REPUBLIC LIFE INSURANCE COMPANY LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

SEPTEMBER 30, 2022

Ernst & Young Services Limited

REPUBLIC LIFE INSURANCE COMPANY LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2022

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Ernst & Young Services Limited
P.O. Box 158
5/7 Sweet Briar Road
St. Clair, Port of Spain
Trinidad

Tel: +1 868 628 1105
Fax: +1 868 622 1153
www.ey.com

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDER OF REPUBLIC LIFE INSURANCE COMPANY LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Republic Life Insurance Company Limited ("the Company"), which comprise the statement of financial position as at September 30, 2022, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2022 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' ("IESBA") International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and the Board of Directors for the Financial Statements

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

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

Management and the Board of Directors are responsible for overseeing the Company's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDER OF REPUBLIC LIFE INSURANCE COMPANY LIMITED

Report on the Audit of the Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgement 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDER OF REPUBLIC LIFE INSURANCE COMPANY LIMITED

Report on the Audit of the Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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

We communicate with the Board of Directors 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.

EY

Port of Spain
TRINIDAD
November 30, 2022

REPUBLIC LIFE INSURANCE COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2022
Expressed in thousands of Trinidad and Tobago dollars ($'000)

	Notes	2022	2021
ASSETS			
Investment securities	4	29,223	–
Reinsurance assets	13	14,483	–
Other assets		467	–
Treasury bills		3,373	–
Due from banks	13	620	20,000
TOTAL ASSETS		**48,166**	**20,000**
LIABILITIES & EQUITY			
LIABILITIES			
Provision for future policy benefits	5	27,029	–
Other policyholders' liabilities	6	760	–
Other payables		504	–
Provision for taxation		31	–
TOTAL LIABILITIES		**28,324**	**–**
EQUITY			
Stated capital	7	20,000	20,000
Retained deficit		(158)	–
TOTAL EQUITY		**19,842**	**20,000**
TOTAL LIABILITIES & EQUITY		**48,166**	**20,000**

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

These financial statements were approved by the Board of Directors on November 28, 2022 and signed on its behalf by:

:Director :Director

REPUBLIC LIFE INSURANCE COMPANY LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED SEPTEMBER 30, 2022
Expressed in thousands of Trinidad and Tobago dollars ($'000)

	Notes	2022	2021
REVENUE			
Gross premium income		34,150	–
Premiums ceded to reinsurers	13	(19,532)	–
Net premium income		**14,618**	**–**
Investment income	8	537	–
Other income	9, 13	4,590	–
Total revenue		19,745	–
POLICYHOLDERS' EXPENSES			
Provision for future policy benefits	5	27,029	–
Policyholders' benefits		2,099	–
Policyholders' expenses ceded		(15,583)	–
Total policyholders' expenses		13,545	–
EXPENSES			
Administrative expenses	13	2,479	–
Communication and marketing		92	–
Professional fees		2,410	–
Other		1,237	–
Total expenses		6,218	–
Loss before taxation		**(18)**	–
Taxation	10	(140)	–
Total comprehensive loss for the year, net of tax		**(158)**	**–**

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

REPUBLIC LIFE INSURANCE COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED SEPTEMBER 30, 2022
Expressed in thousands of Trinidad and Tobago dollars ($'000)

	Stated capital	Retained deficit	Total equity
Issue of shares	20,000	–	20,000
Total comprehensive income for the year	–	–	–
Balance at September 30, 2021	20,000	–	20,000
Total comprehensive loss for the year	–	(158)	(158)
Balance at September 30, 2022	**20,000**	**(158)**	**19,842**

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

REPUBLIC LIFE INSURANCE COMPANY LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2022
Expressed in thousands of Trinidad and Tobago dollars ($'000)

	Notes	2022	2021
Operating activities			
Loss before taxation		(18)	–
Adjustments for:			
Interest income	8	(537)	–
Changes in:			
Other assets		(248)	–
Reinsurance assets	13	(14,483)	–
Other payables		535	–
Other policyholders' liabilities	6	760	–
Provision for future policy benefits	5	27,029	–
Taxes paid		(110)	–
Cash generated from operating activities		**12,928**	**–**
Investing activities			
Acquisition of investment securities		(47,382)	–
Proceeds from sale and maturities of investment securities		14,756	–
Interest received		318	–
Cash used in investing activities		**(32,308)**	**–**
Financing activities			
Proceeds from share issue		–	20,000
Cash provided by financing activities		**–**	**20,000**
Net (decrease)/increase in cash and cash equivalents		(19,380)	20,000
Cash and cash equivalents at beginning of year		20,000	–
Cash and cash equivalents at end of year		**620**	**20,000**

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

1. Corporate information

Republic Life Insurance Company Limited ('the Company'), a wholly owned subsidiary of Republic Financial Holdings Limited, was incorporated on December 10, 2020, under the laws of the Republic of Trinidad and Tobago, under the name Republic Evolve Limited. The Company was set up for the purpose of applying for an insurance license for domestic operations. An insurance license was subsequently issued on August 16, 2021 under Section 25 of the Insurance Act, 2018 as a long-term insurance company to conduct the life insurance class of business only. The Company's name was subsequently amended on September 15, 2021 from Republic Evolve Limited to Republic Life Insurance Company Limited. The Company started writing business on January 10, 2022. The registered office is located at 9-17 Park Street, Port of Spain.

Republic Financial Holdings Limited, the financial holding company for the Republic Group and the ultimate Parent of the Company, is incorporated in the Republic of Trinidad and Tobago and its registered office is located at Republic House, 9-17 Park Street, Port of Spain. Republic Financial Holdings Limited is listed on the Trinidad and Tobago Stock Exchange.

2. Significant accounting policies

These financial statements provide information on the accounting estimates and judgements made by the Company. These estimates and judgements are reviewed on an ongoing basis. The continued impact of the COVID-19 pandemic, in addition to global economic uncertainty exacerbated by the Ukraine/Russia war has increased the estimation in the preparation of these financial statements. The estimation uncertainty is associated with:

- the extent and duration of disruption to business as a result of actions from consumers,
- the extent and duration of the expected economic downturn in the economies in which we operate. This includes forecasts for economic growth, unemployment, interest rates and inflation.

The Company has formed estimates based on information available on September 30, 2022, which was deemed to be reasonable in forming these estimates. The actual economic conditions may be different from the estimates used and this may result in differences between the accounting estimates applied and the actual results of the Company for future periods.

The principal accounting policies applied in the preparation of these financial statements are set out below.

2. Significant accounting policies (continued)

2.1 Basis of preparation

The financial statements of the Company are prepared in accordance with International Financial Reporting Standards (IFRS), and are stated in Trinidad and Tobago Dollars. These financial statements have been prepared on a historical cost basis. The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions. Actual results could differ from those estimates. Significant accounting judgements, estimates and assumptions in applying the Company's accounting policies have been described in Note 3.

2.2 Changes in accounting policies

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended September 30, 2021, except for the adoption of new standards and interpretations below.

Several amendments and interpretations apply for the first time in 2022, but do not have any impact on the financial statements of the Company. These are also described in more detail below. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Interest Rate Benchmark Reform - Phase 2 - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (effective January 1, 2021)

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

The amendments include a practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating rate, equivalent to a movement in a market rate of interest. Inherent in allowing the use of this practical expedient is the requirement that the transition from an IBOR benchmark rate to an RFR takes place on an economically equivalent basis with no value transfer having occurred.

2. **Significant accounting policies** (continued)

2.2 **Changes in accounting policies** (continued)

Interest Rate Benchmark Reform - Phase 2 - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (effective January 1, 2021) (continued)

The amendments are mandatory, with earlier application permitted. Hedging relationships must be reinstated if the hedging relationship was discontinued solely due to changes required by IBOR reform and it would not have been discontinued if the phase two amendments had been applied at that time. While application is retrospective, an entity is not required to restate prior periods.

These amendments had no impact on the financial statements of the Company. The Company intends to use the practical expedients in future periods if they become applicable.

2.3 **Standards in issue not yet effective**

The following is a list of standards and interpretations that are not yet effective up to the date of issuance of the Company's financial statements. These standards and interpretations will be applicable to the Company at a future date and will be adopted when they become effective. The Company is currently assessing the impact of adopting these standards and interpretations.

IAS 37 Provisions, Contingent Liabilities and Contingent Assets - Amendments to IAS 37 (effective January 1, 2022)

The amendments apply a 'directly related cost approach'. The costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

2. Significant accounting policies (continued)

2.3 Standards in issue not yet effective (continued)

IAS 37 Provisions, Contingent Liabilities and Contingent Assets - Amendments to IAS 37 (effective January 1, 2022) (continued)

The amendments must be applied prospectively to contracts for which an entity has not yet fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Earlier application is permitted and must be disclosed.

The amendments are intended to provide clarity and help ensure consistent application of the standard. Entities that previously applied the incremental cost approach will see provisions increase to reflect the inclusion of costs related directly to contract activities, whilst entities that previously recognised contract loss provisions using the guidance from the former standard, IAS 11 Construction Contracts, will be required to exclude the allocation of indirect overheads from their provisions. Judgement will be required in determining which costs are "directly related to contract activities", but we believe that guidance in IFRS 15 Revenue from Contracts with Customers will be relevant.

IAS 1 Presentation of Financial Statements - Amendments to IAS 1 (effective January 1, 2023)

The IASB issued amendments to paragraphs 69 to 76 of IAS 1 Presentation of Financial Statements to specify the requirements for classifying liabilities as current or non-current.

The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument, would the terms of a liability not impact its classification

2. Significant accounting policies (continued)

2.3 Standards in issue not yet effective (continued)

IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 - Amendments to IAS 1 (effective January 1, 2023) (continued)

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements (the PS), in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures.

The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

Replacement of the term 'significant' with 'material'
In the absence of a definition of the term 'significant' in IFRS, the IASB decided to replace it with 'material' in the context of disclosing accounting policy information. 'Material' is a defined term in IFRS and is widely understood by the users of financial statements, according to the IASB. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and the nature of them.

IFRS 17 Insurance Contracts (effective January 1, 2023)

IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The main features of the new accounting model for insurance contracts are as follows:

- The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows)

2. Significant accounting policies (continued)

2.3 Standards in issue not yet effective (continued)

IFRS 17 Insurance Contracts (effective January 1, 2023) (continued)

- A Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfilment cash flows of a Company of contracts, representing the unearned profit of the insurance contracts to be recognised in profit or loss over the service period (i.e., coverage period)
- The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice
- The presentation of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period
- Amounts that the policyholder will always receive, regardless of whether an insured event happens (non-distinct investment components) are not presented in the statement of income, but are recognised directly on the statement of financial position
- Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense
- A loss-recovery component of the asset for the remaining coverage of a Company of reinsurance contracts held is determined and recorded in profit or loss when an entity recognises a recovery of a loss on initial recognition of an onerous Company of underlying issued contracts as well as for subsequent measurement of the recovery of those losses
- Entities should present separately in the statement of financial position, the carrying amounts of portfolios of insurance contracts issued that are assets and those that are liabilities, with the same requirement applying to portfolios of reinsurance contracts held
- Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts

2. Significant accounting policies (continued)

2.3 Standards in issue not yet effective (continued)

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Amendments to IAS 8 (effective January 1, 2023)

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The previous definition of a change in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors. This aspect of the definition was retained by the IASB.

The amendments are intended to provide preparers of financial statements with greater clarity as to the definition of accounting estimates, particularly in terms of the difference between accounting estimates and accounting policies. Although the amendments are not expected to have a material impact on entities' financial statements, they should provide helpful guidance for entities in determining whether changes are to be treated as changes in estimates, changes in policies, or errors.

IAS 12 Income Taxes - Amendments to IAS 12 (effective January 1, 2023)

The amendments to IAS 12, narrows the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability.

2. Significant accounting policies (continued)

2.3 Standards in issue not yet effective (continued)

IAS 12 Income Taxes - Amendments to IAS 12 (effective January 1, 2023) (continued)

Nevertheless, it is possible that the resulting deferred tax assets and liabilities are not equal (e.g., if the entity is unable to benefit from the tax deductions or if different tax rates apply to the taxable and deductible temporary differences). In such cases, which the IASB expects to occur infrequently, an entity would need to account for the difference between the deferred tax asset and liability in profit or loss.

An entity should apply the amendments to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, it should also recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

2.4 Improvements to International Financial Reporting Standards

The annual improvements process of the International Accounting Standards Board deals with non-urgent but necessary clarifications and amendments to IFRS. The following amendments are applicable to annual periods beginning on or after January 1, 2021.

IFRS	**Subject of Amendment**
IFRS 1-	First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter *(effective January 1, 2022)*
IFRS 9-	Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities *(effective January 1, 2022)*

2. Significant accounting policies (continued)

2.5 Summary of significant accounting policies

a) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents consist of cash at hand and at bank and highly liquid investments with original maturities of three months or less.

b) Financial instruments - initial recognition

i) Date of recognition

Financial assets and liabilities, are initially recognised on the trade date, i.e., the date that the Company becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

ii) Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments, as described in Note 2.5c (i). Financial instruments are initially measured at their fair value, except in the case of financial assets recorded at fair value through profit or loss (FVPL), transaction costs are added to, or subtracted from, this amount.

iii) Measurement categories of financial assets and liabilities

The Company classifies all of its financial assets based on the business model for managing the assets and the assets' contractual terms, measured at either:

- Amortised cost, as explained in Note 2.5c (i)
- FVPL, as explained in Note 2.5c (ii)

Financial liabilities, other than loan commitments and financial guarantees are measured at amortised cost.

2. Significant accounting policies (continued)

2.5 Summary of significant accounting policies (continued)

c) Financial assets and liabilities

i) Due from banks, Treasury bills, Advances and Investment securities

The Company only measures Due from banks, Treasury bills, Advances to customers and Investment securities at amortised cost if both of the following conditions are met:

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding, and
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

The details of these conditions are outlined below.

The SPPI test
For the first step of its classification process, the Company assesses the contractual terms of financial assets 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).

The most significant elements of interest within a lending 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.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are SPPI on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL or fair value through other comprehensive income (FVOCI) without recycling.

2. Significant accounting policies (continued)

2.5 Summary of significant accounting policies (continued)

c) Financial assets and liabilities (continued)

i) Due from banks, Treasury bills, Advances and Investment securities (continued)

Business model assessment

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

The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and 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 entity'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 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.

ii) Financial assets at fair value through profit or loss

Financial assets in this category are those that are designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management may designate an instrument at FVPL upon initial recognition.

The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis.

2. Significant accounting policies (continued)

2.5 Summary of significant accounting policies (continued)

c) Financial assets and liabilities (continued)

ii) Financial assets at fair value through profit or loss (continued)

Financial assets at FVPL are recorded in the statement of financial position at fair value. Interest earned or incurred on instruments designated at FVPL is accrued in interest income, using the effective interest rate (EIR), taking into account any discount/premium and qualifying transaction costs being an integral part of instrument. Dividend income from equity instruments measured at FVPL is recorded in profit or loss as other income when the right to the payment has been established.

d) Reclassification of financial assets and liabilities

The Company does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Company acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified.

e) Derecognition of financial assets and liabilities

Derecognition due to substantial modification of terms and conditions

The Company derecognises a financial asset, to facilitate changes to the original agreement or arrangement due to weaknesses in the borrower's financial position and/or non-repayment of the debt as arranged and terms and conditions have been restructured to the extent that, substantially, it becomes a new security, with the difference recognised as an impairment loss. The newly recognised securities are classified as Stage 2 for expected credit losses (ECL) measurement purposes.

When assessing whether or not to derecognise a financial asset, amongst others, the Company considers the following factors:

- Change in currency of the financial asset
- Change in counterparty
- If the modification is such that the instrument would no longer meet the SPPI criterion

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original rate, the Company records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

2. Significant accounting policies (continued)

2.5 Summary of significant accounting policies (continued)

e) Derecognition of financial assets and liabilities (continued)

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Company also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Company has transferred the financial asset if, and only if, either:

- The Company has transferred its contractual rights to receive cash flows from the financial asset, or
- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass–through’ arrangement.

Pass-through arrangements are transactions whereby the Company retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Company has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates
- The Company cannot sell or pledge the original asset other than as security to the eventual recipients
- The Company has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Company is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

2. Significant accounting policies (continued)

2.5 Summary of significant accounting policies (continued)

e) Derecognition of financial assets and liabilities (continued)

Financial assets (continued)
A transfer only qualifies for derecognition if either:

- The Company has transferred substantially all the risks and rewards of the asset, or
- The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

The Company considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Company has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognized only to the extent of the Company's continuing involvement, in which case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Company could be required to pay.

Financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in the statement of income.

2. Significant accounting policies (continued)

2.5 Summary of significant accounting policies (continued)

f) Impairment of financial assets

i) Overview of the ECL principles

The Company records an allowance for ECL for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

The Company uses the general probability of default approach when calculating ECLs. The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The Company's policies for determining if there has been a significant increase in credit risk are set out in Note 11.3.5.

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the size and nature of the underlying portfolio of financial instruments.

Where the financial asset meets the definition of purchased or originated credit-impaired (POCI), the allowance is based on the change in the ECLs over the life of the asset.

The Company has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

2. Significant accounting policies (continued)

2.5 Summary of significant accounting policies (continued)

f) Impairment of financial assets (continued)

i) Overview of the ECL principles (continued)

Based on the above process, the Company classifies its loans and investments into Stage 1, Stage 2, Stage 3 and POCI, as described below:

Stage 1
When financial assets are first recognised and continue to perform in accordance with the contractual terms and conditions after initial recognition, the Company recognises an allowance based on 12mECLs. Stage 1 financial assets also include facilities where the credit risk has improved and the financial asset has been reclassified from Stage 2.

Stage 2
When financial assets have shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. Stage 2 financial assets also include facilities where the credit risk has improved and the financial asset has been reclassified from Stage 3.

Stage 3
Financial assets considered credit-impaired (as outlined in Note 11.3.2). The Company records an allowance for the LTECLs.

POCI
POCI assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the ECLs.

For financial assets for which the Company has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a partial derecognition of the financial asset.

2. Significant accounting policies (continued)

2.5 Summary of significant accounting policies (continued)

f) Impairment of financial assets (continued)

ii) The calculation of ECLs

The Company calculates ECLs based on the historical measure of cash shortfalls, discounted at the instrument's coupon rate. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are as follows:

PD - The Probability of Default is an estimate of the likelihood of default over a given period of time. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. The concept of PDs is further explained in Note 11.3.4.

EAD - The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

LGD - The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

When estimating the ECLs, the Company considers among other factors the risk rating category and aging of the financial asset. Each of these is associated with different PDs, EADs and LGDs. When relevant, it also incorporates how defaulted loans and investments are expected to be recovered, including the value of collateral or the amount that might be received for selling the asset.

Impairment losses and recoveries are accounted for and disclosed separately.

2. Significant accounting policies (continued)

2.5 Summary of significant accounting policies (continued)

f) Impairment of financial assets (continued)

ii) The calculation of ECLs (continued)

The mechanics of the ECL method are summarised below:

Stage 1

The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Company calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD which are derived as explained under Stage 3 for loans and using Global Credit Loss tables for traded investments and modified with management overlays when not traded.

Stage 2

When a financial asset has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. The mechanics are similar to those explained above, but PDs and LGDs are estimated over the lifetime of the instrument. The LGDs are derived as explained under Stage 3 for loans and using Global Credit Loss tables for traded investments and modified with management overlays when not traded.

Stage 3

For financial assets considered credit-impaired (as defined in Note 11.3.2), the Company recognises the LTECLs for these financial assets. The method is similar to that for Stage 2 assets, with the PD set at 100%.

POCI

POCI assets are financial assets that are credit impaired on initial recognition. The Company only recognises the cumulative changes in LTECLs since initial recognition, based on a probability-weighting discounted by the credit-adjusted EIR.

2. Significant accounting policies (continued)

2.5 Summary of significant accounting policies (continued)

f) Impairment of financial assets (continued)

ii) The calculation of ECLs (continued)

POCI (continued)

In most instances, LGDs are determined on an individual loan or investment basis, including discounting the expected cash flows at the original EIR. Stage 3 LGDs are grouped by similar types to provide percentage averages to be applied for Stage 1 and Stage 2 loans.

In limited circumstances within the Company, where portfolios were small and the products homogenous with minimal history of defaults, a simplified ECL approach was applied using historical loss rates and staged based on the sovereign rating of the residence of the loan.

iii) Treasury Bills and Due from banks

Treasury Bills and Due from banks are short-term funds placed with Central Banks in the countries where the Company is engaged in insurance activities and correspondent banks.

iv) Forward looking information

In its ECL models, the Company considers a broad range of forward looking information as economic inputs, such as:

- Currency rates
- GDP growth
- Unemployment rates
- Industry risk
- Real estate price trends
- Commodity price inflation rates

Within the countries in which the Company operates, statistical correlation between the overall performance of the economies and historic loss trends were established and used to correlate macroeconomic expectations to adjustments within the ECL models.

2. Significant accounting policies (continued)

2.5 Summary of significant accounting policies (continued)

f) Impairment of financial assets (continued)

iv) Forward looking information (continued)

The Company however recognised that the inputs and models used for calculating ECLs may not always capture all characteristics and expectations of the market at the date of the financial statements. To reflect this, management adjustments or overlays are made by assessing the macroeconomic factors and applying judgements, when such differences are significantly material.

v) Fair value

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1
Included in the Level 1 category are financial assets and liabilities that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry Company, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

2. Significant accounting policies (continued)

2.5 Summary of significant accounting policies (continued)

f) Impairment of financial assets (continued)

v) Fair value (continued)

Level 2

Included in the Level 2 category are financial assets and liabilities that are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions and for which pricing is obtained via pricing services, but where prices have not been determined in an active market. This includes financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Company's own models whereby the majority of assumptions are market observable.

Level 3

Included in the Level 3 category are financial assets and liabilities that are not quoted as there are no active markets to determine a price. These financial instruments are held at cost, being the fair value of the consideration paid for the acquisition of the investment, and are regularly assessed for impairment.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2. Significant accounting policies (continued)

2.5 Summary of significant accounting policies (continued)

f) Impairment of financial assets (continued)

v) Fair value (continued)

Where the Company's investments are not actively traded in organised financial markets, the fair value is determined using discounted cash flow analysis, which requires considerable judgement in interpreting market data and developing estimates. Accordingly, estimates contained herein are not necessarily indicative of the amounts that the Company could realise in a current market exchange. The use of different assumptions and/or estimation methodologies may have a material effect on the estimated fair values. The fair value information for available-for-sale investments is based on information available to management as at the dates presented. Management is not aware of any factors that would significantly affect the estimated fair value amounts.

Investments classified as FVPL are actively traded in organised markets and fair value is determined by reference to the market price at year end or on the last trade date prior to year end.

Financial instruments where carrying value is equal to fair value due to their short-term maturity, the carrying value of certain financial instruments is assumed to approximate their fair values. These include cash and cash equivalents, investment interest receivable, customers' deposit accounts, other fund raising instruments, other assets and other liabilities.

2. Significant accounting policies (continued)

2.5 Summary of significant accounting policies (continued)

f) Impairment of financial assets (continued)

v) Fair value (continued)

The fair values of the floating rate debt securities in issue is based on quoted market prices where available and where not available is based on a current yield curve appropriate for the remaining term to maturity. For balances due to banks, where the maturity period is less than one year, the fair value is assumed to equal carrying value. Where the maturity period is in excess of one year, these are primarily floating rate instruments, the interest rates of which reset with market rates, therefore the carrying values are assumed to equal fair values.

The fair value of fixed rate debt securities carried at amortised cost is estimated by comparing market interest rates when they were first recognised with current market rates offered for similar financial instruments. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using prevailing money market interest rates for facilities with similar credit risk and maturity.

g) Insurance contracts

Insurance contracts are defined as those containing significant insurance risk at the inception of the contract. The significance of insurance risk is dependent on both the probability of an insured event i.e. death and the magnitude of its potential effect.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period.

The Company currently issues group creditor life insurance contracts and single premium immediate annuity (SPIA) contracts to customers.

2. Significant accounting policies (continued)

2.5 Summary of significant accounting policies (continued)

h) Insurance contract liabilities

Insurance contracts comprise obligations to holders of long-term insurance and short-term life insurance policies, which are estimated using prudent actuarial and accounting principles.

Under IFRS 4 “Insurance contracts”, the liabilities are actuarially recalculated at each statement of financial position date and the change in the liability is recognised as an expense in the statement of comprehensive income. The long-term actuarial liabilities are calculated using the Caribbean Policy Premium Method (CPPM) outlined in regulations issued by the Central Bank of Trinidad and Tobago.

IFRS 17 “Insurance Contracts” (IFRS 17), issued in May 2017, replaces IFRS 4 “Insurance Contracts”. On June 25, 2020, the IASB issued amendments to IFRS 17 partly aimed at helping companies implement the standard. IFRS 17, incorporating the amendments, is effective for annual reporting periods beginning on or after January 1, 2023, which for the Company will be October 1, 2023. IFRS 17 provides comprehensive guidance on the recognition, measurement, presentation and disclosure of insurance contracts issued and reinsurance contracts held.

The Company continues to prepare for the implementation of IFRS 17.

2. Significant accounting policies (continued)

2.5 Summary of significant accounting policies (continued)

h) Insurance contract liabilities (continued)

Valuation of long-term insurance contract liabilities with fixed and guaranteed terms

These contracts insure events associated with mortality and longevity risk over a long duration.

A liability for policyholders' benefits that are expected to be incurred in the future is established on acceptance of the insurance risk. The liability is based on the present value of estimated amounts for projected future premiums, claims, benefits, investment income and policy maintenance expenses.

The liability is based on key assumptions made with respect to variables such as mortality, persistency, investment returns, expenses and expense inflation. The assumptions reflect the best estimate with additional margin for adverse deviation. As experience unfolds, the resulting provisions for adverse deviations will be included in future income to the extent they are no longer required to cover adverse experience.

For investment return risk, estimates are also made as to future investment income arising from assets supporting the life insurance contracts. These estimates are based on current market returns as well as expectations about future economic developments.

Given the Company's exposure to contracts with longevity risk, prudent allowance is made for expected future mortality improvements including a margin to capture significant changes in expected future mortality due to lifestyle changes, advancements in medical technology etc.

Future expense assumptions are based on current expense levels, adjusted for expected expense inflation if appropriate.

2. Significant accounting policies (continued)

2.5 Summary of significant accounting policies (continued)

h) Insurance contract liabilities (continued)

Valuation of short-term insurance contracts

These contracts are principally group creditor life insurance contracts. These contracts protect the Company's customers from the consequences of events (such as death or disability) that would affect the ability of the customer or beneficiary to repay their debt.

For all these contracts, premiums are recognized as revenue (earned premiums) proportionally over the period of coverage. The portion of premiums received on in-force contracts that relate to unexpired risks at the statement of financial position date is reported as an unearned premium liability. Unearned premiums represent the portion of premiums written in the current year that relate to periods of insurance subsequent to the statement of financial position date.

Claim reserve

The Company does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using techniques such as the input of assessments for individual cases reported to the Company and statistical estimates for the claims Incurred But Not Reported (IBNR). Estimates are continually revised as more information becomes available and for the effects of anticipated inflation. Adjustments arising on these revisions are recognised within claims expense in the current year.

i) Liability adequacy

Liabilities for insurance contracts are assessed quarterly by third-party actuaries. These liabilities are established on best estimates basis and exceed the present value of future expected cash flows.

2. Significant accounting policies (continued)

2.5 Summary of significant accounting policies (continued)

j) Revenue recognition

Gross Premiums

Gross recurring premiums on life contracts are recognized as revenue when payable by the policyholder. For single premium business, revenue is recognized on the date on which the policy is effective. Premiums include any adjustments arising in the reporting period for premiums receivable in respect of business written in prior accounting periods.

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned premiums are calculated on a monthly pro rata basis. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

Interest income and expense

The Company calculates interest income and expense by applying the EIR to the gross carrying amount of financial assets and liabilities other than credit-impaired assets. For POCI financial assets a credit-adjusted EIR is applied to the amortised cost of the financial asset.

Interest income on all trading assets and financial assets mandatorily required to be measured at FVPL is recognised using the contractual interest rate in net trading income and net gains or losses on financial assets at FVPL, respectively.

2. Significant accounting policies (continued)

2.5 Summary of significant accounting policies (continued)

j) Revenue recognition (continued)

Reinsurance ceded to reinsurance counterparties
The Company cedes insurance risk in the normal course of business. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from or due to reinsurers are estimated in a manner consistent with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting period. The impairment loss is calculated the same method used for financial assets as described in Note 2.5 (f).

k) Policyholders' benefits

Gross benefits and claims for life insurance contracts include the cost of all claims arising during the year, including internal and external claims handling costs that are directly related to the processing and settlement of claims. Death claims are recorded on the basis of notifications received. Annuity payments are recorded when due.

3. Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Other disclosures relating to the Company's exposure to risks and uncertainties include:

a. Risk management (Note 11)
b. Capital management (Note 11.7)

3. Significant accounting judgements, estimates and assumptions (continued)

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Impairment losses on financial assets (Note 4)

The measurement of impairment losses under IFRS 9 across all categories of financial assets requires judgement. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Company's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The estimation of the amount and timing of future cash flows and collateral values when determining impairment losses
- The Company's internal credit grading model, assigns grades for corporate facilities, and this was the basis for grouping PDs
- The Company's criteria for assessing if there has been a significant increase in credit risk and if so, allowances for financial assets should be measured on a LTECL basis and the qualitative assessment
- Development of ECL models, including the various formulae and the choice of inputs
- Determination of the existence of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs
- The inclusion of overlay adjustments based on judgement and future expectations

Expressed in thousands of Trinidad & Tobago dollars ($'000)

3. Significant accounting judgements, estimates and assumptions (continued)

Claims reserve (Note 6)

The estimation of the ultimate liability from claims is an accounting estimate. There are several sources of uncertainty that need to be considered in the estimation of the liability that the Company will ultimately pay for those claims. Estimates have to be made both for the expected ultimate cost of claims reported at the statement of financial position date and for the expected ultimate cost of claims incurred but not yet reported at the statement of financial position date. In determining this value, an independent actuary is used by management to make estimates of expected loss ratios to determine the reserve to be established. Variations in actual loss experience can materially affect this estimate.

4. Investment securities

	2022	2021
a) Debt instruments at amortised cost		
Government securities	29,223	–
Total investment securities	**29,223**	**–**

b) Financial investment securities subject to impairment assessment

Debt instruments measured at amortised cost
Government securities are all in Stage 1 with no allowances for ECL as at year ended September 30, 2022.

5. Provision for future policy benefits

	2022	2021
Group Life - Creditor	17,539	–
Individual Annuities	9,490	–
Total charged to the profit and loss for the year	**27,029**	**–**

Expressed in thousands of Trinidad & Tobago dollars ($'000)

6. Other policyholders' liabilities	**2022**	**2021**
Claims admitted but not paid	195	–
Provision for claims incurred but not reported	565	–
	760	**–**

7. Stated capital

Authorised
An unlimited number of shares of no par value

Issued and fully paid		
20,000,000 ordinary shares of $1 each	**20,000**	**20,000**

8. Investment Income

Interest income calculated using the effective interest method		
Investment securities	521	–
T-Bills	16	–
Total investment income	**537**	**–**

Expressed in thousands of Trinidad & Tobago dollars ($'000)

9. Other income

	2022	2021
Administrative fees ceded	1,953	–
Management charges	2,637	–
Total other income	**4,590**	**–**

10. Taxation expense

Corporation tax	30	–
Green fund levy	110	–
	140	**–**

The income tax on the total income subject to taxation differs from the theoretical amount that would arise using the applicable tax rates as set out below:

	2022	2021
Loss before tax	(18)	–
Tax at applicable statutory rate 15% (2021: 15%)	(3)	–
Tax effect of items that are adjustable in determining taxable profit:		–
Tax exempt income	(56)	–
Non-taxable income	(2,881)	–
Non-deductible expense	2,959	–
Other differences	11	–
Provision for green fund levy and other taxes	110	–
	140	**–**

As per the Corporation tax act, a company carrying on long term insurance business, the rate of tax shall be 15% on the profits derived from assets backing the policyholders' liabilities, and 25% on profits derived from other assets. However, where profits of assets backing policyholders' liabilities are transferred to the shareholder's account, these are taxed at 25%.

11. Risk management

11.1 General

The Company is founded on solid risk management. In an effort to keep apace with its dynamic environment, the Company has established a comprehensive framework for managing risks, which is continually evolving as the Company's business activities change in response to market, credit, product and other developments.

The basic principles of risk management followed by the Company include:

- Managing risk within parameters approved by the Board of Directors and Executives;
- Assessing risk initially and then consistently monitoring those risks through their life cycle;
- Abiding by all applicable laws, regulations and governance standards in every country in which we do business;
- Applying high and consistent ethical standards to our relationships with all customers, employees and other stakeholders; and
- Undertaking activities in accordance with fundamental control standards. These controls include the disciplines of planning, monitoring, segregation, authorisation and approval, recording, safeguarding, reconciliation and valuation.

The Board of Directors has ultimate responsibility for the management of risk within the Company. Acting with authority delegated by the Board, the Credit, Audit, Asset/Liability Committee and Enterprise Risk Committees of the fellow affiliate Republic Bank Limited, review specific risk areas.

11. Risk management (continued)

11.1 General (continued)

The Internal Audit function audits Risk Management processes throughout the Company by examining both the adequacy of the procedures and the Company's compliance with these procedures. Internal Audit discusses the results of all assessments with Management and reports its findings and recommendations to the Audit Committees of the Parent and respective subsidiaries.

The Company issues contracts that transfers insurance risk from the policyholder. Insurance risk is defined as an insured event that could expose the insurer to financial loss. Insurance contracts transfer insurance risk and financial risk.

The main risks arising from the Company are insurance risk, credit risk, liquidity risk, foreign currency risk and operational risk. The Company reviews and agrees policies for managing each of these risks as follows:

11.2 Insurance risk - long term insurance contracts

The risk under an insurance contract is the risk that an insured event will occur including the uncertainty of the amount and timing of any resulting claim. The principal risk the Company faces under such contracts is that the actual claims payments exceed the carrying amount of insurance liabilities. This is influenced by the frequency and severity of claims, whether actual amounts paid are greater than originally estimated, and the subsequent development of long term claims.

The variability of risks is improved by careful selection and implementation of an underwriting strategy and guidelines as well as the use of reinsurance arrangements.

Life insurance contracts offered by the Company include: group creditor and single premium immediate annuity (SPIA).

Creditor insurance pays off an outstanding credit balance in the event of death. This can include a retail loan (single premium), mortgage (level premiums) or credit card (monthly premiums) issued by fellow subsidiary Republic Bank Limited. This product possesses relatively low mortality and investment risk.

SPIA is an annuity funded by a single lumpsum payment with fixed monthly payments made until death. Due to the long term nature of the product, the following key assumptions apply:

Expressed in thousands of Trinidad & Tobago dollars ($'000)

11. Risk management (continued)

11.2 Insurance risk - long term insurance contracts (continued)

Mortality & Morbidity
Assumptions are based on standard industry and national tables, according to the type of contract written and adjusted for any territorial factors.

Interest Rates
The weighted average rate of return is derived based on the portfolio that is backing liabilities, consistent with the long–term asset allocation strategy. These estimates are based on current market returns as well as expectations about future economic and financial developments.

The Company is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The major element of interest rate risk which is the risk that the interest earned on the Company's investments is insufficient to meet the interest rates credited or guaranteed to policyholders.

In particular, this applies to annuities. Exposure is managed largely by the use of natural hedges that arise by matching interest sensitive liabilities with assets of a similar nature. The Company also mitigates the effect of interest rate risk of the investment portfolio through pricing of products by the actuarial function.

The investment portfolio return is continually monitored by management. The results of these reviews inform the pricing of products and interest rates to be credited to the respective policies and plans.

The sensitivity analysis below illustrates how changes in the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date.

2022	Change in interest rate	Liability	Change in Liab. ($)	Change in Liab. (%)
Base (Note 5)		9,490		
Decrease in interest rates	-1.0%	10,399	908	0
Increase in interest rates	+1.0%	8,710	(781)	(0)

Expressed in thousands of Trinidad & Tobago dollars ($'000)

11. Risk management (continued)

11.2 Insurance risk - long term insurance contracts (continued)

Expenses

Operating expenses' assumptions reflect the projected costs of maintaining and servicing in–force policies and associated overhead expenses. The current level of expenses is taken as an appropriate expense base, adjusted for expected expense inflation if appropriate.

The following table presents the sensitivity of the value of the insurance contract liabilities disclosed in this note to movements in the assumptions used in the estimation of those liabilities.

Summary of Sensitivity Analysis as at 30 September 2022

	Change in variable	Liability	Change in Liab. ($)	Change in Liab. (%)
Base (Note 5)		**9,490**		
Improvement of annuitant mortality	90%	9,665	175	1.8%
Worsening of mortality	110%	9,334	(157)	-1.7%
Higher renewal expenses	+50%	9,538	47	0.5%
Increased inflation	+150bps	9,510	19	0.2%

11.3 Credit risk

Credit risk is the potential that a borrower or counterparty will fail to meet its stated obligations in accordance with agreed terms. The objective of the Company's credit risk management function is to maximise the Company's risk-adjusted rate of return by maintaining credit risk exposure within acceptable parameters. The effective management of credit risk is a key element of a comprehensive approach to risk management and is considered essential to the long-term success of the Company.

Expressed in thousands of Trinidad & Tobago dollars ($'000)

11. Risk management (continued)

11.3 Credit risk (continued)

11.3.1 Analysis of risk concentration

The Company's concentrations of risk are managed by client/counterparty, geographical region and industry sector. The table below shows the Company's maximum exposure to any client or counterparty before taking into account collateral or other credit enhancements.

	Gross maximum exposure	
	2022	**2021**
Investment securities	29,223	–
Reinsurance assets	14,483	–
Treasury bills	3,373	–
Due from banks	620	20,000
Total credit risk exposure	**47,699**	**20,000**

(a) Industry sectors

The following table breaks down the Company's maximum credit exposure as categorised by the industry sectors of our counterparties:

	2022	**2021**
Government and Central Government Bodies	32,596	–
Financial sector	15,103	20,000
	47,699	**20,000**

Expressed in thousands of Trinidad & Tobago dollars ($'000)

11. **Risk management** (continued)

11.3 **Credit risk** (continued)

11.3.1 **Analysis of risk concentration** (continued)

(b) Geographical sectors

The Company's maximum credit exposure, after taking account of credit loss provisions established but before taking into account any collateral held or other credit enhancements, can be analysed by the following geographical regions based on the country of domicile of its counterparties:

	2022	**2021**
Trinidad and Tobago	33,216	20,000
Cayman Islands	14,483	–
	47,699	**20,000**

11.3.2 **Impairment assessment**

Financial asset provisions are reviewed quarterly in accordance with established guidelines and recommended provisions arising out of this review are submitted to the Board for approval. Non-performing debts recommended for write-off are also reviewed annually and action taken in accordance with prescribed guidelines. The Company's impairment assessment and measurement approach is set out below.

11. Risk management (continued)

11.3 Credit risk (continued)

11.3.3 Default and recovery

The Company generally considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in cases when the borrower becomes 90 days past due on its contractual payments.

As a part of a qualitative assessment of whether a customer is in default, the Company also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Company carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate.

It is the Company's policy to consider a financial instrument as 'recovered' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least six consecutive months. The decision whether to classify an asset as Stage 2 or Stage 1 once recovered depends on the updated credit grade at the time of recovery.

11.3.4 The Company's internal rating and PD estimation process

Investment securities

PDs and LGDs for traded instruments were based on the global credit ratings assigned to the instrument or the country for sovereign exposures. PDs and LGDs for non-traded instruments were based on one notch below the credit rating of the sovereign in which the instrument is issued or on company ratings where they existed. Management applied judgmental overlays on local debt instruments. EAD equals the amortised security balance plus accrued interest.

11. Risk management (continued)

11.3 Credit risk (continued)

11.3.4 The Company's internal rating and PD estimation process (continued)

Treasury Bills and Due from banks

Treasury Bills and Due from banks are short-term funds placed with Central Banks and correspondent banks and the Company therefore considers the risk of default to be very low. These facilities are highly liquid and without restriction and based on management's review of the underlying instruments the ECL on these instruments were determined to be zero.

11.3.5 Significant increase in credit risk

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

The Company also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset. Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

When estimating ECLs on a collective basis for a Company of similar assets, the Company applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.

Expressed in thousands of Trinidad & Tobago dollars ($'000)

11. **Risk management** (continued)

11.3 **Credit risk** (continued)

11.3.6 Analysis of gross carrying amount and corresponding ECLs are as follows:

Investment securities	**2022**	**2021**
Stage 1	100%	0%
Stage 2	0%	0%
Stage 3	0%	0%
Total	100%	0%

Investment securities are all in Stage 1 with no allowances for ECL as at year ended September 30, 2022.

The increase in ECLs between 2022 and 2021 was NIL

11. Risk management (continued)

11.4 Liquidity risk

Liquidity risk is defined as the risk that the Company either does not have sufficient financial resources available to meet all its obligations and commitments as they fall due, or can access these only at excessive cost. Liquidity management focuses on ensuring that the Company has sufficient funds to meet all of its obligations.

Liquidity management is therefore primarily designed to ensure that funding requirements can be met, including the replacement of existing funds as they mature or are withdrawn, or to satisfy the demands of customers for additional borrowings. Liquidity management focuses on ensuring that the Company has sufficient funds to meet all of its obligations.

The Asset/Liability Committee (ALCO), sets targets for daily float, allowable liquid assets and funding diversification in line with system liquidity trends. While the primary asset used for short-term liquidity management is the Treasury bill, the Company also holds investments in other Government securities, which can be used for liquidity support.

Expressed in thousands of Trinidad & Tobago dollars ($'000)

11. **Risk management** (continued)

11.4 **Liquidity risk** (continued)

The table below shows the maturity analysis of financial instruments using discounted cash flows of financial assets and liabilities based on their contractual maturity dates as at September 30, 2022.

	2022				
	Due on demand	**Due in one year**	**Due in two to five years**	**Over five years**	**Total**
	$	**$**	**$**	**$**	**$**
Assets					
Investment securities	–	–	–	29,223	29,223
Reinsurance assets	–	14,483	–	–	14,483
Other assets	–	467	–	–	467
Treasury bills	–	3,373	–	–	3,373
Due from banks	620	–	–	–	620
	620	**18,323**	**–**	**29,223**	**48,166**
Liabilities					
Provision for future policy benefits	–	655	9,089	17,285	27,029
Other policyholders' liabilities	–	760	–	–	760
Other payables	–	504	–	–	504
	–	**1,919**	**9,089**	**17,285**	**28,294**
Net Gap	**620**	**16,404**	**(9,089)**	**11,938**	**19,872**
Cumulative Gap	**620**	**17,024**	**7,934**	**19,872**	**–**

Expressed in thousands of Trinidad & Tobago dollars ($'000)

11. **Risk management** (continued)

11.4 **Liquidity risk** (continued)

The table below summarises the maturity profile of financial liabilities based on their undiscounted cash flows at September 30. The balances include both principal and interest cash flows over the remaining term to maturity and therefore would differ from the carrying amounts in the statements of financial position.

	2022				
	Due on demand	**Due in one year**	**Due in two to five years**	**Over five years**	**Total**
	$	**$**	**$**	**$**	**$**
Liabilities					
Provision for future policy benefits	–	1,104	11,087	20,596	32,787
Other policyholders' liabilities	–	760	–	–	760
Other payables	–	504	–	–	504
	–	**2,368**	**11,087**	**20,596**	**34,051**

11.5 **Currency risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's exposure to the effects of fluctuations in foreign currency exchange rates arises mainly from its investments. The Company also monitors its foreign currency position for both overnight and intra-day transactions.

The Company's concentration of non-trading monetary assets and liabilities denominated in currencies other than the Trinidad & Tobago dollar is immaterial and therefore, Management does not anticipate any material exposure to currency risk.

11. Risk management (continued)

11.6 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.

11.7 Capital management

Capital requirements are set by the Insurance Act 2018. Capital adequacy is monitored by the Company, employing techniques based on the guidelines developed by the Central Bank of Trinidad and Tobago. The required information is filed with the regulatory authority on a quarterly and annual basis.

At September 30, 2022, the Company exceeded the minimum levels required for adequately capitalised insurance companies.

Expressed in thousands of Trinidad & Tobago dollars ($'000)

12. Fair value

(a) Carrying values and fair values

The following table summarises the carrying amounts and the fair values of the Company's financial assets and liabilities:

2022	Carrying value	Fair value	Un-recognised gain
Financial assets			
Investment securities	29,223	30,893	1,670
Reinsurance assets	14,483	14,483	–
Other assets	467	467	–
Treasury bills	3,373	3,373	–
Due from banks	620	620	–
Financial liabilities			
Provision for future policy benefits	27,029	27,029	–
Other policyholders' liabilities	760	760	–
Other payables	504	504	–
Total unrecognised change in unrealised fair value			1,670

2021	Carrying value	Fair value	Un-recognised gain
Financial assets			
Due from banks	20,000	20,000	–

(b) Determination of fair value and fair value hierarchies

The following table shows the fair value measurement hierarchy of the Company's assets and liabilities:

2022	Level 1	Level 2	Level 3	Total
Financial assets for which fair value is disclosed				
Investment securities	–	30,893	–	30,893

Expressed in thousands of Trinidad & Tobago dollars ($'000)

12. **Fair value** (continued)

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

Reconciliation of movements in Level 3 financial instruments measured at fair value
For the year ended September 30, 2022, the Company has no Level 3 financial instruments.

13. Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions. A number of insurance transactions are entered into with related parties in the normal course of business and were carried out on commercial terms and conditions, at market rates.

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

	2022	**2021**
Due from other related entities		
Republic Bank Limited - Due from banks	620	20,000
Republic Insurance Company (Cayman) Limited - Reinsurance assets	14,483	–

The statement of comprehensive income includes the following income and expense transactions with related parties in the ordinary course of business:

	2022	**2021**
Income		
Republic Insurance Company (Cayman) Limited - Claims ceded	1,552	–
Republic Insurance Company (Cayman) Limited - Administrative fees ceded	1,953	–
Republic Insurance Company (Cayman) Limited - Management charges	2,637	–
Disclosed as Other income on the Statement of Comprehensive Income	**4,590**	**–**

Expressed in thousands of Trinidad & Tobago dollars ($'000)

13. Related parties (continued)

Expenses	**2022**	**2021**
Republic Insurance Company (Cayman) Limited - premiums ceded	19,532	–
Republic Bank Limited - Administrative fees	2,443	–
Republic Wealth Management Limited - Investment management fees	18	–
Republic Bank Limited - Trust Services Division - Custodian fees	18	–
Disclosed as Administrative expenses on the Statement of Comprehensive Income	**2,479**	**–**

14. Subsequent events

After September 30, 2022, no events have occurred that would have a material impact on the financial position of the Company.