risk

The table below provides information regarding the credit risk exposure of the Company. The amounts represent the maximum amount exposure to credit risk. The credit risk analysis below is presented in line with how the Company manages the risk. The Company manages its credit exposure based on the carrying value of the financial instruments and insurance and reinsurance contract assets.

| | **2023**<br>**$'000** |
|---|---|
| Cash and cash equivalents | 12,759 |
| Investment securities | 16,077 |
| Due from financial institution | 840 |
| Reinsurance contract assets | 14,832 |
| Total credit risk exposure | 44,508 |

*Credit exposure by credit rating*

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit ratings of counterparties:

| | **2023** | | | |
|---|---|---|---|---|
| | **AA-**<br>**$'000** | **Ba2**<br>**$'000** | **Not rated**<br>**$'000** | **Total**<br>**$'000** |
| Cash and cash equivalents | - | - | 12,759 | 12,759 |
| Investment securities | - | 16,077 | - | 16,077 |
| Due from financial institution | - | - | 840 | 840 |
| Reinsurance contract assets | 14,832 | - | - | 14,832 |
| | 14,832 | 16,077 | 13,599 | 44,508 |

**21. Financial risk management** (continued)

(a) Credit risk (continued):

Management of credit risk (continued)

(i) Exposure to credit risk (continued)

The Company actively manages its product mix to ensure that there is no significant concentration of credit risk.

The Company has no financial assets or reinsurance assets that would have been past due or impaired, whose terms have been renegotiated.

The Company does not hold any collateral as security or any credit enhancements, credit derivatives and netting arrangements that do not qualify for offset.

The Company's ECL assessment and measurement method is set out below.

(ii) Impairment assessment

*Significant increase in credit risk, default and cure*

The Company continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12 months ECL (12mECL) or Lifetime ECL (LTECL). The Company assesses whether there has been a significant increase in credit risk since initial recognition.

The Company considers that there has been a significant increase in credit risk when any contractual payments are more than 30 days past due. In addition, the Company also considers a variety of instances that may indicate unlikeliness to pay by assessing whether there has been a significant increase in credit risk.

**21. Financial risk management** (continued)

(a) Credit risk (continued):

Management of credit risk (continued)

(ii) Impairment assessment (continued)

*Significant increase in credit risk, default and cure* (continued)

Such events include:

- Internal rating of the counterparty indicating default or near-default.
- The counterparty having past due liabilities to public creditors or employees.
- The counterparty (or any legal entity within the debtor's group) filing for bankruptcy application/protection.
- Counterparty's listed debt or equity suspended at the primary exchange because of rumours or facts about financial difficulties.

The Company considers a financial instrument defaulted and, therefore, credit-impaired for ECL calculations in all cases when the counterparty becomes 90 days past due on its contractual payments. The Company may also consider an instrument to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full. In such cases, the Company recognises a lifetime ECL.

There has been no significant increase in credit risk or default for financial assets during the year.

*Expected credit loss*

The Company assesses the possible default events within 12 months for the calculation of the 12m ECL. Given the investment policy, the probability of default for new instruments acquired is generally determined to be minimal and the expected loss given default ratio assumed to be 100%. In rare cases where a lifetime ECL is required to be calculated, the probability of default is estimated based on economic scenarios.

## 21. Financial risk management (continued)

(a) Credit risk (continued):

Management of credit risk (continued):

(iii) Impairment losses on financial assets subject to impairment assessment

There were no ECLs recognised on financial assets recognised at amortised costs for the period ended December 31, 2023.

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations from its financial and insurance liabilities. The Company is exposed to daily calls on its available cash resources mainly from claims arising from insurance contracts. Liquidity risk may arise from a number of potential areas, such as a duration mismatch between assets and liabilities and unexpectedly high levels of claims.

Management of liquidity risk

The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation. Consequently, the Company invests in marketable securities that can be readily realised as its obligations under insurance contracts fall due and in the event of reasonably foreseeable abnormal circumstances. The Company also manages this risk by keeping a substantial portion of its financial assets in liquid form, in accordance with regulatory guidelines.

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*(Expressed in thousands of Trinidad and Tobago dollars)*

**21. Financial risk management** (continued)

(b) Liquidity risk (continued)

Management of liquidity risk (continued)

*Maturity profiles*

The following table summarises the maturity profile of financial liabilities of the Company:

| | 2023 | | | |
|---|---|---|---|---|
| | **Carrying amount** | **Up to 1year** | **1-5 years** | **Total** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| **Financial Assets** | | | | |
| Cash and cash equivalents | 12,759 | 12,759 | - | 12,759 |
| Investment securities | 16,077 | 16,077 | - | 16,077 |
| Accrued investment income | 34 | 34 | - | 34 |
| Due from financial institution | 840 | 840 | - | 840 |
| Reinsurance contract assets | 14,832 | 14,832 | - | 14,832 |
| | 44,542 | 44,542 | - | 44,542 |
| **Financial liabilities** | | | | |
| Insurance contract liabilities | 37,025 | 37,025 | - | 37,025 |
| Other payables and accrued charges | 1,869 | 1,869 | - | 1,869 |
| Due to group companies | 2,396 | 2,396 | - | 2,396 |
| Lease liabilities | 6,312 | 1,584 | 6,060 | 7,644 |
| **Total financial liabilities** | 47,602 | 42,874 | 6,060 | 48,934 |
| Net gap | (3,060) | 1,668 | (6,060) | (4,392) |

(c) Market risk:

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the value of the Company's assets, the amount of its liabilities and/or the Company's income. Market risk arises in the Company due to fluctuations in the value of liabilities and the value of investments held. The Company is exposed to market risk on all of its financial assets.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

**21. Financial risk management** (continued)

(c) Market risk (continued):

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the value of the Company's assets, the amount of its liabilities and/or the Company's income. Market risk arises in the Company due to fluctuations in the value of liabilities and the value of investments held. The Company is exposed to market risk on all of its financial assets.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Management of market risk

The Investment Committee manages market risk in accordance with its asset/liability management framework. The Committee reports regularly to the Board of Directors on its activities. For each of the major components of market risk the Company has policies and procedures in place which detail how each risk should be managed and monitored. The management of each of these major components of major risk and the exposure of the Company at the reporting date to each major risk are addressed below.

(i) Interest rate risk

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the Company to cash flow interest risk, whereas fixed interest rate instruments expose the Company to fair value interest rate risk.

The Company manages its interest rate risk by matching, where possible, the duration and profile of assets and liabilities to minimise the impact of mismatches between the value of assets and liabilities from interest rate movements.

Interest-bearing financial assets are primarily represented by relatively short term investments, which have been contracted at fixed interest for the duration of the term.

**21. Financial risk management** (continued)

(c) Market risk: (continued)

Management of market risk (continued)

(i) Interest rate risk (continued)

At the reporting date the interest profile of the Company's interest-bearing financial instruments was:

At the reporting date the interest profile of the Company's interest-bearing financial instruments was:

| | 2023 $'000 |
|---|---|
| Fixed rate instruments: | |
| Financial assets | 16,077 |

*Fair value sensitivity analysis for fixed rate instruments*

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

(ii) Foreign currency risk:

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Company incurs foreign currency risk on transactions that are denominated in a currency other than the Trinidad and Tobago. The currency giving rise to this risk is primarily the United States dollar. See note 7 for amount denominated in foreign currency.

The Company's exposure to the United States dollar is considered immaterial due to the limited amount of transactions done in this currency and the amount of assets and liabilities held in this currency as at the period end.

## 21. Financial risk management (continued)

(d) Operational risk

Operational risk is the risk of loss arising from system failure human error fraud or external events. When controls fail to perform operational risks can cause damage to reputation have legal or regulatory implications or can lead to financial loss. The Company cannot expect to eliminate all operational risks but by initiating a rigorous control framework and by monitoring and responding to potential risks the Company is able to manage the risks. Controls include effective segregation of duties access controls authorisation and reconciliation procedures staff education and assessment processes including the use of internal audit. Business risks such as changes in environment technology and the industry are monitored through the Company's strategic planning and budgeting process

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to its reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The primary responsibility for the development and implementation of controls to address operational risk is assigned to the Company's senior management team.

(e) Capital risk management

Capital risk is the risk that the Company fails to comply with mandated regulatory requirements resulting in a breach of its minimum asset ratios and the possible suspension or loss of its license (see note 2). The Company's objectives when managing capital which is a broader concept than the 'equity' on the face of the statement of financial position are:

- To comply with the capital requirements set by the regulators
- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for the shareholder and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

## 22 Fair value of financial instruments

Fair value amounts represent estimates of the arm's length consideration that would currently be agreed between knowledgeable willing parties who are under no compulsion to act and is best evidenced by a quoted market price if one exists. Where quoted market prices are not available the fair values of these instruments have been determined using a generally accepted alternative method.

The fair values of financial assets and financial liabilities are broadly equivalent to the carrying amount shown in the statement of financial position.