NATIONWIDE INSURANCE COMPANY LIMITED

TRANSFEREE OF THE TRINIDAD BUSINESS OF UNITED SECURITY LIFE INSURANCE COMPANY LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2021

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

Management is responsible for the following:

- Preparing and fairly presenting the accompanying financial statements of Nationwide Insurance Company Limited Transferee of the Trinidad Business of United Security Life Insurance Company Limited (the "Fund") which comprise the statement of financial position as at 31 December 2021 and the statements of comprehensive income, changes in long term policyholders' liabilities and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information;
- Ensuring that the Fund 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 Fund's assets, detection/prevention of fraud, and the achievement of Fund operational efficiencies;
- Ensuring that the system of internal control operated effectively during the reporting period;
- Producing reliable financial reporting that comply with laws and regulations, including the Companies Act; and
- Using reasonable and prudent judgement in the determination of estimates.

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

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

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

Vice President, Finance
2022

Manager, Financial Accounting
2022

STATEMENT OF FINANCIAL POSITION

(Expressed in Trinidad and Tobago Dollars)

	Notes	As at 31 December 2021	2020
		$	$
Assets			
Financial assets at fair value through profit and loss	6	1,757,860	3,634,578
Financial assets at fair value through other comprehensive income	6	49,818	2,147,058
Financial assets at amortised cost	6	16,761,795	12,163,593
Other assets and receivables	7	183,051	111,421
Amounts due from related parties	13	89,023	47,849
Cash resources	8	803,722	956,833
Total assets		19,645,269	19,061,332
Liabilities			
Long term policyholder liabilities			
Actuarial liabilities	9	9,013,338	9,084,875
Accumulated unallocated surplus	10	5,904,265	5,498,284
		14,917,603	14,583,159
Other liabilities			
Other policyholder liabilities	11	2,408,430	2,506,907
Other payables	12	779,970	681,818
Amounts due to related parties	13	1,304,743	1,084,591
Taxation payable		50,897	61,037
Deferred tax liabilities	18	183,626	143,820
Total liabilities		19,645,269	19,061,332

The notes are an integral part of these financial statements.

On 2022, the Board of Directors of Nationwide Insurance Company Limited Transferee of the Trinidad Business of United Security Insurance Company Limited approved these financial statements for issue.

Director

Director

STATEMENT OF COMPREHENSIVE INCOME

(Expressed in Trinidad and Tobago Dollars)

	Notes	Year ended 31 December 2021	2020
		$	$
Revenue			
Net premium revenue		34,197	92,993
Net investment income	14	1,197,946	733,495
Total revenue		1,232,143	826,488
Benefits and expenses			
Net policy benefits (excluding decrease in actuarial liabilities)	15	(86,965)	(123,218)
Expected credit (writeback/(expense))	6	1,685	(1,556)
Administrative expenses	16	(747,299)	(815,164)
Total net policy benefits and expenses		(832,579)	(939,938)
Profit/(Loss) before tax		399,564	(113,450)
Taxation	17	(65,120)	(33,943)
Profit/(Loss) from ordinary activities		334,444	(147,393)
Total comprehensive profit/(loss) for the year		334,444	(147,393)

STATEMENT OF CHANGES IN LONG TERM POLICYHOLDERS' LIABILITIES

(Expressed in Trinidad and Tobago Dollars)

	Actuarial liability	Accumulated unallocated surplus	Long term policyholders' liabilities
	$	$	$
Year ended 31 December 2021			
Balance at 1 January 2021	9,084,875	5,498,284	14,583,159
Total comprehensive profit for the year	-	334,444	334,444
Decrease in actuarial liability	(71,537)	71,537	-
Balance at 31 December 2021	9,013,338	5,904,265	14,917,603
Year ended 31 December 2020			
Balance at 1 January 2020	8,923,875	5,756,312	14,680,187
Prior year adjustment	-	50,365	50,365
Total comprehensive loss for the year	-	(147,393)	(147,393)
Increase in actuarial liability	161,000	(161,000)	-
Balance at 31 December 2020	9,084,875	5,498,284	14,583,159

STATEMENT OF CASH FLOWS

(Expressed in Trinidad and Tobago Dollars)

	Year ended 31 December 2021	2020
	$	$
Cash flows from operating activities		
Profit/(Loss)/ from ordinary activities	399,564	(113,450)
Bond amortisation	28,743	905
Fair value (gains)/losses	(318,877)	67,068
Expected credit (writeback)/loss	(1,685)	1,556
Movement in provision	-	5,094
Exchange gain	155	(8,993)
Operating profit/(loss) from working capital changes	107,900	(47,820)
(Increase)/Decrease in other assets and receivables	(112,804)	4,431
Increase in payables	282,438	345,771
(Decrease)/Increase in policyholder liabilities	(98,477)	50,365
Cash used in operations	179,057	352,747
Net cash flow from operating activities	179,057	352,747
Cash flows from investing activities		
Purchase of investments	(2,429,408)	(2,198,745)
Sale of investments	-	1,188,707
Net cash flows from investing activities	(2,429,408)	(1,010,038)
Net decrease in cash and cash equivalents	(2,250,351)	(657,291)
Cash and cash equivalents at beginning of the year	3,103,891	3,761,182
Cash and cash equivalents at end of the year	853,540	3,103,891
Represented by:		
Cash and bank balances	803,722	956,833
Demand and term deposits	49,818	2,147,058
	853,540	3,103,891

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Independent auditor's report

To the shareholder of
Nationwide Insurance Company Limited
Transferee of the Trinidad Business of
United Security Life Insurance Company Limited

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Nationwide Insurance Company Limited Transferee of the Trinidad Business of United Security Life Insurance Company Limited (the Fund) as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Fund's financial statements comprise:

- the statement of financial position as at 31 December 2021;
- the statement of comprehensive income for the year then ended;
- the statement of changes in long term policyholders' liabilities for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

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

Responsibilities of management for the financial statements

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

In preparing the financial statements, management is responsible for assessing the Fund'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 Fund or to cease operations, or has no realistic alternative but to do so.

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Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund'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 Fund'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 Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

PricewaterhouseCoopers

Port of Spain
Trinidad, West Indies
2 June 2022

1 Principal activity

In accordance with an Order of the High Court, Nationwide Insurance Company Limited undertook via a scheme of transfer, with effect from 1 June 1994 to administer the long term liabilities in respect of certain Trinidad and Tobago policyholders of United Security Life Insurance Company Limited (under Judicial Management) as a closed fund (the Fund). These financial statements are for the administered Fund only and are not part of the assets or liabilities of Nationwide Insurance Company Limited.

2 Summary of significant accounting policies

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

a. Basis of preparation

These financial statements have been prepared under the historical cost convention, except for investments carried at fair value through profit or loss, in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee, (IFRS IC) interpretations applicable to companies reporting under IFRS.

The Fund has adopted a policy premium valuation method for the computation of actuarial liabilities on life insurance and annuity contracts which comply with the Canadian Policy Premium Method (PPM).. As no specific guidance is provided by IFRS for computing actuarial liabilities, management has judged that PPM should be applied. The adoption of IFRS 4 – insurance contracts, permits the Fund to continue with this accounting policy, with the modification required by IFRS 4 that rights under reinsurance contracts are measured separately.

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

(i) New and amended standards and interpretations adopted by the Fund

Amendment to IFRS 16 'Leases' – Covid-19 related rent concessions (effective from 1 June 2020 and applicable to the Fund from 1 January 2021). As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

This amendment did not significantly impact the financial statements of the Fund.

(ii) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Fund

Amendment to IAS 1 'Presentation of financial statements' on classification of liabilities (effective from 1 January 2022 and applicable to the Fund from 1 January 2022). The narrow-scope amendment to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

This amendment is not expected to significantly impact the financial statements of the Fund.

Amendment to IAS 37, 'Provisions, contingent liabilities and contingent assets' (effective from 1 January 2022 and applicable to the Fund from 1 January 2022). The amendment clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.

This amendment is not expected to significantly impact the financial statements of the Fund.

Annual Improvements to IFRS Standards 2018-2020, (effective from 1 January 2022 and applicable to the Company from 1 January 2022). The following improvements were finalised in May 2020:

- IFRS 9 Financial Instruments - clarifies which fees should be included in the 10% test for derecognition of financial liabilities.
- IFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.
- IFRS 1 First-time Adoption of International Financial Reporting Standards – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption
- IAS 37, 'Provisions, contingent liabilities and contingent assets'-The amendment clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.

These improvements are not expected to significantly impact the financial statements of the Fund.

b. Foreign currency translation

(i) Functional and presentational currency

Items included in the financial statements of the Fund are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

The financial statements are presented in Trinidad and Tobago Dollars, which is the Fund's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses, which result from the settlement of foreign currency transactions and from the re-translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the Statement of Comprehensive Income. Non-monetary assets and liabilities, primarily deferred policy acquisition costs and unearned premiums, are maintained at the transaction rates of exchange.

The foregoing exchange gains and losses which are recognised in the Statement of Comprehensive Income are included in other revenue.

Exchange differences on the re-translation of the fair value of non-monetary items such as equities held at fair value through profit & loss are reported as part of the fair value gain or loss. Exchange differences on the re-translation of the fair value of non-monetary items such as equities held as fair value through other comprehensive income are reported as part of the fair value gain or loss in other comprehensive income.

c. Financial assets

(i) Classification of financial assets

Financial assets are measured on initial recognition at fair value and are classified as and subsequently measured either at amortised cost, at FVOCI or at FVTPL. Financial assets and liabilities are recognised when the Fund becomes a party to the contractual provision of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Fund commits to purchase or sell the asset.

(ii) Classification of debt instruments

Classification and subsequent measurement of debt instruments depend on:

- The Fund's business model for managing the asset and

The cash flow characteristics of the asset

Based on these factors, the Fund classifies its debt instruments into one of the following measurement categories.

(iii) Measured at amortised cost

Debt instruments that are held to collect the contractual cash flows and that contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest, such as most loans and advances to banks and customers and some debt securities, are measured at amortised cost. In addition, most financial liabilities are measured at amortised cost. The carrying value of these financial assets at initial recognition includes any directly attributable transactions costs.

(iv) Measured at fair value through other comprehensive income (FVOCI)

Instruments held for a business model that is achieved by both collecting contractual cash flows and selling and that contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest are measured at FVOCI. These are comprised solely of mutual funds.

(v) Measured at fair value through profit and loss (FVTPL)

Debt instruments are classified in this category if they meet one or more of the criteria set out below and are so designated irrevocably at inception:

- the use of the designation removes or significantly reduces an accounting mismatch;

2 Summary of significant accounting policies (continued)

c. Financial investments (continued)

(v) Measured at fair value through profit and loss (FVTPL) (continued)

- when the performance of a company of financial assets is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy;
- when the debt instruments are held for trading and are acquired principally for the purpose of selling in the short-term or if they form part of a portfolio of financial assets in which there is evidence of short-term profit taking.
- None of the debt securities at present are grouped into this category.

(vi) Business model assessment

Business models are determined at the level which best reflects how the Fund manages portfolios of assets to achieve business objectives. Judgement is used in determining business models, which is supported by relevant, objective evidence including:

- The nature of liabilities, if any, funding a portfolio of assets;
- The nature of the market of the assets in the country of origination of a portfolio of assets;
- How the Fund intends to generate profits from holding a portfolio of assets;
- The historical and future expectations of asset sales within a portfolio.

(vii) Impairment of financial assets measured at amortised cost and FVOCI

At initial recognition of a financial asset, allowance is required for Expected Credit Losses (ECL) resulting from default events that are possible within the next 12 months (or less, where the remaining life is less than 12 months) ('12-month ECL').

In the event of a significant increase in credit risk (SICR), an allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL'). Financial assets where 12-month ECL are recognised are defined as 'stage 1'; financial assets which are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is objective evidence of impairment are defined as being in default or otherwise credit-impaired are in 'stage 3'.

To determine whether the lifetime credit risk has increased significantly since initial recognition, the Fund considers reasonable and supportable information that is available including information from the past and forward-looking information. Factors such as whether payments of principal and interest are in default, an adverse change in credit rating of the borrower and adverse changes in the borrower's industry and economic environment are considered in determining whether there has been a significant increase in the credit risk of the borrower.

(viii) Definition of default

The Fund determines that a financial instrument is credit-impaired and in Stage 3 by considering relevant objective evidence, primarily whether:

- contractual payments of either principal or interest are past due for 90 days or more;
- there are other indications that the borrower is unlikely to pay such as that a concession has been granted to the borrower for economic or legal reasons relating to the borrower's financial condition; and
- the financial asset is otherwise considered to be in default.
  If such unlikeliness to pay is not identified at an earlier stage, it is deemed to occur when an exposure is 90 days past due.

(ix) Fair value

Fair value amounts represent the price (or estimates thereof) that would be agreed upon in an orderly transaction between market participants at valuation date.

d. Offsetting financial instruments

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

e. Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, call deposits, other short-term deposits with a maturity of 90 days or less and bank overdrafts.

f. Provisions

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

g. Interest income and expenses

2 Summary of significant accounting policies (continued)

Interest income and expenses are recognised in the statement of comprehensive income for all interest-bearing instruments on an accrual basis using the effective yield method based on the actual purchase price. Interest income includes coupons earned on fixed income investment securities, loans and deposits and accrued discount and premium on discounted instruments.

h. Actuarial liabilities

The determination of actuarial liabilities of long-term insurance contracts has been done using approaches consistent with Caribbean Policy Premium Method. These liabilities consist of the amounts that, together with future premiums and investment income, are required to provide for future policy benefits, expenses and taxes on insurance and annuity contracts. .

The process of calculating life insurance and annuity actuarial liabilities for future policy benefits necessarily involves the use of estimates concerning such factors as mortality and morbidity rates, future investment yields, future expense levels and persistency, including reasonable margins for adverse deviations. As experience unfolds, these resulting provisions for adverse deviations will be included in future income to the extent they are released when they are no longer required to cover adverse experience.

Assumptions used to project benefits, expenses and taxes are based on insurer and industry experience and are updated annually.

Net insurance contract liabilities represent the amount which, together with estimated future premiums and net investment income, will be sufficient to pay projected future benefits, policyholder refunds, taxes (other than income taxes) and expenses on policies in-force net of reinsurance premiums and recoveries. The determination of net insurance liabilities is based on an explicit projection of cash flows using current assumptions plus a margin for adverse deviation for each material cash flow item. Investment returns are projected using the current asset portfolios and projected reinvestment yields. The period used for the projection of cash flows is the policy lifetime for most individual insurance contracts.

Assets are allocated to support liabilities and investment strategies established. Projected net cash flows from these assets and the policy liabilities being supported by these assets are combined with projected cash flows from future asset purchases to determine expected rates of return on these assets for future years. Investment strategies are based on the target investment policies for each segment and the reinvestment returns are derived from current and projected market rates for fixed income investments. Investment return assumptions for each asset class make provision for expected future asset credit losses, expected investment management expenses and a margin for adverse deviation.

i. Policy contracts

The Fund issues policy contracts that transfer insurance risk and/or financial risk from the policyholder. The Fund defines insurance risk as an insured event that could cause an insurer to pay significant additional benefits in a scenario that has a discernable effect on the economics of the transaction. Insurance contracts transfer insurance risk and may also transfer financial risk. Investment contracts transfer financial risk and no insurance risk. Financial risk includes credit risk, interest rate risk and fair value risk. A reinsurance contract is an insurance contract in which an insurance entity cedes assumed risks to another insurance entity. Currently the Fund has no reinsurance contracts.

3 Financial risk management

The Fund's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and operational risks are an inevitable consequence of being in business. The Fund's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Fund's financial performance.

The Fund's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to date information systems. The Fund regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice. Risk management is carried within the Fund governed by policies approved by the Investment Committee. The Committee provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments.

a. Credit risk

The Fund takes on exposure to credit risk which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risks are primarily associated with financial assets.

Credit risk from financial assets is minimised through holding a diversified portfolio of investments, purchasing securities and advancing loans only after careful assessment of the borrower, and placing deposits with financial institutions with a strong capital base. Limits may be placed on the amount of risk accepted in relation to one borrower. Significant concentrations of credit risk are as set out in the relevant Note 19(a).

3 Financial risk management (continued)

a. Credit risk (continued)

(i) Credit risk measurement

The Fund uses the external ratings where available to benchmark its internal credit risk assessment. The internal rating is a 10 point scale which allows for distinctions in risk characteristics and is referenced to the rating scales of international credit rating agencies. The scale is as follows:

Category		USL risk rating	Classification	S&P	Moody's	Fitch	AM Best	CariCRIS
Non-default	Investment grade	1	Minimal risk	AAA, AA	Aaa, Aa	AAA, AA	aaa, aa	AAA, AA
		2	Low risk	A	A	A	A	A
		3	Moderate risk	BBB	Baa	BBB	bbb	BBB
	Non-investment grade	4	Acceptable risk	BB	Ba	BB	bb	BB
		5	Average risk	B	B	B	b	B
	Watch	6	Higher risk	CCC, CC	Caa, Ca	CCC, CC	ccc, cc	C
		7	Special mention	C	C	C	c	C
Default		8	Substandard			DDD		
		9	Doubtful	D	C	DD	d	D
		10	Loss			D		

3 Financial risk management

b. Foreign exchange risk

Along with its TT$ assets, the Fund also holds assets which are denominated in US$ and other currencies. Foreign currency risk arises as the value of future transactions, assets and liabilities denominated in other currencies will fluctuate due to changes in foreign exchange rates. The Fund monitors the exposure on all foreign currency denominated assets and liabilities. The Fund does not enter into any foreign exchange hedging transactions for the purpose of managing its exposure to foreign exchange movements. The table in Note 19(f) provides an analysis of the Fund's assets and liabilities by currency.

c. Liquidity risk

In order to manage liquidity risks, management seeks to maintain levels of cash and short-term deposits in each of its operating currencies, which are sufficient to meet reasonable expectations of its short-term obligations.

The Fund is exposed to daily calls on its available cash resources for policy benefits and withdrawals, operating expenses and taxes and other security obligations. The Fund does not maintain cash resources to meet all these needs as experience shows that a minimum level of revenue flows and maturing investments can be predicted with a high level of certainty.

The maturity profiles of the Fund's financial assets and liabilities are disclosed in the relevant Note 19(b).

d. Interest rate risk

The Fund is exposed to interest rate risk, which arises when the returns earned from invested assets are insufficient either to maintain returns or to fulfil the minimum returns within insurance and investment contract liabilities.

The return on investments may be variable, fixed for a term or fixed to maturity. On reinvestment of a matured investment, the returns available on the new investment may be significantly different from the returns formerly achieved. Minimum returns exist within cash values of long term traditional insurance contracts, long term universal life insurance contracts and annuity options.

The Fund is therefore exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase or decrease as a result of such changes. Interest rate changes may also result in losses if asset and liability cash flows are not closely matched with respect to timing and amount.

The effective interest rates of the Fund's financial assets are set out in the relevant Note 19 (c).

4 Critical accounting estimates and judgments

The development of estimates and the exercise of judgment in applying accounting policies may have a material impact on the Fund's reported assets, liabilities, revenues and expenses. The items which may have the most significant effect on the Fund's financial statements are set out below.

4 Critical accounting estimates and judgments (continued)

a. Impairment of financial assets

A financial asset is considered impaired when management determines that it is probable that all amounts due according to the original contract terms will not be collected. This determination is made after considering the payment history of the borrower, the discounted value of collateral and guarantees, and the financial condition and financial viability of the borrower. The determination of impairment may either be considered by individual asset or by a grouping of assets with similar relevant characteristics.

Using the Expected Credit Losses to measure the impairment of financial assets the following is reflected:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money;
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions

The measurement of the ECL's calculated is as follows:

Expected credit losses are calculated by multiplying three main components, being the probability of default ("PD"), loss given default ("LGD") and the exposure at default ("EAD"), discounted at the original effective interest rate. Management has calculated these inputs based on the historical experience of the portfolios adjusted for the current point in time. A simplified approach to calculating the ECL is applied to contract and other receivables which do not contain a significant financing component. Generally, these receivables are due within 12 months unless there are extenuating circumstances. Under this approach, an estimate is made of the lifetime ECL on initial recognition (i.e. Stage 3). For ECL provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous

The PD, LGD and EAD models which support these determinations are reviewed regularly in light of differences between loss estimates and actual loss experience; but given that IFRS 9 requirements have only been applied since January 1, 2018, the historical period for such review is limited. Therefore, the underlying models and their calibration, including how they react to forward-looking economic conditions remain subject to review and refinement. This is particularly relevant for lifetime PDs, which have not been previously used in regulatory modelling and for the incorporation of 'downside scenarios' which have not generally been subject to experience gained through stress testing. The exercise of judgement in making estimations requires the use of assumptions which are highly subjective and sensitive to the risk factors, and particularly to changes in economic and credit conditions across wide geographical areas. Many of the factors have a high degree of interdependency and there is no single factor to which loan impairment allowances are sensitive. Therefore, sensitivities are considered in relation to key portfolios which are particularly sensitive to a few factors and the results should not be further extrapolated.

The main difference between Stage 1 and Stage 2 expected credit losses is the respective PD horizon. Stage 1 estimates will use a maximum of a 12-month PD while Stage 2 estimates will use a lifetime PD.

A scorecard approach is adopted to incorporate the possible outcomes of multiple forward looking macroeconomic scenarios. This approach applies a baseline, best and worst-case scenario to the model. In the forward-looking model, there were four variables used as these were deemed the most correlated to the environment in which United Security Life Insurance Company Limited is trading/operating. The four main macro factors applied were inflation rate, unemployment rate, housing price index and interest rate. Each macroeconomic variable is then given a state, depending on market forecast and management's expectation. Each state is assigned a corresponding multiplier which indicates the impact of the state on the portfolio. Unemployment Rate and GDP are considered as and as the main macro-economic factors that have significant influence over the portfolio performance and lesser multiplier to the inflation rate and housing price index.

The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information will require significant judgment.

b. Definition of default

The company determines that a financial instrument is credit-impaired and in Stage 3 by considering relevant objective evidence, primarily whether:

- contractual payments of either principal or interest are past due for 90 days or more;
- there are other indications that the borrower is unlikely to pay such as that a concession has been granted to the borrower for economic or legal reasons relating to the borrower's financial condition; and
- the financial asset is otherwise considered to be in default.

If such unlikeliness to pay is not identified at an earlier stage, it is deemed to occur when an exposure is 90 days past due.

4 Critical accounting estimates and judgments (continued)

c. Valuation of investments

The Fund has applied IFRS 9 in its classification of investments securities which requires measurement of certain securities at fair value. Fair values are based on quoted market prices for the specific instruments, comparisons with other highly similar financial instruments, or the use of valuation models. Establishing valuations where there are no quoted market prices inherently involves the use of judgement and applying judgement in establishing reserves against indicated valuations for deteriorating market conditions.

These valuations are done using both observable and unobservable inputs including data from market participants and recent government issues and are sensitive to changes in market interest rates. Areas such as credit risk require management to make assumptions.

d. Sensitivity analysis of actuarial liabilities

The determination of actuarial liabilities is sensitive to a number of assumptions, and changes in those assumptions could have a significant effect on the valuation results. The valuation of actuarial liabilities of life insurance and annuity contracts is sensitive to interest and mortality assumptions. The impact on the value of the actuarial liabilities of changes in assumptions is demonstrated as follows:

- 1% decrease in interest assumption on individual life policies reduces the actuarial liabilities by $183,102.
- 1% decrease in accumulation rate on individual annuities reduces the reserve by $310,365.
- 10% increase in mortality rates increases the reserves by $8,250.

e. Actuarial liabilities

(i) The Insurance (Caribbean Policy Premium Method) Regulations, 2020

The objective of the valuation of policy liabilities is to determine the amount of the insurer's assets that, in the opinion of the Appointed Actuary (AA) and taking into account the other pertinent items in the financial statements, will be sufficient without being excessive to provide for the policy liabilities over their respective terms. The amounts set aside for future benefits are dependent on the timing of future asset and liability cash flows.

The actuarial liabilities are determined as the net present value of liability cash flows discounted at effective interest rates resulting in a value equivalent to the market value of assets supporting these actuarial liabilities under an adverse economic scenario. These liability cash flows comprise of (a) the full amount of the policy premiums stipulated in the related insurance policies and (b) the policy payments, without arbitrary limitation on expenses.

The AA identifies a conservative economic scenario forecast, and together with the existing investment portfolio as at the date of the actuarial valuation and assumed reinvestment of net asset and policy liability cash flows, calculates the actuarial liabilities required at the date of valuation to ensure that sufficient monies are available to meet the liabilities as they become due in future years.

(ii) Best estimate reserve assumptions & provisions for adverse deviations

Actuarial liabilities include two major components: a best estimate reserve and a provision for adverse deviations. This latter provision is established in recognition of the uncertainty in computing best estimate reserves, to allow for possible deterioration in experience and to provide greater comfort that reserves are adequate to pay future benefits.

For the respective reserve assumptions for mortality and morbidity, lapse, future investment yields, operating expenses and taxes, best estimate reserve assumptions are determined where appropriate for Trinidad and Tobago.

Provisions for adverse deviations are established in accordance with the risk profiles of the business, and are, as far as is practicable, standardised across the major geographical segments. Provisions are determined within a specific range as established in the Insurance (Caribbean Policy Premium Method) Regulations, 2020.

4 Critical accounting estimates and judgements

The principal assumptions and margins used in the determination of actuarial liabilities are summarised in note 9. However, the liability resulting from the application of these assumptions can never be definitive as to the ultimate timing or the amount of benefits payable and is therefore subject to future re-assessment.

5 Statutory restrictions on assets

Insurers are registered to conduct insurance business under legislation in place in Trinidad and Tobago. This legislation may prescribe a number of requirements with respect to deposits, investment of funds and solvency for the protection of policyholders.

To satisfy the above requirements, invested assets and cash totalling $18.4m (2020: $17.7m) have been deposited with or are held in trust to the order of the Insurance Regulators.

6 Financial assets

	Carrying value 2021 $	Fair value 2021 $	Carrying value 2020 $	Fair value 2020 $
Fair value through OCI:				
Term deposits	49,818	49,818	2,147,058	2,147,058
	49,818	49,818	2,147,058	2,147,058
Fair value through P&L:				
Debt securities	-	-	2,196,780	2,196,780
Equity	1,757,860	1,757,860	1,437,798	1,437,798
	1,757,860	1,757,860	3,634,578	3,634,578
Amortised cost				
Debt securities	16,761,795	17,026,256	12,163,593	12,242,197
	18,569,473	18,833,934	17,945,229	18,023,833

	2021 $	2020 $
Debt securities comprise:		
Debenture bonds:		
Corporate	1,459,475	1,459,591
Government of Trinidad and Tobago	13,104,744	10,704,002
Other CARICOM Government Securities	2,197,576	2,196,780
	16,761,795	14,360,373
Shares comprise:		
Listed on Caribbean stock exchange/markets	798,207	699,618
Listed on Canadian stock exchange/market	959,653	738,180
	1,757,860	1,437,798
Deposits comprise:		
Financial Institutions	49,818	2,147,058

	Fair value through OCI $	Fair value through P&L $	Amortised cost $	Total $
At 1 January 2021	2,147,058	3,634,578	12,163,593	17,945,229
Additions/movement accrued interest	13,606	1,178	4,696,780	4,711,564
Amortisation of discount	-	-	(28,743)	(28,743)
Principal repayment on bonds	-	-	(71,429)	(71,429)
Disposals (sale and redemption)	(2,110,979)	(2,196,780)	-	(4,307,759)
Fair value loss	-	318,877	-	318,877
IFRS 9 adjustments	133	-	1,552	1,685
Effects of exchange rate changes on re-translation of foreign securities	-	7	42	49
At 31 December 2021	49,818	1,757,860	16,761,795	18,596,473

	Fair value through OCI $	Fair value through P&L $	Amortised cost $	Total $
At 1 January 2020	2,108,099	2,611,754	12,242,008	16,961,861
Additions/movement accrued interest	38,918	2,198,875	-	2,237,793
Amortisation of discount	-	-	(905)	(905)
Principal repayment on bonds	-	(1,117,278)	(71,429)	(1,188,707)
Fair value loss	-	(67,068)	-	(67,068)
IFRS 9 adjustments	41	(610)	(987)	(1,556)
Provision for Bad Debt	-	-	(5,094)	(5,094)
Effects of exchange rate changes on re-translation of foreign securities	-	8,905	-	8,905
At 31 December 2020	2,147,058	3,634,578	12,163,593	17,945,229

7 Other assets and receivables

	2021 $	2020 $
Accrued investment income	139,505	110,102
Coupon receivable	43,546	1,319
	183,051	111,421

8 Cash resources

	2021 $	2020 $
RBC Royal Bank (Trinidad and Tobago) Limited	57,075	48,922
Scotiabank (Trinidad and Tobago) Limited	599,402	847,345
Republic Bank Limited	147,245	54,706
Morgan Stanley Private Wealth Management	-	5,860
	803,722	956,833

9 Actuarial liabilities

	2021 $	2020 $
Contracts issued to individuals	9,013,338	9,084,875

The objective of the actuarial valuation of policy liabilities is to determine the amount of the Fund's assets that, in the opinion of the Fund's Actuary will be sufficient without being excessive to provide for the policy liabilities over their respective terms. For individual life business, the amounts set aside for future benefits are based on Canadian Institute of Actuaries 1997- 2004 age nearest birthday ultimate mortality, a standard industry table. The mortality basis used is 90% of the Group Annuitants' Mortality Table for deferred annuities. For immediate annuities, the base table is the 1994 Group Annuitants' Reserinv table, with an adjustment of 98% and 99.8% applied for males and females respectively.

A valuation interest rate of 3.5% was used for all years for individual life and in pay annuities.

Movement in actuarial liabilities

	2021 $	2020 $
Balance as at start of year	9,084,875	8,923,875
(Decrease)/increase in actuarial liability	(71,537)	161,000
Balance as at end of year	9,013,338	9,084,875

10 Accumulated unallocated surplus

	2021 $	2020 $
Balance as at start of year	5,498,284	5,756,312
Prior year adjustment	-	50,365
Total comprehensive income/(loss) for the year	334,444	(147,393)
Increase/(decrease in actuarial liability	71,537	(161,000)
Balance as at end of year	5,904,265	5,498,284

As per the conditions of the Scheme of Transfer dated 24 May 1994, 90% of any distributable surplus arising from the actuarial valuation shall on the advice of The Fund's actuary be distributed to policy holders of The Fund on an equitable basis and the remaining 10% of such distributable surplus shall be allocated to Nationwide Insurance Company Limited.

Prior year adjustment	2021 $	2020 $
2017 policy payment	-	50,366

An adjustment to the accumulated unallocated surplus was made as a result of the correction of a prior period error relating to the recognition of a 2019 policy payment.

11 Other policyholder liabilities

	2021 $	2020 $
Death and disability claims	962,476	1,064,384
Maturities and surrenders	1,445,954	1,442,523
	2,408,430	2,506,907

12 Other payables

	2021 $	2020 $
Sundry creditors and accruals	334,838	236,141
Premium deposits paid in advance and unplaced	445,132	445,677
	779,970	681,818

13 Related party transactions

	2021 $	2020 $
Amount due to related party		
- Nationwide Insurance Company Limited	1,304,743	1,084,591
Amount due from related party		
- Sagicor Life Inc.	(89,023)	(47,849)
Administrative fees	365,243	350,969

The related party transactions were carried out on commercial terms and conditions.

14 Net investment income

	2021 $	2020 $
Interest income - debt securities	802,751	681,747
- deposits	10,317	31,702
Dividend income	66,130	6,162
Unrealized fair value gains	318,877	4,891
Exchange gain	(129)	8,993
	1,197,946	733,495

15 Net policy benefits

	2021 $	2020 $
Death and disability claims	65,371	116,724
Surrenders	18,531	3,431
Annuity and pensions	3,063	3,063
	86,965	123,218

16 Administrative expenses

	2021 $	2020 $
Audit fees	295,864	198,232
Administration fees	365,243	350,969
Bank charges	34,692	41,012
Actuarial Fees	-	169,851
Postages	7	6
Registration fees	50,115	50,000
Provision Against Bad Debts	-	5,094
Legal fees	1,378	-
	747,299	815,164

17 Taxation

Income taxes are charged at 15% on investment income attributable to life insurance and non-registered annuities and 0% on registered annuities. Other net income is charged at 30%.

The income tax expense is comprised of:

	2021 $	2020 $
Current tax	25,314	29,323
Deferred tax (Note 18)	39,806	4,620
	65,120	33,943

The tax on net investment income differs from the theoretical amount that would arise using the basic rate of tax as follows:

	2021 $	2020 $
Taxable investment income	835,650	676,860
Tax calculated at 15%	125,348	101,529
Expenses deductible for tax	(62,302)	(76,108)
Income not subject to tax	(14,532)	(19,923)
Prior period (over)/under provision	(25,586)	23,825
Other taxes	42,192	4,620
	65,120	33,943

18 Deferred tax liabilities

Deferred tax has been provided on the accrued interest on unrealized gains and losses of fair value through profit & loss investments.

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal rate of 15%.

The movement on the deferred income tax account is as follows:

	2021 $	2020 $
Opening amount	143,820	139,200
Accrued interest on zero coupon bond (Note 17)	(4,165)	4,016
Unrealised fair value gains (Note 17)	43,971	604
Closing amount	183,626	143,820

19 Financial risk

The Fund's activities of issuing insurance contracts, and of investing insurance premium in a variety of financial and other assets, and dealing in securities, exposes the Fund to various insurance and financial risks.

Financial risks include credit, liquidity and market risks. Market risks arise from changes in interest rates, equity prices, currency exchange rates or other market factors. The effects of these risks are disclosed in the sections below.

a. Credit risk

The Fund's approach to the management of these risks is described in Note 4.

(i) Credit risk exposure – financial assets subject to impairment (IFRS 9 basis)

The total credit risk exposure of the Group at year end is summarised in the following table. For assets measured at FVTPL, the Group's credit risk exposure is the carrying amount.

	31 December	
Investment Portfolios	**2021 $**	**2020 $**
Debt securities at amortised cost	16,761,795	12,162,984
Debt securities at FVTPL	-	2,197,390
Equity securities at FVTPL	1,757,860	1,437,798
Deposits at FVOCI	49,818	2,147,058
Other receivables	139,505	111,421
Total financial statement exposure	18,708,979	18,056,651

(ii) Maximum exposure to credit risk before collateral held or other credit enhancements

The maximum exposures of the Fund to credit risk without taking into account any collateral or any credit enhancements are set out in the following table:

	2021 $	%	2020 $	%
Debt securities	16,761,795	94.2	14,360,373	81.8
Other assets and receivables	183,051	1.0	111,421	0.6
Deposits	49,818	0.3	2,147,058	12.2
Cash resources	803,722	4.5	956,833	5.4
Total balance sheet exposures	17,798,386	100.0	17,575,685	100.0

Exposures

The Fund's significant exposures to individual counterparty credit risks are set out below.

	2021 $	2020 $
Debt securities		
GOTT debt securities denominated in Trinidad & Tobago Dollars	13,104,743	10,704,002
Corporate	1,459,475	1,459,591
Local Government Securities in Foreign Currency	2,197,577	2,196,780
	16,761,795	14,360,373

(iii) Credit risk exposure – financial debt securities subject to impairment

Financial debt securities carried at amortised cost are subject to credit impairment losses which are recognised in the statement of income.

The following tables contain analyses of the credit risk exposure of financial investments for which an ECL allowance is recognised.

19 Financial risk (continued)

a. Credit risk (continued)

(iii) Credit risk exposure – financial debt securities subject to impairment (continued)

Financial Assets – Amortised Cost 2021

	ECL Staging			
	Stage 1 12-month ECL	**Stage 2 life-time ECL**	**Stage 3 life-time ECL**	**Total**
December 31:				
Credit grade:				
Investment	16,764,212	-	-	16,764,212
Non-investment	-	-	-	-
Gross carrying amount	16,764,212	-	-	16,764,212
Loss allowance	(2,417)	-	-	(2,417)
Carrying amount	16,761,795	-	-	16,761,795

Financial Assets – Amortised Cost 2020

	ECL Staging			
	Stage 1 12-month ECL	**Stage 2 life-time ECL**	**Stage 3 life-time ECL**	**Total**
December 31:				
Credit grade:				
Investment	12,167,562	-	-	12,167,562
Non-investment	-	-	-	-
Gross carrying amount	12,167,562	-	12,167,562	
Loss allowance	(3,970)	-	-	(3,970)
Carrying amount	12,163,592	-	-	12,163,592

Financial Assets – Fair Value through OCI 2021

	ECL Staging			
	Stage 1 12-month ECL	**Stage 2 life-time ECL**	**Stage 3 life-time ECL**	**Total**
December 31:				
Credit grade:				
Investment	49,819	-	-	49,819
Non-investment	-	-	-	-
Gross carrying amount	49,819	-	-	49,819
Loss allowance	(1)	-	-	(1)
Carrying amount	49,818	-	-	49,818

Financial Assets – Fair Value through OCI 2020

	ECL Staging			
	Stage 1 12-month ECL	**Stage 2 life-time ECL**	**Stage 3 life-time ECL**	**Total**
December 31:				
Credit grade:				
Investment	2,147,191	-	-	2,147,191
Non-investment	-	-	-	
Gross carrying amount	2,147,191	2,147,191		
Loss allowance	(133)	-	-	(133)
Carrying amount	2,147,058	-	-	2,147,058

The allowance for ECL is recognised in each reporting period and is impacted by a variety of factors as described below.

- Transfers between stages due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired during the period;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to inputs used in the calculation including the effect of 'step up' (or "step down") between 12 month and life time ECL;
- Impacts on the measurement of ECL due to changes made to models and assumptions and

19 Financial risk (continued)

a. Credit risk (continued)

(iii) Credit risk exposure – financial debt securities subject to impairment (continued)

- Foreign exchange retranslations for assets denominated in foreign currencies and other movements.

There were no transfers between stages recorded during the year.

The following tables contain analyses of the movement of loss allowances from 31 December 2020 to 31 December 2021 in respect of financial assets subject to impairment.

	2021 ECL Staging			
Securities at amortised cost	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 31 December 2020	3,969	-	-	3,969
Changes in Inputs used in ECL calculation	(1,552)	-	-	(1,552)
Loss allowance as at December 2021	2,417	-	-	2,417

	2020 ECL Staging			
Securities at amortised cost	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 31 December 2019	2,372	-	-	2,372
Changes in Inputs used in ECL calculation	1,597	-	-	1,597
Loss allowance as at December 2020	3,969	-	-	3,969

	2021 ECL Staging			
Securities at fair value through OCI	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 31 December 2020	134	-	-	134
Changes in Inputs used in ECL calculation	(133)	-	-	(133)
Loss allowance as at December 2021	1	-	-	1

	2020 ECL Staging			
Securities at fair value through OCI	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 31 December 2019	175	-	-	175
Changes in Inputs used in ECL calculation	(41)	-	-	(41)
Loss allowance as at December 2020	134	-	-	134

19.1.1 Economic variable assumptions

The Fund has selected three economic factors which provide the overall macroeconomic environment in considering forward looking information for base, upside and downside forecasts. These are as follows:

	As of 31 December		
	2022	2023	2024
Unemployment rate (USA)			
Base	3.5%	2.6%	1.9%
Upside	5.0%	3.0%	1.0%
Downside	1.1%	1.6%	1.8%
World GDP			
Base	4.9%	3.6%	3.4%
Upside	7.4%	5.4%	5.1%
Downside	2.6%	2.6%	2.4%
WTI Oil Prices/10			
Base	$7.36	$6.79	$6.40
Upside	$9.39	$9.39	$9.39
Downside	$3.09	$2.85	$2.69

The Fund's lending operations in Trinidad and Tobago has limited readily available information regarding economic forecasts. Management has examined the information within the market and selected economic drivers that have the best correlation to the portfolio's performance. Economic state is assigned to reflect the driver's impact on ECL.

19 Financial risk (continued)

a. Credit risk (continued)

(iii) Credit risk exposure – financial debt securities subject to impairment (continued)

19.1.1 Economic variable assumptions (continued)

Trinidad & Tobago	Expected state for the next 12 months	Scenario
Unemployment rate	Base	Negative
	Upside	Stable
	Downside	Super Negative
GDP growth	Base	Negative
	Upside	Positive
	Downside	Super Negative

19.1.2 Loss given default (LGD)

The ECL impact of LGD for debt securities has been estimated as follows:

	LGD		ECL impact of	
Loss Given Default	Rate applied	Change in rate	Increase in value	Decrease in value
Investments - Corporate Debts	53%	(- /+ 5)%	156	(156)
Investments - Sovereign Debts	35%	(- /+ 5)%	798	(798)

19.1.3 Scenario design

Weighting for Downside Scenario	Applied values	Change in value	Increase in value	Decrease in value
Investments – excluding Government of Barbados	10% upside scenario (80%) for base scenario and 10% for downside scenario	(- /+ 5) % - keep the weighting for base scenario and adjust the weighting for upside scenario accordingly	406	(406)

19.1.4 Analysis of financial assets

(a) Financial assets neither past due nor impaired

The credit quality of financial assets that were neither past due nor impaired can be assessed by reference to external credit ratings analysed as follows:

As at 31 December 2021

	Category	USL risk rating	Classification	Exposure	Exposure %
Non-default	Investment grade	1	Minimal risk	204,320	1%
		2	Low risk	599,402	3%
		3	Moderate risk	16,811,613	96%
	Non-investment grade	4	Acceptable risk	-	-
		5	Average risk	-	-
	Watch	6	Higher risk	-	-
		7	Special mention	-	-
			Substandard	-	-
	Not rated			-	-
			TOTALS	17,615,335	100.00%

As at 31 December 2020

	Category	USL risk rating	Classification	Exposure	Exposure %
Non-default	Investment grade	1	Minimal risk	48,922	0%
		2	Low risk	569,972	3%
		3	Moderate risk	16,768,914	97%
	Non-investment grade	4	Acceptable risk	-	-
		5	Average risk	-	-
	Watch	6	Higher risk	-	-
		7	Special mention	-	-
			Substandard	-	-
	Not rated			-	-
			TOTALS	17,615,335	100.00%

19 Financial risk (continued)

a. Credit risk (continued)

(iii) Credit risk exposure – financial debt securities subject to impairment (continued)

19.1.4 Analysis of financial assets (continued)

(b) Concentration of risks of financial assets with credit risk exposure

The following table breaks down the Fund's main credit risk exposure at their carrying amounts, as categorised by the industry sectors of counterparties:

	Financial institutions $	Public sector $	individuals $	Total $
As at 31 December 2021				
Debt securities	1,459,475	13,104,743	2,197,577	16,761,795
Other assets and receivables	183,051	-	-	183,051
Deposits	49,818	-	-	49,818
Amount due from related party- Sagicor Life Inc	89,023	-	-	89,023
Cash resources	803,722	-	-	803,722
Total Financial Assets	2,585,089	13,104,743	2,197,576	17,887,409

	Financial institutions $	Public sector $	individuals $	Total $
As at 31 December 2020				
Debt securities	1,459,591	10,704,002	2,196,780	14,360,373
Other assets and receivables	111,421	-	-	111,421
Deposits	2,147,058	-	-	2,147,058
Amount due from related party- Sagicor Life Inc	47,849	-	-	47,849
Cash resources	956,833	-	-	956,833
Total Financial Assets	4,722,752	10,704,002	2,196,780	17,623,534

b. Liquidity risk

(i) Financial liabilities and commitments

Cash flows payable by the Fund in respect of its financial liabilities and commitments are summarised in the following tables. Maturity profile amounts are analysed by their earliest contractual maturity dates and consist of the contractual un-discounted cash flows. Where the interest rate of an instrument for a future period has not been determined as of balance sheet date, it is assumed that the interest rate then prevailing continues until final maturity.

	Due within 1 year or on demand $	Due between 1 and 5 years $	Due after 5 years $	Total $
As at 31 December 2021				
Financial liabilities				
Other payables	779,970	-	-	779,970
Amounts due to related parties	1,304,743	-	-	1,304,743
Total financial liabilities	2,084,713			2,804,713

	Due within 1 year or on demand $	Due between 1 and 5 years $	Due after 5 years $	Total $
As at 31 December 2020				
Financial liabilities				
Other payables	681,818	-	-	681,818
Amounts due to related parties	1,084,591	-	-	1,084,591
Total financial liabilities	1,766,409	-	-	1,766,409

19 Financial risk (continued)

b. Liquidity risk (continued)

(ii) Insurance liabilities – maturity profiles

The maturity profiles of the Fund's insurance liabilities are summarised in the following tables. Maturity profile amounts are stated at their carrying values recognised in the balance sheet and are analysed by their expected maturity dates, which have been estimated by actuarial or other statistical methods.

	Due within 1 year or on demand $	Due between 1 and 5 years $	Due after 5 years $	Total $
As at December 2021				
Actuarial liabilities	476,887	25,594	8,508,857	9,013,338
Other policyholder liabilities	2,408,430	-	-	2,408,430
	2,885,317	25,594	8,508,857	11,421,768

	Due within 1 year or on demand $	Due between 1 and 5 years $	Due after 5 years $	Total $
As at December 2020				
Actuarial liabilities	432,296	40,370	8,612,209	9,084,875
Other policyholder liabilities	2,506,907	-	-	2,506,907
	2,939,203	40,370	8,612,209	11,591,782

(iii) Financial assets – maturity profiles

The following table analyses the Fund's financial assets into relevant maturity grouping, based on the remaining period at the balance sheet date to the contractual maturity date.

The amounts disclosed below are the contractual undiscounted cash flow.

	Due within 1 year or on demand $	Due between 1 and 5 years $	Due after 5 years $	Total $
As at 31 December 2021				
Debt securities	-	-	24,542,964	24,542,964
Other assets and receivables	183,051	-	-	183,051
Deposits	49,818	-	-	49,818
Amounts due from related party-Sagicor Life Inc.	89,023	-	-	89,023
Cash resources	803,722	-	-	803,722
Total	1,125,614	-	24,542,964	25,668,578

	Due within 1 year or on demand $	Due between 1 and 5 years $	Due after 5 years $	Total $
As at 31 December 2020				
Debt securities	-	-	21,545,012	21,545,012
Other assets and receivables	111,421	-	-	111,421
Deposits	2,147,058	-	-	2,147,058
Amounts due from related party-Sagicor Life Inc.	47,849	-	-	47,849
Cash resources	956,833	-	-	956,833
Total	3,263,161	-	21,545,012	24,808,173

c. Interest rate risk

The Fund is exposed to interest rate risks. Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. The occurrence of an adverse change in interest rates on invested assets may result in financial loss to the Fund in fulfilling the contractual returns on insurance and financial liabilities.

The return on investments may be variable, fixed for a term or fixed to maturity. On reinvestment of a matured investment, the returns available on the new investment may be significantly different from the returns formerly achieved. This is known as reinvestment risk.

19 Financial risk (continued)

c. Interest rate risk (continued)

Guaranteed minimum returns exist within cash values of long term traditional insurance contracts, long term universal life insurance contracts, annuity options, and policy funds on deposit. Where the returns credited exceed the guaranteed minimum, the insurer usually has the option to adjust the return from period to period.

The Fund is therefore exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase or decrease as a result of such changes. Interest rate changes may also result in losses if asset and liability cash flows are not closely matched with respect to timing and amount.

The Fund is exposed to risk under embedded derivatives contained in a host insurance contract. These risks include exposures to investment returns which may produce losses to the insurer arising from the following contract features:

- minimum annuity rates which are guaranteed to be applied at some future date;
- minimum guaranteed death benefits which are applicable when the performance of an interest bearing, or unit linked fund falls below expectations;
- minimum guaranteed returns in respect of cash values and universal life investment accounts.

The Fund manages its interest rate risk by a number of measures, including where feasible the selection of assets which best match the maturity of liabilities, the re-pricing of interest rates on policy contracts and financial liabilities in response to market changes. Where the availability of suitable investments is a challenge, the Fund holds many of its fixed rate debt securities to maturity and therefore mitigates the transient interest rate changes in these markets.

Asset liability matching is a tool used by the Fund to mitigate fair value risk by using fixed income securities to back insurance liabilities. In addition, by holding fixed income securities to maturity, the Fund is able to mitigate fair value risk relating to these assets.

Financial assets

The table below summarises the exposures to interest rate risks of the Fund's financial assets. It includes assets at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

As at 31 December 2021	Due within 1 year $	Due between 1 and 5 years $	Due after 5 years $	Non-interest bearing $	Total $
Debt securities	-	-	16,622,290	139,505	16,761,795
Mortgage loans	-	-	-	-	-
Other assets and receivables	-	-	-	183,051	183,051
Deposits	49,818	-	-	-	49,818
Cash resources	803,722	-	-	-	803,722
Total	853,540	-	16,622,290	322,556	17,798,386

As at 31 December 2020	Due within 1 year $	Due between 1 and 5 years $	Due after 5 years $	Non-interest bearing $	Total $
Debt securities	-	-	14,252,732	107,641	14,360,373
Mortgage loans	-	-	-	-	-
Other assets and receivables	-	-	-	111,421	111,421
Deposits	2,147,058	-	-	-	2,147,058
Cash resources	956,833	-	-	-	956,833
Total	3,103,891	-	14,252,732	219,062	17,575,685

Financial assets - interest yields

The table below summarises the average interest yields on financial assets held during the year.

Financial assets	
Debt securities	5%

19 Financial risk (continued)

d. Fair value risk

Sensitivity

The Fund is most sensitive to fair value risk on its Fair value through profit & loss equity securities. The effects of an across the board 5% decline in equity prices at balance sheet date are set out below.

	Carrying value $	Effect of a 5% decline as at 31 Dec 2021 $
Listed on Caribbean stock exchanges/markets	798,207	758,297
Listed on Canadian stock exchanges/markets	959,653	911,671
	1,757,860	1,669,968

e. Capital management

The Fund's objectives when managing capital are:

- to comply with the capital requirements required by the regulator of the market where the Fund operates.
- to safeguard the Fund's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to stakeholders by pricing insurance contracts commensurately with the level of risk.

The Fund operates under the Insurance Act 2018 of Trinidad and Tobago and as such is required to:

- have a minimum regulatory capital of $594,710;

The Fund fully complies with the statutory capital requirements during the reported financial period and no changes were made to its capital base, objectives, policies and processes from the previous year.

f. Foreign exchange risk

(i) *The following table analyses the Fund's assets and liabilities by currency:*

As at 31 December 2021	Balances denominated in Trinidad $	US $	Other currencies $	Total $
Assets				
Financial investments	15,411,975	2,197,845	959,653	18,569,473
Other assets and receivables	183,051	-	-	183,051
Amount due from related parties	89,023	-	-	89,023
Cash resources	803,725	(3)	-	803,722
Total assets	16,487,775	2,197,842	959,653	19,645,269
Liabilities				
Actuarial liabilities/unallocated Surplus	14,917,603	-	-	14,917,603
Other policyholder liabilities	2,408,430	-	-	2,408,430
Other payables	779,970	-	-	779,970
Amount due to related party	1,304,743	-	-	1,304,743
Deferred taxation	183,626	-	-	183,626
Taxation payable	50,898	-	-	50,898
Total liabilities	19,645,270	-	-	19,645,269
Net position	(3,157,495)	2,197,842	959,653	-
As at 31 December 2020				
Total assets	16,119,903	2,203,249	738,180	19,061,332
Total liabilities	19,061,332	-	-	19,061,332
Net position	(2,941,429)	2,203,249	738,180	-

(a) *Sensitivity analysis*

As at 31 December 2021, if the Trinidad and Tobago dollar had weakened/strengthened by 1% against the US dollar with all other variables held constant, unallocated policyholder surplus would have been TT$ 21,000 (2020 TT$22,033) higher/lower, mainly as a result of foreign exchange gains/losses on translation of US dollar denominated, Fair value through profit & loss securities and other funding instruments.

19 Financial risk (continued)

g. Fair value of financial assets and liabilities

Financial instruments carried at fair value in the financial statements are measured in accordance with a fair value hierarchy. This hierarchy is as follows:

Level 1 – unadjusted quoted prices in active markets for identical instruments
Level 2 – inputs other than quoted prices in Level 1 that are observable for the instrument, either directly or indirectly
Level 3 – inputs for the instrument that are not based on observable market data

h. Financial Assets carried at fair value

2021

	Level 1	Level 2	Level 3	Total
Securities:				
Debt securities	-	-	-	-
Equity securities	-	1,757,860	-	1,757,860
Deposits	-	49,818	-	49,818
	-	1,807,678	-	1,807,678

2020

	Level 1	Level 2	Level 3	Total
Securities:				
Debt securities	-	2,196,780	-	2,196,780
Equity securities	-	1,437,798	-	1,437,798
Deposits	-	2,147,058	-	2,147,058
	-	5,781,636	-	5,781,636

19 Financial risk (continued)

i. Insurance risk

The Fund’s activities of accepting funds from policy holder and investing insurance premiums in a variety of financial and other assets and dealing in securities, exposes the Fund to various insurance and financial risks.

Long-term insurance contracts

Long-term contracts are typically for a minimum period of 5 years and a maximum period which is determined by the remaining life of the insured. In addition to the estimated benefits which may be payable under the contract, the Fund has to assess the cash flows which may be attributable to the contract.

For long-term contracts enforce, the Fund has adopted a policy of investing in assets with cash flow characteristics that closely match the cash flow characteristics of its policy liabilities. The primary purpose of this matching is to ensure that cash flows from these assets are synchronised with the timing and the amounts of payments that must be paid to policyholders.

Policy benefits payable under long-term contracts may be triggered:

- by an insurable event, i.e. a death, disability or critical illness claim;
- at a specified time, i.e. an annuity settlement or a policy maturity;
- on the exercise of a surrender or withdrawal request by the policyholder.

Settlement of these benefits is therefore expected over a wide time span, extending over the remaining lives of the insureds and annuitants. Industry and Fund experience do suggest that settlement will in fact occur over this time period but does not remove the uncertainty which exists over the timing of future benefit cash outflows.

Significant risks arise from mortality and morbidity experience. Worsening mortality and morbidity will increase the incidence of death and disability claims. Improving mortality will lengthen the pay-out period of annuities.

20 Subsequent events

After 31 December 2021, no events, situations or circumstances have occurred which might significantly affect the Company´s equity or financial position, which have not been adequately contemplated or mentioned in these financial statements.