

Separate Financial Statements of

**COLONIAL LIFE INSURANCE COMPANY  
[TRINIDAD] LIMITED**

December 31, 2018

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## **COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED**

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<b>Contents</b>	<b>Page</b>
Statement of Management's Responsibilities	1
Actuaries' Report	2 - 3
Independent Auditors' Report	4 - 6
Separate Statement of Financial Position	7
Separate Statement of Profit or Loss and Other Comprehensive Income	8 - 9
Separate Statement of Changes in Equity	10
Separate Statement of Cash Flows	11 - 12
Notes to the Separate Financial Statements	13 - 105

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## **Statement of Management's Responsibilities Colonial Life Insurance Company [Trinidad] Limited**

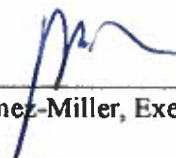
Management is responsible for the following:

- Preparing and fairly presenting the accompanying separate financial statements of Colonial Life Insurance Company [Trinidad] Limited (the Company), which comprise the separate statement of financial position as at December 31, 2018, the separate statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information;
- Ensuring that the Company keeps proper accounting records;
- Selecting appropriate accounting policies and applying them in a consistent manner;
- Implementing, monitoring and evaluating the system of internal control that assures security of the Company's assets, detection/prevention of fraud and the achievement of the Company's operational efficiencies;
- Ensuring that the system of internal control operated effectively during the reporting period;
- Producing reliable financial reporting that complies with laws and regulations, including the Companies and Insurance Acts; and
- Using reasonable and prudent judgement in the determination of estimates.

In preparing these separate 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.

Certain directives, issued by the Central Bank of Trinidad and Tobago, have resulted in the curtailment of the Company's operations. However, the Company continues to operate in the normal course of business and continues to operate as a going concern.

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

  
\_\_\_\_\_  
Claire Gomez-Miller, Executive Chairman

Date: June 26, 2019

  
\_\_\_\_\_  
Jacinta Sohun, Chief Financial Officer

Date: June 26, 2019



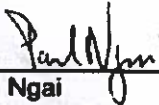
**Actuarial Certification pursuant to the  
Insurance Act of the Republic of Trinidad and Tobago**

This actuarial certificate and opinion are provided in accordance with the requirements of the Insurance Act with respect to the long-term insurance business registered in Colonial Life Insurance Company (Trinidad) Limited ("the Company") as at December 31, 2018.

I have examined the financial position and valued the long-term policy benefit liabilities of the Company for its balance sheet as at December 31, 2018 and the corresponding change in the long-term policy liabilities in the revenue account for the year then ended. I meet the appropriate qualification standards and am familiar with the valuation and capital adequacy requirements applicable to life insurance companies in Trinidad and Tobago.

In my opinion:

- The methods and procedures used in the verification of the valuation data are sufficient and reliable and fulfill the acceptable standards of care;
- The valuation of long-term policy liabilities has been made in accordance with generally accepted actuarial principles with such changes as determined and directions made by the Draft Insurance (Caribbean Policy Premium Method) Regulations;
- The methods and assumptions used to calculate the consolidated actuarial and other policy liabilities are appropriate to the circumstances of the Company and of the said policies and claims;
- The long-term policy liabilities represented in the balance sheet of the Company amounting to \$TT 7,971,527,000 (\$TT 7,957,640,000 backed by statutory fund and \$TT 13,887,000 not backed by Statutory Fund) makes proper provision for the future payments under the companies' policies and meets the requirements of the Act and any other Regulations made there-under; and
- A proper charge on account of these liabilities has been made in the revenue account.

  
\_\_\_\_\_  
Paul Ngai  
Fellow, Society of Actuaries  
Fellow, Canadian Institute of Actuaries  
Principal & Consulting Actuary  
Prescience Insurance Consultants & Actuaries

\_\_\_\_\_  
February 28, 2019  
Date



**Actuarial Certification pursuant to the  
Insurance Act of the Republic of Trinidad and Tobago**

This actuarial certificate and opinion is provided in accordance with the requirements of the Insurance Act with respect to the short-term investment business (EFPA) registered in Colonial Life Insurance Company (Trinidad) Limited ("the Company") as at December 31, 2018.

I have examined the financial position and valued the short-term investment contracts of the Company for its balance sheet as at December 31, 2018 and the corresponding change in the short-term investment contracts in the revenue account for the year then ended. I meet the appropriate qualification standards.

In my opinion:

- The methods and procedures used in the verification of the valuation data are sufficient and reliable and fulfill the acceptable standards of care;
- The valuation of short-term investment contracts (EFPA) has been made in accordance with generally accepted actuarial principles, IFRS 4 and the Resolution Plan;
- The short-term investment contracts represented in the balance sheet of the Company amounting to \$TT 145,836,000 (\$TT 83,968,000 backed by Statutory Fund and \$TT 61,868,000 not backed by Statutory Fund) makes proper provision for the future payments under the companies' policies and meets the requirements of the Act and any other Regulations made there-under; and
- A proper charge on account of these liabilities has been made in the revenue account.

A handwritten signature in black ink, appearing to read "Paul Ngai", is written over a horizontal line.

Paul Ngai  
Fellow, Society of Actuaries  
Fellow, Canadian Institute of Actuaries  
Principal & Consulting Actuary  
Prescience Insurance Consultants & Actuaries

February 28, 2019

Date



KPMG  
Chartered Accountants  
Savannah East  
11 Queen's Park East  
P.O. Box 1328  
Port of Spain  
Trinidad and Tobago, W.I.

Tel.: (868) 612-KPMG  
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**Independent Auditors' Report  
To the shareholders of  
Colonial Life Insurance Company (Trinidad) Limited**

**Qualified Opinion**

We have audited the separate financial statements of Colonial Life Insurance Company (Trinidad) Limited (the Company), which comprise the separate statement of financial position as at December 31, 2018, the separate statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying separate financial statements present fairly, in all material respects, the unconsolidated financial position of the Company as at December 31, 2018, and its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

**Basis for Qualified Opinion**

The Company's investments in subsidiaries are stated at fair values categorised within Level 3 of the fair value hierarchy. The total carrying value of these assets is \$2.58 billion (2017: \$2.37 billion), representing 16.85% (2017: 12.17%) of total assets. The Company has not disclosed a description of the valuation techniques and the quantitative information about significant unobservable inputs used in the fair value measurements for the reasons that are more fully explained in Note 4.3. Disclosure of the valuation techniques and the quantitative information about significant unobservable inputs used in the fair value measurement is required by IFRS 13, 'Fair Value Measurement'.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Trinidad and Tobago, and we have fulfilled our other ethical responsibilities in accordance with these requirements and with the IESBA Code.

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



### **Emphasis of Matter**

We draw attention to Note 1 to the separate financial statements, which describes the amendment to the Central Bank Act that was passed by the Parliament of the Republic of Trinidad and Tobago and its implications for the Company. We note that the Company was required to cease writing new business, effective August 2014 onwards, and that the Company continues to manage the run-off of existing policies. Our opinion is not modified in respect of this matter.

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

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

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

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

### **Auditors' Responsibilities for the Audit of the Separate Financial Statements**

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





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

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

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate 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.

A handwritten signature in black ink that reads 'KPMG' in a cursive, stylized font.

Chartered Accountants  
Port of Spain  
Trinidad and Tobago  
June 26, 2019



# COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED

## Separate Statement of Financial Position

December 31, 2018

	Notes	2018 \$'000	2017 \$'000
<b>ASSETS</b>			
Property, plant and equipment	6	115,073	146,727
Investment properties	7	407,338	427,760
Investment in associates	8	637,680	1,128,592
Investment in subsidiaries	9	2,583,173	2,369,736
Investment securities	10	9,801,676	12,487,438
Due from related parties	11	-	1,688,673
Loans and other receivables	12	366,981	383,230
Bank and short-term deposits	13	1,421,746	845,390
<b>Total assets</b>		<u>15,333,667</u>	<u>19,477,546</u>
<b>EQUITY</b>			
Share capital	14	14,750	14,750
Accumulated surplus (deficit)		964,812	(3,064,244)
Valuation reserves	15	1,692,363	3,662,374
<b>Net surplus</b>		<u>2,671,925</u>	<u>612,880</u>
<b>LIABILITIES</b>			
Insurance contracts	16	6,439,057	6,921,110
Investment contracts	17	1,665,526	1,754,500
Borrowings	18	-	87
Debt securities issued	19	3,973,984	4,992,751
Due to related parties	20	74,229	1,760,041
Mutual fund obligation	21	39,470	1,187,576
Accounts payable	22	469,476	2,248,601
<b>Total liabilities</b>		<u>12,661,742</u>	<u>18,864,666</u>
<b>Total equity and liabilities</b>		<u>15,333,667</u>	<u>19,477,546</u>

*The accompanying notes are an integral part of these separate financial statements.*

Director M. Miller

Director M. L.

## COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED

### Separate Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2018

	Notes	2018 \$'000	2017 \$'000
Insurance premium revenue		228,690	208,124
Net reinsurance premium ceded		(8,322)	(13,353)
<b>Net insurance premium revenue</b>	23	<u>220,368</u>	<u>194,771</u>
Insurance benefits and claims	24	(547,548)	(453,768)
Expenses for the acquisition of insurance and investment contracts		(2,431)	(2,549)
Change in value of insurance contracts		<u>476,237</u>	<u>276,818</u>
<b>Underwriting expenses</b>		<u>(73,742)</u>	<u>(179,499)</u>
<b>Net results from insurance activities</b>		<u>146,626</u>	<u>15,272</u>
Investment income	25	936,384	846,074
(Loss) gain on sale of investments and other assets	26	(13,466)	1,229,848
Net fair value gain (loss) on assets at fair value through profit or loss		14,154	(39,792)
Loss on trading managed funds units		(13,168)	(7,034)
Administration and asset management fees		6,608	6,710
Impairment gains on financial assets		1,844,639	356,712
(Loss) gain on revaluation of investment properties		(19,247)	13,338
Other income		<u>20,403</u>	<u>6,743</u>
<b>Net results from investing activities</b>		<u>2,776,307</u>	<u>2,412,599</u>
Expenses for administration	27	(66,655)	(79,010)
Investment contract movements	28	(31,831)	(57,749)
Revaluation (loss) gain on managed funds liabilities		<u>(14,154)</u>	<u>39,791</u>
<b>Operating expenses</b>		<u>(112,640)</u>	<u>(96,968)</u>
<b>Results of operating activities</b>		2,810,293	2,330,903
Finance costs	29	<u>(215,966)</u>	<u>(237,595)</u>
<b>Operating profit before tax</b>		2,594,327	2,093,308
Taxation	30	<u>(40,772)</u>	<u>(13,199)</u>
<b>Profit for the year</b>		<u>2,553,555</u>	<u>2,080,109</u>

## COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED

Separate Statement of Profit or Loss and Other Comprehensive Income (continued)

For the year ended December 31, 2018

	Notes	2018 \$'000	2017 \$'000
<b>Profit for the year</b>		2,553,555	2,080,109
<b>Other comprehensive income, net of tax</b>			
<i>Items that will not be reclassified to profit or loss</i>			
Equity investments at FVOCI			
- Net change in fair value		(441,095)	-
<i>Items that are or maybe reclassified to profit or loss</i>			
Fair value reserve:			
- Net change in fair value of marketable securities	15	(31,449)	(563,154)
- Revaluation reserves for property in other comprehensive income	15	<u>(28,076)</u>	<u>-</u>
<b>Total other comprehensive income, net of tax</b>		<u>(500,620)</u>	<u>(563,154)</u>
<b>Total comprehensive income, net of tax</b>		<u>2,052,935</u>	<u>1,516,955</u>

*The accompanying notes are an integral part of these separate financial statements.*

## COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED

### Separate Statement of Changes in Equity

For the year ended December 31, 2018

	Share Capital \$'000	Accumulated (Deficit) Surplus \$'000	Valuation Reserves \$'000	Total \$'000
<b>Year ended December 31, 2018</b>				
Balance at January 1, 2018	14,750	(3,064,244)	3,662,374	612,880
Impact of initial application of IFRS 9	-	(15,781)	-	(15,781)
Transfer from Valuation Reserves, Disposal of equity through OCI	-	1,491,282	(1,491,282)	-
Profit for the year	-	2,553,555	-	2,553,555
<b>Other comprehensive income, net of tax</b>				
Net change in fair value	-	-	(472,544)	(472,544)
Fair value gains on property	-	-	(28,076)	(28,076)
<b>Total comprehensive income</b>	-	4,029,056	(1,991,902)	2,037,154
<b>Transactions with owners of the Company</b>				
Net movement in trustee's units held in Managed Funds	-	-	21,891	21,891
<b>Balance at December 31, 2018</b>	<b>14,750</b>	<b>964,812</b>	<b>1,692,363</b>	<b>2,671,925</b>
<b>Year ended December 31, 2017</b>				
Balance at January 1, 2017	14,750	(5,144,353)	4,218,962	(910,641)
Profit for the year	-	2,080,109	-	2,080,109
<b>Other comprehensive income, net of tax</b>				
Fair value reserve				
- Net change in fair value of available-for-sale securities	-	-	(563,154)	(563,154)
<b>Total comprehensive income</b>	-	2,080,109	(563,154)	1,516,955
<b>Transactions with owners of the Company</b>				
Net movement in trustee's units held in Managed Funds	-	-	6,566	6,566
<b>Balance at December 31, 2017</b>	<b>14,750</b>	<b>(3,064,244)</b>	<b>3,662,374</b>	<b>612,880</b>

*The accompanying notes are an integral part of these separate financial statements.*

## COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED

### Separate Statement of Cash Flows

For the year ended December 31, 2018

	2018	2017
	\$'000	\$'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	2,594,327	2,093,308
Adjustments for:		
Depreciation	4,639	5,002
Bad debts	42,015	6,288
Exchange gains on translation of non-monetary assets	-	(21,802)
Loss (gain) on revaluation of property and investment properties	19,245	(14,000)
Investment income	(936,384)	(846,074)
Interest gain on mutual fund obligation	-	(1,315)
Gain on disposal of investment property	1,177	-
Impairment gain of financial assets	(1,693,013)	-
Change in actuarial valuation	(509,951)	83,079
(Gain) loss on trading Managed Funds units	(14,150)	7,574
Shareholders' funds transferred to Managed Funds	21,891	(6,566)
Interest expense on debt security issued	215,610	237,156
Fair value gain (loss) through profit or loss	174,601	(57,711)
Operating (loss) gain before changes in working capital	(79,993)	1,484,939
Changes in:		
- Insurance contracts	(5,818)	(298,831)
- Investment contracts	18,051	(2,409,324)
- Loans and receivables	(1,155)	1,905
- Accounts payable	16,482	(2,677)
- Amounts due from related parties	115,755	24,414
Taxes paid	(4,008)	(8,664)
<b>Net cash from (used in) operating activities</b>	<b>59,314</b>	<b>(1,208,238)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Repayment of debt securities	(490,667)	-
Repayment of borrowings	(87)	(104)
<b>Net cash used in financing activities</b>	<b>(490,754)</b>	<b>(104)</b>

## COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED

### Separate Statement of Cash Flows (continued)

For the year ended December 31, 2018

	Note	2018 \$'000	2017 \$'000
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(1,061)	(1,114)
Purchase of investment property		-	(6,900)
Proceeds from disposal of investment securities		68,622	188,223
Dividends received		454,843	353,283
Interest received		485,393	484,989
Change in fixed deposits maturing more than 3 months		<u>(195,377)</u>	<u>(21,084)</u>
<b>Net cash from investing activities</b>		<u>812,420</u>	<u>997,397</u>
<b>Increase (decrease) in cash and cash equivalents</b>		380,980	(210,945)
<b>CASH AND CASH EQUIVALENTS AT START OF YEAR</b>		<u>788,339</u>	<u>999,284</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<u>1,169,319</u>	<u>788,339</u>
<b>CASH AND CASH EQUIVALENTS REPRESENTED BY</b>			
Deposits maturing less than three months	13	485,726	471,232
Cash at bank	13	<u>683,593</u>	<u>317,107</u>
		<u>1,169,319</u>	<u>788,339</u>

During the year, certain assets were disposed of in the amount of \$3,797,000 (2017: \$1,733,000) to extinguish debt to a related entity. This transaction excludes the exchange of cash.

*The accompanying notes are an integral part of these separate financial statements.*



# COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED

Notes to the Separate Financial Statements

December 31, 2018

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## 1. General Information

Colonial Life Insurance Company (Trinidad) Limited (the Company or CLICO) is incorporated in the Republic of Trinidad and Tobago and carries on long-term, group and annuity business for customers inside and outside of Trinidad and Tobago.

At December 31, 2008, the Company was a wholly owned subsidiary of CL Financial Limited (the Parent), which is also incorporated in the Republic of Trinidad and Tobago. The registered offices of the Company are located at 29 St Vincent Street, Port of Spain. Effective February 13, 2009, the Central Bank of Trinidad and Tobago (CBTT) assumed control of the Company pursuant to the exercise of its emergency powers under section 44D of the Central Bank Act. The Parent entered into involuntary liquidation during the year 2018.

On September 10, 2009, the Government of the Republic of Trinidad and Tobago (GORTT) injected additional capital into the Company by the acquisition of ordinary shares and preference shares. This transaction resulted in GORTT's ownership of 49% of the share capital of the Company.

On September 8, 2010, the Minister of Finance in his 2011 Budget Presentation proposed a plan to further address the issue of the Company's restructuring. During 2011, the Company commenced the pay-out process as outlined in the Budget Speech.

The first phase of the pay-out was started in March 2011 with payments to EFPA/GAAP/GAP policyholders with balances under \$75,000. The second phase of the pay-out to EFPA/GAAP/GAP policyholders with policies over \$75,000 in value started December 1, 2011. Pay-outs for CSI Series 6 unit-holders with values under \$75,000 commenced on June 21, 2011, while pay-outs to unit-holders with values over \$75,000 commenced on March 1, 2012. This restructuring plan continued into 2012.

On September 17, 2011, the Parliament of Trinidad and Tobago passed the Central Bank (Amendment) Bill 2011. This amendment, which is to apply to all institutions subject to emergency State intervention, describes the process to stay all legal actions against the Company whilst it operates under the provisions of Section 44(D) of the Central Bank Act. The Bill provides that the stay continues to apply once the Court is satisfied that it is necessary in so far as any legal action against the Company constitutes a risk to the national good. Consequently most matters against the Company have been stayed.

In May 2014 the Governor of the CBTT indicated that as part of the resolution strategy for CLICO, the Central Bank proposed to transfer CLICO's traditional insurance portfolio for value to an acquiring insurance company that is appropriately capitalized, has a proven track record and the capacity to honour all obligations to policyholders. The final independent valuation of the Company's traditional portfolio as of December 31, 2013 was received in November 2014. As at the reporting date, an independent third party had been engaged to manage the sale process.

# COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED

Notes to the Separate Financial Statements

December 31, 2018

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## 1. General Information (continued)

In August 2014 the Company was advised by the Central Bank to cease writing new business with limited exceptions. The effective date of this cessation was September 1, 2014. Based on this advisory the Company also terminated the services of its agents effective September 24, 2014.

In March 2015 the Central Bank directed CLICO to undertake, as part of Central Bank's resolution plan, the First Partial Distribution of cash to all Statutory Fund STIP holders including the Government. The first partial distribution value paid to each holder represented 85% of the principal value at maturity for each policy. This first partial payment process commenced in March 2015 and continued throughout the year.

In July 2016 under the Central Bank's directive, CLICO commenced the final payment to all third party resident and non-resident STIP holders and holders of mutual fund contracts. This offer will meet the full payments on contractual liability under these policies.

During 2017, further to the receipt of directives from the Central Bank, CLICO continued to repay its liabilities to the Government, by cash as well as the transfer of certain investments to the Government.

During 2018, further to the receipt of directives from the Central Bank, CLICO continued to repay its liabilities to the Government, by cash as well as the transfer of certain investments to the Government. The company was able to obtain some funds to pay towards this debt from the liquidation of CLICO Investment Bank (CIB).

CLICO continues to be operating cash flow positive and profitable on an operating recurring basis (after removing non-recurring and non-operating items) from its existing insurance policies and portfolio of investments. Due to the nature of the policies historically underwritten, CLICO continues to achieve a high degree of matching between its valuable assets and its insurance and investment contract liabilities. Further, as detailed in Note 19, the Company has the ability to exercise its discretion in repaying its debt security obligations and has the ability to be able to meet all of its obligations as they fall due.

Given that the Company has the ability to continue as a going concern and has no plans to cease operations regarding the run-off of its ongoing policies in the next 18 months, the Directors have concluded that the financial statements should be prepared on a going concern basis.

The financial statements for December 31, 2018 were approved for issue on June 26, 2019, by the Board of Directors of the Company.

## 2. Basis of Preparation

### (a) *Statement of compliance*

These financial statements, prepared for regulatory purposes, are in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board, as modified by the Insurance Act, Act 6 of 1980, for the exclusion of the preparation of consolidated financial statements in accordance with IFRS 10 – Consolidated Financial Statements.

## COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED

Notes to the Separate Financial Statements

December 31, 2018

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### 2. Basis of Preparation (continued)

#### (b) *Basis of measurement*

The financial statements have been prepared on the historical cost basis except for land and buildings, investment securities classified as available-for-sale under IAS 39 before January 1, 2018, investment properties and financial assets and financial liabilities at fair value through profit or loss, which are all measured at fair value.

These financial statements have been prepared taking into account directives issued by the CBTT to the Company during 2014 namely that:

1. CLICO's traditional insurance portfolio will be transferred for value to an acquiring insurance company.
2. CLICO would cease selling new business with limited exceptions from September 1, 2014.

#### (c) *Functional and presentation currency*

The financial statements are presented in Trinidad and Tobago dollars, which is the Company's functional currency. Except as otherwise indicated, financial information presented in Trinidad and Tobago dollars has been rounded to the nearest thousand.

#### (d) *Use of estimates and judgements*

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

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

Information about significant areas of estimation uncertainty that have a significant risk of resulting in a material change to assets and liabilities in the next financial year, and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in Note 4.

#### (e) *Intra-group balances and transactions*

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions have not been eliminated as they are accounted for, by their nature or function, as appropriate, in the separate line items in these financial statements.

# COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED

## Notes to the Separate Financial Statements

December 31, 2018

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### 3. Significant Accounting Policies

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

#### (a) *Foreign currency translation*

##### *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss and other comprehensive income.

Translation differences on non-monetary assets and liabilities are reported in the statement of profit or loss and other comprehensive income as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities are classified under IFRS 9 from January 1, 2018 as fair value though other comprehensive income is recognised in valuation reserve in equity.

#### (b) *Property, plant and equipment*

Land and buildings comprise mainly agency outlets and offices occupied by the Company. Land and buildings are shown at fair value less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. Valuations are made on the basis of current prices in an active market.

All other property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of items. Management is of the opinion that this gives a fair indication of realisable value if these items were sold in an orderly sale.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Increases in the carrying amount on revaluation of land and buildings are recognised in other comprehensive income and accumulated under revaluation surplus in the shareholders' equity. Decreases that offset previous increases of the same asset are charged against those reserves; all other decreases are charged to profit or loss.

# COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED

Notes to the Separate Financial Statements

December 31, 2018

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## 3. Significant Accounting Policies (continued)

### (b) *Property, plant and equipment* (continued)

Land is not depreciated. Depreciation on other assets is calculated to write off the cost of each asset to their residual values over their estimated useful life as follows:

	<b>Method</b>	<b>Rate</b>
Buildings	Straight line	2%
Furniture, fixtures and office equipment	Reducing balance	10%-20%
Motor vehicles	Reducing balance	20%
Computer equipment		
- Mainframe	Reducing balance	20%
- Deferred software	Straight Line	25%
- Peripherals	Reducing balance	20%

The assets' residual values and useful lives are reviewed at each reporting date and adjusted if appropriate.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amounts. These are included in profit or loss. When revalued assets are sold, the amounts included in the valuation reserve are transferred to profit or loss.

### (c) *Investment properties*

Properties that are not occupied by the Company and held for long-term rental yields and/or capital appreciation are classified as investment properties.

Investment properties, principally comprising office buildings, are carried at fair value and changes in fair value are recorded in profit or loss. Fair value is based on current prices in an active market for all properties. These valuations are done annually by independent professionally qualified appraisers.

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

# COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED

Notes to the Separate Financial Statements

December 31, 2018

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## 3. Significant Accounting Policies (continued)

### (c) *Investment properties* (continued)

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference arising between the carrying amount and the fair value of this item at the date of transfer is recognised in statement of changes in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss. Upon the disposal of such investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through profit or loss.

### (d) *Investments in subsidiaries and associates*

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Associates are all entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in quoted subsidiaries and associated companies are classified as fair value through other comprehensive income and are stated at fair value based on quoted closing market prices.

Investments in unquoted subsidiaries and associated companies are classified as fair value through other comprehensive income and are stated at fair value using valuation techniques.

### (e) *Financial assets and liabilities*

#### (i) *Definition*

##### *Under IFRS 9 – effective January 1, 2018*

IFRS 9 replaces IAS 39 for annual periods on or after January 1, 2018. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held-to-maturity investments, loans and receivables, and available-for-sale financial assets. The Company's classification of its financial assets and liabilities is explained in Note 3(q).

##### *Under IAS 39 – effective before January 1, 2018*

Financial instruments carried on the statement of financial position include bank and short-term deposits, investment securities, loans, due from related parties, other receivables, insurance and investment contracts, borrowings, mutual fund obligations, debt security in issue, accounts payable and due to related parties.



# COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED

Notes to the Separate Financial Statements

December 31, 2018

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## 3. Significant Accounting Policies (continued)

### (e) *Financial assets and liabilities* (continued)

#### (i) *Definition* (continued)

*Under IAS 39 – effective before January 1, 2018* (continued)

The standard treatment for recognition, derecognition, classification and measurement of the Company's financial instruments is noted below in notes (i) – (iv), whilst, additional information on specific categories of the Company's financial instruments is discussed in Notes 3(g) and 3(j) – 3(k).

#### (ii) *Recognition*

*Under IFRS 9 – effective January 1, 2018*

The Company recognises deposits with financial institutions and loans and borrowings on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the settlement date, which is the date of delivery of the asset to the Company.

A financial asset or liability is initially measured at fair value plus, for a financial asset or financial liability not measured at Fair Value through Profit and Loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue.

*Under IAS 39 – effective before January 1, 2018*

The Company initially recognises loans receivable and policyholders' liabilities on the date that they were originated. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date, that is, the date at which the Company becomes a party to the contractual provisions of the instrument.

#### (iii) *Derecognition*

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows from the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

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

# COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED

Notes to the Separate Financial Statements

December 31, 2018

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## 3. Significant Accounting Policies (continued)

### (e) *Financial assets and liabilities* (continued)

#### (iii) *Derecognition* (continued)

*Under IFRS 9 – effective January 1, 2018*

On derecognition of a financial asset, the differences between the carrying amounts at the date of derecognition and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss. For debt investments at FVOCI and financial assets that had already been derecognised at 1 January 2018, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss. The cumulative gain or loss on equity investments designated at Fair Value through Other Comprehensive Income (FVOCI) is not reclassified to profit or loss.

*Under IAS 39 – effective before January 1, 2018*

Realised gains and losses arising from derecognition of a financial asset measured as available-for-sale are transferred from the investment revaluation reserve and included in profit or loss in the period in which they are derecognised.

The Company enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all risks or rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the statement of financial position, and the proceeds of the transfer are recognised as a liability. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

#### (iv) *Classification*

*Under IFRS 9 – effective January 1, 2018*

As of January 1, 2018 IFRS 9 includes three principal classification categories for financial assets: measured at amortised cost, Fair Value through Other Comprehensive Income (FVOCI) and Fair Value through Profit and Loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

On initial recognition, a financial asset is classified as measured at amortised cost, FVOCI or FVTPL.

# COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED

Notes to the Separate Financial Statements

December 31, 2018

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## 3. Significant Accounting Policies (continued)

### (e) *Financial assets and liabilities* (continued)

#### (iv) *Classification* (continued)

##### *Under IFRS 9 – effective January 1, 2018* (continued)

Financial assets are not reclassified subsequent to their initial recognition, unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contract terms give rise to specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in OCI on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are designated at FVTPL. In addition, on initial recognition the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

IFRS 9 has not had a significant effect on the Company's accounting policies for financial liabilities.

##### *Under IAS 39 – effective before January 1, 2018*

The Company classifies its financial assets as: financial assets at fair value through profit or loss; loans and receivables; and available-for-sale financial assets. Management determines the classification of its investments at initial recognition.

# COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED

Notes to the Separate Financial Statements

December 31, 2018

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## 3. Significant Accounting Policies (continued)

### (e) *Financial assets and liabilities* (continued)

#### (v) *Measurement*

Financial instruments are measured initially at fair value, including any directly attributable transaction costs, except that for financial assets at fair value through profit or loss, transaction costs are included in profit or loss.

#### Financial assets

Subsequent to initial recognition all financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income are measured at fair value, based on their quoted market price at the reporting date without any deduction for transaction costs.

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

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

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

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Company determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The Company recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

# COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED

## Notes to the Separate Financial Statements

December 31, 2018

### 3. Significant Accounting Policies (continued)

#### (e) Financial assets and liabilities (continued)

##### (v) Measurement (continued)

##### Financial assets (continued)

*Under IFRS 9 – effective January 1, 2018*

Financial assets at FVTPL	Measured at fair value. Net gains and losses, including any interest or dividend income and foreign exchange gains and losses, are recognised in profit and loss.
Debt Investments at FVOCI	Measured at fair value. Interest income calculated using the effective interest rate method; foreign exchange gains and losses are impairment is recognised in profit or loss. Other net gains and losses are recognised in OCI and accumulated in the fair value reserve. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity Investments at FVOCI	Measured at fair value. Dividends are recognised as income in profit or loss unless they clearly represent a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.
Financial assets at amortised cost	Measured at amortised cost using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

*Under IAS 39 – effective before January 1, 2018*

Gains and losses arising from the change in the fair value of available-for-sale investments subsequent to initial recognition are accounted for as changes in the investment revaluation reserve with subsequent re-measurements recognised in other comprehensive income.

Gains and losses, both realised and unrealised, arising from the change in the financial assets at fair value through profit or loss are reported in other income.

##### Financial liabilities

All non-trading financial liabilities are measured at amortised cost.

# COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED

Notes to the Separate Financial Statements

December 31, 2018

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## 3. Significant Accounting Policies (continued)

### (e) *Financial assets and liabilities* (continued)

#### (vi) *Fair values of financial assets and liabilities*

The fair value of financial assets and financial liabilities is determined as follows:

- i. The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- ii. The fair value of other financial assets and liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

The financial statements include holdings in unquoted shares which are measured at fair value (Notes 8 to 10). Fair value is estimated using a discounted cash flow model, which includes some assumptions which are not supportable by observable market prices or rates. If the fair value of unquoted equities cannot be measured reliably, these financial assets are measured at cost, being the fair value of the consideration paid for the acquisition of the investment less impairment losses. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

#### (vii) *Offsetting*

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

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions.

#### (viii) *Amortised cost measurement*

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

Amortised cost is calculated on the effective interest rate method.

Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.



# COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED

Notes to the Separate Financial Statements

December 31, 2018

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## 3. Significant Accounting Policies (continued)

### (f) *Impairment of assets*

#### *Under IFRS 9 – effective January 1, 2018*

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with a forward-looking ‘expected credit loss’ (ECL) model. The new impairment model applies to financial assets measured at amortised cost, debt investments at FVOCI and lease receivables. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

ECL can be calculated as lifetime or twelve months ECL. Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument, whereas 12-month ECL is the portion of ECL that results from default events that are possible within the 12 months after the reporting date.

The Company recognises loss allowances for ECL on:

- Financial assets measured at amortised cost; and
- Debt investments measured at FVOCI;

The Company measures loss allowances at an amount equal to lifetime ECL, except in the following cases, for which the amount recognised is a 12-month ECL:

- Debt securities that are determined to have low credit risk at the reporting date; and
- Other financial instruments (other than lease receivables) for which credit risk has not increased significantly since initial recognition.

Loss allowances for lease receivables are always measured at an amount equal to lifetime ECL.

In all cases, the maximum period considered when estimating ECL is the maximum contractual period over which the Company is exposed to credit risk.

### (i) *Measurement of ECL*

ECL is a probability-weighted estimate of credit losses and is measured as follows:

- *Financial assets that are not credit-impaired at the reporting date*: the present value of all cash shortfalls – i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive; and
- *Financial assets that are credit impaired at the reporting date*: the difference between the gross carrying amount and the present value of the estimated future cash flows.

# COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED

Notes to the Separate Financial Statements

December 31, 2018

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## 3. Significant Accounting Policies (continued)

### (f) *Impairment of assets* (continued)

#### Under IFRS 9 – effective January 1, 2018 (continued)

##### (i) *Measurement of ECL* (continued)

The key inputs into the measurement of ECL are the term structures of the following variables:

Probability of default (PD) is an estimate of the likelihood of default over a given period of time. To determine lifetime and 12 month PDs, the Company uses the PD tables supplied by Standard and Poors (S&P) based on the default history of obligors with the same rating.

Loss given default (LGD) is the magnitude of the likely losses if there is a default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral.

Exposure at default (EAD) represents the expected exposure in the event of a default. The Company derives EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract, including amortization, and prepayments. The EAD of a financial asset is its gross carrying amount.

##### (ii) *Credit impaired financial assets*

At each reporting date, the Company assesses whether financial assets measured at amortised cost and debt investments at FVOCI are credit impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as default or past-due event;
- The restructuring of an amount due to the Company on terms that the Company would not otherwise consider;
- It becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for a security because of financial difficulties.

# COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED

Notes to the Separate Financial Statements

December 31, 2018

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## 3. Significant Accounting Policies (continued)

### (f) *Impairment of assets* (continued)

*Under IFRS 9 – effective January 1, 2018* (continued)

#### (ii) *Credit impaired financial assets* (continued)

A financial asset that has been renegotiated due to deterioration in the borrower's condition is usually considered to be credit impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

In assessing whether an investment in sovereign debt is credit impaired, the Company considers changes in the rating agencies' assessments of creditworthiness from the date of purchase.

*Under IAS 39 – effective before January 1, 2018*

#### *Financial assets carried at amortised cost*

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

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improved credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in profit or loss.

#### (ii) *Financial assets carried at fair value*

The Company assesses at each reporting date whether there is objective evidence that an available-for-sale financial asset is impaired, including, in the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and current fair value, less any impairment loss on the financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not subsequently reversed.

# COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED

Notes to the Separate Financial Statements

December 31, 2018

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## 3. Significant Accounting Policies (continued)

### (f) *Impairment of assets* (continued)

*Under IAS 39 – effective before January 1, 2018* (continued)

#### (ii) *Financial assets carried at fair value* (continued)

The impairment loss is reversed through profit or loss if in a subsequent period the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

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

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

### (g) *Cash and cash equivalents*

For the purpose of the cash flow statement, cash comprises cash in hand and deposits held at call with banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to insignificant risk of change in values and are held for meeting short-term cash commitments rather than for investment purposes.

These comprise investments in money market instruments and short-term deposits with original maturities of three months or less, net of bank overdrafts. Cash and cash equivalents are measured at amortised cost.

### (h) *Insurance and investment contracts – classification*

The Company issues contracts that transfer insurance risk or financial risk or both.

Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. The Company defines as significant insurance risk as the possibility of having to pay significant additional benefits on the occurrence of an insured event, more than the benefits payable if the insured event did not occur.

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

# COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED

Notes to the Separate Financial Statements

December 31, 2018

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## 3. Significant Accounting Policies (continued)

### (i) Insurance contracts

#### (1) Recognition and measurement

The Company issues insurance contracts that can be classified into two main categories, depending on the duration of risk and whether or not the terms and conditions are fixed.

##### *Long-term insurance contracts*

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

They include the following:

- i. Ordinary Life contracts – These contracts provide for payment of a known sum in the event of the death of the policyholder. The main risk is the premature death of the policyholder. The Company takes on this risk by contracting to pay the sum assured on death in return for a premium.
- ii. Critical Illness contracts – These contracts provide for payment of the sum insured upon diagnosis of one of the critical illnesses specified in the contract. The main risk is the premature diagnosis of the specific critical illness. The Company takes on the risk by contracting to pay the sum insured in return for a premium.
- iii. Individual Annuity, Group Annuity and Flexible Premium Annuity (FPA) contracts – These include deferred or immediate annuity and FPA contracts. These contracts provide for payment of a regular income upon maturity of the contract in the case of deferred annuities and for immediate commencement of payments in the case of an immediate annuity. The main risk is the policyholder outliving the life expectancy adopted for underwriting the policies.

The Company takes on this risk by contracting to provide an income to the policyholder while alive in return for an insurance premium.

Long-term insurance premium income is accounted for in profit or loss on the accrual basis. Premiums are shown before the deduction of commissions. Benefits are recorded as an expense when they are incurred.

A liability for contractual benefits that is expected to be incurred in the future is recorded when the premiums are recognised. The liability is determined as the sum of the expected discounted value of the expected benefit payments and the future administration expenses that are directly related to the contract, less the discounted value of the expected future contractual premiums (if any). In order to determine the liability, assumptions deemed appropriate by the Actuary, are made in respect of mortality, persistency, maintenance expenses and investment income that may occur over the future lifetime of a contract. A margin for adverse deviations is included in the assumptions.

The liabilities are recalculated at each reporting date using the assumptions established at that date.

# COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED

Notes to the Separate Financial Statements

December 31, 2018

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## 3. Significant Accounting Policies (continued)

### (i) Insurance contracts (continued)

#### (1) Recognition and measurement (continued)

##### *Short-term insurance contracts*

These contracts are short-duration life insurance contracts that are issued to employers which insure against the consequences of the death of employees that would affect the ability of his/her dependants to maintain their current level of income. These contracts are renewable annually. Guaranteed benefits paid on occurrence of the specified insurance event are either fixed or linked to the extent of the economic loss suffered by the policyholder. There are no maturity or surrender benefits.

Short-term insurance premiums are accounted for in profit or loss on the accrual basis. Premiums are shown before deduction of commission.

Benefits are recorded as an expense when they are incurred. Liabilities are estimated using the unearned premium approximation. This approximation is checked for reasonableness against the claims and expense experience of the group of contracts.

Provision for unearned premiums represents the proportions of short-term insurance premiums written in the year, which relate to periods of insurance subsequent to the reporting date and are computed on a pro-rata basis.

The provision for unexpired risks represents amounts set aside at the year-end, in addition to unearned premiums, in respect of subsequent risks to be borne by the Company under contracts of short-term insurance in force at the year-end.

#### (2) Liability adequacy test

The Company assesses at each reporting date whether the Company's recognised insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts.

Current best estimates of future contractual cash flows, claims handling, administration expenses, as well as investment income from the assets backing such liabilities are all used to perform the annual actuarial valuation of the Company's long-term insurance liability. As such, no separate liability adequacy test is required. Details of the assumptions adopted in this valuation are disclosed in Note 16.2.



# COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED

Notes to the Separate Financial Statements

December 31, 2018

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## 3. Significant Accounting Policies (continued)

### (i) *Insurance contracts* (continued)

#### (3) Outstanding claims

Claims outstanding comprise the estimated cost of claims incurred but not settled at the end of the year. The provision is determined using the best information available of claims settlement patterns, anticipated inflation and settlement of claims.

Claims outstanding and related reinsurance recoveries, are discounted when there is a particularly long period from incident to claims settlement or when nominal interest rates are high and where exists a suitable claim payment pattern from which to calculate the discount. The discount rate used is based upon an investment return expected to be earned by assets, which are appropriate in magnitude and nature to cover the provisions for losses and loss adjustment expenses being discounted, which in practice are bonds, during the period necessary for the payment of such claims.

Differences between the estimated cost and subsequent settlement of claims are recognised in the year in which they are settled or in which the claims outstanding are re-estimated and such differences could be significantly different.

The provision for unearned premium represents the portion of premiums written relating to the periods of insurance coverage subsequent to the end of the year.

#### (4) Receivables and payables related to insurance contracts

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

If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in profit or loss. The Company gathers the objective evidence that an insurance receivable is impaired using the same process adopted for loans and receivables. The impairment loss is also calculated under the same method used for these financial assets.

#### (5) Reinsurance contracts held

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held.

# COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED

Notes to the Separate Financial Statements

December 31, 2018

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## 3. Significant Accounting Policies (continued)

### (i) *Insurance contracts* (continued)

#### (5) **Reinsurance contracts held** (continued)

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

The Company assesses its reinsurance assets for impairment on an annual basis. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in profit or loss. The Company gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for loans and receivables. The impairment loss is also calculated using the same method used for these financial assets.

### (j) *Investment contracts*

Investment contracts are those contracts that transfer financial risk with no significant insurance risk. Any contract not recognised as an insurance contract under IFRS 4 is classified as an investment contract. The Company's investment contracts are classified as deposit administration contracts, managed funds and Executive Flexible Premium Annuity (EFPA)/Group Advanced Protection (GAP)/Group Annuity Advanced Performance Policy (GAAPP) policies.

#### *Deposit administration business*

These are investment products issued by the Company to registered pension schemes and used for accumulating retirement benefits for employees of an entity. The funds are normally used to purchase immediate annuities for the employees upon retirement.

Deposit administration contributions are recorded directly as liabilities. Withdrawals are deducted directly from the liability.

The interest or investment return provided to contract holders is recorded as 'investment contract expenses'.

# COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED

Notes to the Separate Financial Statements

December 31, 2018

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## 3. Significant Accounting Policies (continued)

### (j) *Investment contracts* (continued)

#### *Managed Funds business*

The managed fund is a unitised fund which is sold to pension plans. The pension plans' funds as well as their subsequent net inflows/outflows of contributions, benefits and expenses are used to purchase/sell units in the managed fund. The proceeds from units purchased by the pension plans are invested in specific investments, which are pooled, and the pension plans bear the investment risk. A valuation of the investment portfolio ascertaining the fair value of the assets and investment income earned is performed each month to determine the offer and bid prices of the units. The Company acts as a facilitator for the trading of units and can also be a holder of units at any valuation date. The units held by the Company are kept as a reserve, the value of which is separated from the pension plans units and credited to shareholders' equity. Administration and investment management fees are charged to the pension plans for services provided by the Company.

#### *EFPA/GAP/GAAPP policies*

This is a flexible single premium accumulation annuity product. GAP policies are corporate owned EFPAs and GAAPP policies was a new group of single premium deferred accumulation annuity policies introduced in 2008. Additional premiums attracted the prevailing interest rate at the time. The interest accruing to policyholders is recorded as an investment contract expense.

### (k) *Borrowings*

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Preference shares, which are mandatorily redeemable, are classified as liabilities. The dividends on these preference shares are recognised in profit or loss as interest expense.

### (l) *Current and deferred income tax*

Corporation tax on long-term business (other than approved annuity business) is charged annually at 15% on investment income derived from the investment of the Statutory Fund less allowable investment expenses in relation thereto. The profits of approved annuity business are not chargeable to tax except to the extent that such profits are distributed to shareholders. Corporation tax is also due at the rate of 30% (2017: 30%) on profits of long-term insurance business and non-insurance business transferred to the account of shareholders.

# COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED

Notes to the Separate Financial Statements

December 31, 2018

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## 3. Significant Accounting Policies (continued)

### (l) *Current and deferred income tax* (continued)

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are only recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

### (m) *Provisions*

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount has been reasonably estimated.

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

### (n) *Revenue recognition*

IFRS 15 *Revenue from Contracts with Customers* does not have any material impact on the accounting policies and does not require retrospective adjustments as the Company's primary activity is long-term, group and annuity insurance business.

The insurance products revenue recognition is defined in IFRS 4.

#### *Fee income*

The Company is the advisor, manager and distributor of the Colonial Life Family of Funds. Front-end fees are charged to the customers of the Core (Series VI) and Power (Series VI) Funds. These front-end fees are for a guarantee that the Company provides to the customer for principal and for a specific interest rate of return over a specified period of time. This fee is accounted for in the period in which the contract is made.

Fees arising from asset management and other investment related services are recognised in the accounting period in which the services are rendered.

# COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED

Notes to the Separate Financial Statements

December 31, 2018

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## 3. Significant Accounting Policies (continued)

### (n) *Revenue recognition* (continued)

#### *Investment income*

Investment income comprises interest, dividends, rent and loan interest for the year, and realised profits and losses on sale of investments. Interest is recognised on a time proportion basis using the effective interest method. Dividends are recognised when the rights to receive payment are established.

Rental income is recognised on the accrual basis.

Investment income is allocated between the shareholders' and policyholders' funds based on the ratio which the average of each individual fund bears to the total average fund for the year.

### (o) *Expenses of management*

Expenses of management are allocated directly to the individual funds where applicable. Other expenses not directly allocated are apportioned to the individual funds in the ratio of direct salary costs for the year.

### (p) *Finance leases*

Leases of equipment where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charge so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligation, net of finance charges is included in borrowings. The interest is charged to profit or loss over the lease period. The equipment acquired under the finance lease is depreciated over the shorter of the useful life of the asset and the lease term.

### (q) *New, revised and amended standards and interpretations that became effective during the year*

Certain new, revised and amended standards and interpretations came into effect during the current financial year. The Company has assessed them and has adopted those which are relevant to its financial statements:

- Amendments to IFRS 2, *Classification and Measurement of Share-based Payment Transactions*, effective for annual reporting periods beginning on or after January 1, 2018, clarifies the following:
  - (i) Cash-settled share-based payment is measured using the same approach as for equity-settled share-based payments, ie the modified grant date method. The new requirements do not change the cumulative amount of expense that is ultimately recognised, because the total consideration for a cash-settled share-based payment is still equal to the cash paid on settlement.

# COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED

Notes to the Separate Financial Statements

December 31, 2018

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## 3. Significant Accounting Policies (continued)

### (q) *New, revised and amended standards and interpretations that became effective during the year* (continued)

Certain new, revised and amended standards and interpretations came into effect during the current financial year. The Company has assessed them and has adopted those which are relevant to its financial statements:

- Amendments to IFRS 2, *Classification and Measurement of Share-based Payment Transactions*, (continued)
  - (ii) For classification purposes, an exception is made for a share-based payment transaction with employees to be accounted for as equity settled if:
    - (a) the terms of the arrangement permit or require a company to settle the transaction net by withholding a specified portion of the equity instruments to meet the statutory tax withholding requirement and;
    - (b) the entire share-based payment transaction would otherwise be classified as equity-settled if there were no net settlement feature.
  - (iii) The approach in accounting for a modification of a share-based payment from cash-settled to equity-settled.

The new requirements could affect the classification and/or measurement of these arrangements – and potentially the timing and amount of expense recognised for new and outstanding awards.

The Company has assessed that this amendment had no impact on its 2018 financial statements.

- IFRS 9 *Financial Instruments* is effective for annual periods beginning on or after January 1, 2018. The standard replaces IAS 39 *Financial Instruments: Recognition and Measurement* and sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

#### I. Classification of financial assets and financial liabilities

As of January 1, 2018 IFRS 9 includes three principal classification categories for financial assets: measured at amortised cost, Fair Value through Other Comprehensive Income (FVOCI) and Fair Value through Profit and Loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held-to-maturity investments, loans and receivables, and available-for-sale financial assets.

IFRS 9 has not had a significant effect on the Company's accounting policies for financial liabilities.

# COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED

Notes to the Separate Financial Statements

December 31, 2018

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## 3. Significant Accounting Policies (continued)

### (q) *New, revised and amended standards and interpretations that became effective during the year* (continued)

- IFRS 9 *Financial Instruments* (continued)

#### II. Recognition and initial measurement

The Company recognises deposits with financial institutions and loans and borrowings on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the settlement date, which is the date of delivery of the asset to the Company.

A financial asset or liability is initially measured at fair value plus, for a financial asset or financial liability not measured at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

#### III. Classification and subsequent measurement

##### Classification

On initial recognition, a financial asset is classified as measured at amortised cost, FVOCI or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition, unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets the both the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows;
- Its contract terms give rise to specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in OCI on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are designated at FVTPL. These comprise all assets pledged to the managed fund. In addition, on initial recognition the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

# COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED

Notes to the Separate Financial Statements

December 31, 2018

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## 3. Significant Accounting Policies (continued)

### (q) *New, revised and amended standards and interpretations that became effective during the year* (continued)

- IFRS 9 *Financial Instruments* (continued)

#### III. Classification and subsequent measurement (continued)

##### **Business model assessment**

The Company assesses the objective of the business model in which a financial asset is held for each portfolio of financial assets because this best reflects the way that the business is managed and information is provided to management. The information considered includes

- The stated policies and objectives for the portfolio and the operation of those policies in practice, including whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of assets;
- How the performance of the portfolio is evaluated and reported to the Company's management;
- The expected frequency, value and timing of sales.

Financial assets that are managed and whose performance is evaluated on a fair value basis, which include underlying items of participating contracts, and financial assets that are held for trading are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

##### **Assessment whether contractual cash flows are solely payments of principal and interest**

For the purposes of this assessment, principal is defined as the fair value of the financial asset on initial recognition. However, the principal may change over time – e.g. if there are repayments of principal.

Interest is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument.



# COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED

Notes to the Separate Financial Statements

December 31, 2018

## 3. Significant Accounting Policies (continued)

### (q) *New, revised and amended standards and interpretations that became effective during the year* (continued)

- IFRS 9 *Financial Instruments* (continued)

#### **Business model assessment** (continued)

This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- Contingent events that would change the amount or timing of cash flows;
- Leverage features;
- Prepayment and extension features;
- Terms that limit the Company's claim to cash flows from specified assets – e.g. non-recourse asset arrangements; and
- Features that modify consideration of the time value of money – e.g. periodic reset of interest rates

A prepayment feature is consistent with the 'solely payments of principal and interest' criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract. In addition, for a financial asset acquired at a premium or discount to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant on initial recognition.

#### **Subsequent measurement and gains and losses**

Financial assets at FVTPL	Measured at fair value. Net gains and losses, including any interest or dividend income and foreign exchange gains and losses, are recognised in profit and loss.
Debt Investments at FVOCI	Measured at fair value. Interest income calculated using the effective interest rate method; foreign exchange gains and losses are impairment is recognised in profit or loss. Other net gains and losses are recognised in OCI and accumulated in the fair value reserve. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity Investments at FVOCI	Measured at fair value. Dividends are recognised as income in profit or loss unless they clearly represent a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.
Financial assets at amortised cost	Measured at amortised cost using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

# COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED

Notes to the Separate Financial Statements

December 31, 2018

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## 3. Significant Accounting Policies (continued)

### (g) *New, revised and amended standards and interpretations that became effective during the year* (continued)

- IFRS 9 *Financial Instruments* (continued)

#### **Derecognition**

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows from the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

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

On derecognition of a financial asset, the differences between the carrying amounts at the date of derecognition and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss. For debt investments at FVOCI and financial assets that had already been derecognised at January 1, 2018, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss. The cumulative gain or loss on equity investments designated at FVOCI is not reclassified to profit or loss.

#### **Impairment**

The Company recognises loss allowances for ECL on:

- Financial assets measured at amortised cost; and
- Debt investments measured at FVOCI.

The Company measures loss allowances at an amount equal to lifetime ECL, except in the following cases, for which the amount recognised is a 12-month ECL:

- Debt securities that are determined to have low credit risk at the reporting date; and
- Other financial instruments (other than lease receivables) for which credit risk has not increased significantly since initial recognition.

# COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED

Notes to the Separate Financial Statements

December 31, 2018

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## 3. Significant Accounting Policies (continued)

(g) *New, revised and amended standards and interpretations that became effective during the year* (continued)

- IFRS 9 *Financial Instruments* (continued)

### **Impairment** (continued)

Loss allowances for lease receivables are always measured at an amount equal to lifetime ECL.

Lifetime ECL is the ECL that result from all possible default events over the expected life of a financial instrument, whereas 12-month ECL are the portion of ECL that results from default events that are possible within the 12 months after the reporting date.

In all cases, the maximum period considered when estimating ECL is the maximum contractual period over which the Company is exposed to credit risk.

### **Measurement of ECL**

The Company's accounting policy on measurement of ECL is set out in Note 3(f) (i).

### ***Presentation of loss allowances in the statement of financial position***

Loss allowances for ECL are presented as follows:

- Financial assets measured at amortised cost: the loss allowance is deducted from the gross carrying amount of the assets; and
- Debt investments measured at FVOCI: the loss allowance is recognised in OCI and does not reduce the carrying amount of the financial asset in the statement of financial position.

### ***Write off***

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

# COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED

Notes to the Separate Financial Statements

December 31, 2018

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## 3. Significant Accounting Policies (continued)

### (q) *New, revised and amended standards and interpretations that became effective during the year* (continued)

- IFRS 9 *Financial Instruments* (continued)

#### **Transition**

CLICO has not restated comparative information for 2017 for financial instruments in the scope of IFRS 9. Therefore, the comparative information for 2017 is reported under IAS 39 and is not comparable to the information presented for 2018. Differences arising from the adoption of IFRS 9 have been recognised directly in retained earnings as of January 1, 2018 and are disclosed in this Note.

#### **Effect of initial application**

#### **Classification of financial assets and financial liabilities**

The following table shows the original measurement category and carrying amount under IAS 39 and the new measurement category and carrying amount under IFRS 9 for each class of CLICO's financial assets and financial liabilities as at January 1, 2018.

# COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED

Notes to the Separate Financial Statements

December 31, 2018

## 3. Significant Accounting Policies (continued)

(g) *New, revised and amended standards and interpretations that became effective during the year* (continued)

- IFRS 9 *Financial Instruments* (continued)

	Original classification under IAS 39	New classification under IFRS	Original carrying amount under IAS 39 \$	New carrying amount under IFRS 9 \$
<b>Financial assets</b>				
<b>Investment Securities available for sale – underlying items</b>				
Unquoted securities	Available for sale	FVOCI	204,038	204,038
Quoted equity securities	Available for sale	FVOCI	2,298,312	2,298,312
Government securities	Available for sale	FVOCI	8,947,188	8,931,407
			<u>11,449,538</u>	<u>11,433,757</u>
<b>Managed Fund Securities – underlying items</b>				
Investment in Associates	FVTPL	FVTPL	185,361	185,361
Equity securities	FVTPL	FVTPL	55,473	55,473
Government and corporate securities	FVTPL	FVTPL	797,066	797,066
			<u>1,037,900</u>	<u>1,037,900</u>
			12,487,438	12,471,657
<b>Receivables</b>	Loans and receivables	Amortised cost	<u>383,230</u>	<u>383,230</u>
<b>Total financial assets</b>			<u>12,870,668</u>	<u>12,854,887</u>
<b>Financials liabilities</b>				
Insurance contracts	Amortised cost	Amortised cost	6,921,110	6,921,110
Investment contracts	Amortised cost	Amortised cost	1,754,500	1,754,500
Borrowings	Amortised cost	Amortised cost	87	87
Debt securities issued	Amortised cost	Amortised cost	4,992,751	4,992,751
Trader and other payables	Amortised cost	Amortised cost	2,248,601	2,248,601
<b>Total financial liabilities</b>			<u>15,917,049</u>	<u>15,917,049</u>

# COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED

Notes to the Separate Financial Statements

December 31, 2018

## 3. Significant Accounting Policies (continued)

(q) *New, revised and amended standards and interpretations that became effective during the year* (continued)

- IFRS 9 *Financial Instruments* (continued)

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 transition to IFRS 9 on January 1, 2018.

	December 31, 2017 under IAS 39	Reclassification	Remeasurement	January 1, 2018 under IFRS 9
	\$	\$	\$	\$
<b>FVOCI</b>				
<b>Financial Investment available for sale – underlying items</b>				
<u>Unquoted securities</u>				
Reclassified from available for sale carried forward	204,038	204,038	-	204,038
<u>Quoted securities</u>				
Reclassified from available for sale carried forward	2,298,312	2,298,312	-	2,298,312
<u>Government bonds</u>				
Reclassified from available for sale carried forward	8,947,188	8,947,188	(15,781)	8,931,407
<b>Total FVOCI</b>	<u>11,449,538</u>	<u>11,449,538</u>	<u>(15,781)</u>	<u>11,433,757</u>

**COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED**

Notes to the Separate Financial Statements

December 31, 2018

**3. Significant Accounting Policies (continued)**

*(g) New, revised and amended standards and interpretations that became effective during the year (continued)*

- IFRS 9 *Financial Instruments* (continued)

	<b>December 31, 2017</b>		<b>January 1, 2018</b>
	<b>under IAS 39</b>	<b>Reclassification</b>	<b>under IFRS 9</b>
	\$	\$	\$
<b>Fair value through profit and loss</b>			
<b>- underlying items</b>			
Investment in associates	185,361	-	185,361
Equity securities	55,473	-	55,473
Government and corporate securities	797,066	-	797,066
<b>Total FVTPL</b>	<b>1,037,900</b>	<b>-</b>	<b>1,037,900</b>
<b>Available for sale</b>			
Brought forward	11,449,538	-	11,449,538
Remeasurement	-	(15,781)	(15,781)
Reclassified to FVOCI	-	(11,433,757)	(11,433,757)
	<b>11,449,538</b>	<b>(11,449,538)</b>	<b>-</b>

# COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED

Notes to the Separate Financial Statements

December 31, 2018

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## 3. Significant Accounting Policies (continued)

(q) *New, revised and amended standards and interpretations that became effective during the year* (continued)

- IFRS 9 *Financial Instruments* (continued)

### Impairment of financial assets

	December 31, 2017 under IAS 39	Reclassification	January 1, 2018 under IFRS 9
	\$	\$	\$
<b>Investment securities</b>			
Debt securities	974,255	-	974,255
Quoted and unquoted equities	340,953	-	340,953
Government securities	-	15,781	15,781
<b>Total</b>	<b>1,315,208</b>	<b>15,781</b>	<b>1,330,989</b>
Receivables	409,055	-	409,055

1. As of January 1, 2018, CLICO has re-classified a portion of its previous available for sale portfolio as fair value through other comprehensive income.
2. CLICO has elected the option to irrevocably designate its available for sale equity instruments as equity instruments at fair value through other comprehensive income. This election was made as equity instruments were not held for trading as defined by IFRS 9.
3. IFRS 15 Revenue from Contracts with Customers.



# COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED

Notes to the Separate Financial Statements

December 31, 2018

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## 3. Significant Accounting Policies (continued)

### (q) *New, revised and amended standards and interpretations that became effective during the year* (continued)

- IFRS 15 *Revenue from Contracts with Customers* is effective for annual reporting periods beginning on or after January 1, 2018. The IASB has issued the new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

IFRS 15 does not have any material impact on the accounting policies and does not require retrospective adjustments due to the nature of the other revenue streams.

The insurance products revenue recognition is defined in IFRS 4.

### (r) *New, revised and amended standards and interpretations not yet effective*

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

- IFRIC 23 *Uncertainty over Tax Treatments*, which is effective for annual reporting periods beginning on or after January 1, 2019, clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities, whilst aiming to enhance transparency. IFRIC 23 does not introduce any new disclosures but reinforces the need to comply with existing disclosure requirements about:
  - judgements made;
  - assumptions and other estimates used; and
  - the potential impact of uncertainties that are not reflected.

The Company is assessing the impact that this standard will have on its 2019 financial statements.

# COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED

Notes to the Separate Financial Statements

December 31, 2018

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## 3. Significant Accounting Policies (continued)

### (r) *New, revised and amended standards and interpretations not yet effective* (continued)

- Amendments to IFRS 9, *Prepayment Features with Negative Compensation*, which is effective for annual reporting periods beginning on or after January 1, 2019, removes the word “additional” so that negative compensation may be regarded as “reasonable compensation” irrespective of the cause of the early termination. Financial assets with these prepayment features can therefore be measured at amortised cost or at FVOCI if they meet the other relevant requirements of IFRS 9. Retrospective application is required, subject to relevant transitional reliefs.

The Board clarified that IFRS 9 (as issued in 2014) requires prepares to:

- recalculate the amortised cost of the modified financial liability by discounting the modified contractual cash flows using the original effective interest rate (EIR); and
- recognize any adjustment to profit or loss.

The accounting treatment is therefore consistent with that required for modifications of financial assets that do not result in derecognition. If the initial application of IFRS 9 results in a change in accounting policy for these modifications or exchanges, then retrospective application is required, subject to transitional reliefs.

The Company is assessing the impact that this standard will have on its 2019 financial statements.

- IFRS 16, *Leases*, which is effective for annual reporting periods beginning on or after January 1, 2019, eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Entities will be required to bring all major leases on-balance sheet, recognising new assets and liabilities. The on-balance sheet liability will attract interest; the total lease expense will be higher in the early years of a lease even if a lease has fixed regular cash rentals. Optional lessee exemption will apply to short-term leases and for low-value items with value of US\$5,000 or less.

Lessor accounting remains similar to current practice as the lessor will continue to classify leases as finance and operating leases.

Early adoption is permitted if IFRS 15, *Revenue from Contracts with Customers* is also adopted.

The Company is assessing the impact that this standard will have on its 2019 financial statements.

# COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED

Notes to the Separate Financial Statements

December 31, 2018

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## 3. Significant Accounting Policies (continued)

### (r) *New, revised and amended standards and interpretations not yet effective* (continued)

- Amendments to IAS 19, *Plan Amendment, Curtailment or Settlement*, which is effective for annual reporting periods beginning on or after January 1, 2019, clarifies that:
  - on amendment, curtailment or settlement of a defined benefit plan, the Group can now use updated actuarial assumptions to determine its current service cost and net interest for the period; and
  - the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income.

The Company is assessing the impact that this standard will have on its 2019 financial statements.

- Annual Improvements to IFRS Standards 2015-2017 Cycle, which is effective for annual reporting periods beginning on or after January 1, 2019:
  - Amendments to IFRS 3, *Business Combinations* and IFRS 11, *Joint Arrangements*, clarifies how a company accounts for increasing its interest in a joint operation that meets the definition of a business. The amendments also provide further guidance on what constitutes the previously held interest. This is the entire previously held interest in the joint operation.
  - Amendments to IAS 12, *Income Taxes*, clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transactions that generated the distributable profits – i.e. in profit or loss, OCI or equity.
  - Amendments to IAS 23, *Borrowing Costs*, clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that are intended to specifically finance qualifying assets that are now ready for their intended use or sale – or any non-qualifying assets – are included in that general pool. The changes are to be applied prospectively to borrowing costs incurred on or after the date an entity adopts the amendments.

The Company is assessing the impact that this standard will have on its 2019 financial statements.

# COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED

Notes to the Separate Financial Statements

December 31, 2018

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## 3. Significant Accounting Policies (continued)

### (r) *New, revised and amended standards and interpretations not yet effective* (continued)

- Amendments to Reference to Conceptual Framework in IFRS Standards, which is effective for annual reporting periods beginning on or after January 1, 2020, is a comprehensive revision of the existing framework. It covers all aspects of standard setting from the objective of financial reporting, to presentation and disclosures. Most of the concepts are not new, the revised framework codifies the IASB's thinking adopted in recent standards. Some areas such as the distinction between liabilities and equity have been removed from the revised Framework, and are being dealt with in separate projects.
- IFRS 17, *Insurance Contracts*, which is effective for annual reporting periods beginning on or after January 1, 2022, introduces a new measurement model for insurance contracts, the general measurement model (GMM) which are based on a fulfilment objective and uses current assumptions. The standards introduces a single, revenue recognition principle to affect services provided and is modified for certain contracts.

The Company is assessing the impact that this standard will have on its 2021 financial statements.

## 4. Critical Accounting Estimates and Judgments in Applying Accounting Policies

The Company, at each reporting date, makes estimates and assumptions about the future, that have a significant risk of a material adjustment to the carrying amounts of assets and liabilities in the next financial year. Estimates and judgments are continually evaluated, based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

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 reserves, assumptions for mortality and morbidity, lapse, future investment yields, operating expenses and taxes, best estimate assumptions are determined where appropriate for each major product line.

Provisions for adverse deviations are established based on the risk profiles of the business. They are determined within a specific range guided by the Canadian Standards of Practice.

# COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED

Notes to the Separate Financial Statements

December 31, 2018

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## 4. Critical Accounting Estimates and Judgments in Applying Accounting Policies (continued)

### 4.1 Estimate of future benefit payments and premiums arising from long-term insurance contracts (continued)

The reserve assumption for each component of policy cash flow consists of an assumption for the expected experience and, separately, a margin for adverse deviation that reflects the degree of uncertainty in the expected experience assumption. The expected experience and the margin reflect the latest current experiences.

Detailed analyses are carried out by the Company's Actuarial Department in conjunction with the Company's Consulting Actuary to determine the best-estimate assumptions.

The Company's best-estimate mortality assumption is based on industry experience, and adjusted with the Company's own experience. The assumed mortality rates for life insurance contracts do not reflect any future mortality improvement. For contracts that insure the risk of longevity (annuity contracts), appropriate but not excessively prudent allowance is made for expected mortality improvements.

The main source of uncertainty is that epidemics such as AIDS and wide-ranging lifestyle changes, such as eating, smoking and exercise habits, could result in future mortality being significantly worse than in the past for the ages in which the Company has significant exposure to mortality risk. However, continuing improvements in medical care and social conditions could result in improvements in longevity in excess of those allowed for in the estimates used to determine the liability for contracts where the Company is exposed to longevity risk.

Morbidity refers to the claims experience of the critical illness products. The best-estimate assumption is based on industry experience only.

Lapse and expenses studies were performed to determine the best-estimate lapse and per policy future administrative expense assumptions. However, for certain annuity products, estimates of future lapses were not made based on historical experiences.

Under certain contracts, the Company has offered guaranteed annuity options. Under the current conditions, this option is "in the money". The Actuary has included extra reserves for this option.

The process used to decide on the key actuarial assumptions and the sensitivity of the liability to changes in these assumptions is illustrated in Note 16 to these financial statements.

The estimation of incidents incurred but not reported (IBNR) is generally subject to a greater degree of uncertainty than the estimation costs of settling claims already notified to the Company, where information about the claim event is available. IBNR claims may not be apparent to the insurer until many years after the event that gave rise to the claim has happened.

# COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED

Notes to the Separate Financial Statements

December 31, 2018

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## 4. Critical Accounting Estimates and Judgments in Applying Accounting Policies (continued)

### 4.1 Estimate of future benefit payments and premiums arising from long-term insurance contracts (continued)

The Company's practice is to record in the accounts of a financial year claims incurred in that year and reported within the first four to six weeks of the following year. The IBNR was established for the individual policies and group policies based on claims reporting lag experience of the past five years.

### 4.2 Impairment of financial assets

#### *Impairment of financial assets under IFRS 9*

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, debt investments at FVOCI and lease receivables. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

The Company's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs. Judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk
- The estimation of the amount and timing of future cash flows and collateral values
- The inclusion of overlay adjustments based on judgement and future expectations.

Further details on assets identified as impaired and the respective impairment losses incurred are disclosed in Notes 5.3.1 to these financial statements.

#### *Impairment of financial assets under IAS 39*

Management makes assumptions and uses judgement in estimating the impact of identified loss events on future cash flows from financial assets or groups of financial assets.

Based on the objective evidence of identified loss events the Company determines whether certain assets are impaired. Impairment losses recognised represent management's best estimate of the impact of identified loss events on the future cash flows expected from the respective financial assets.

If the amount or timing of the expected cash flows varies from management's estimate the impairment losses actually incurred may be different from the amount recognised in the financial statements.

# COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED

Notes to the Separate Financial Statements

December 31, 2018

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## 4. Critical Accounting Estimates and Judgments in Applying Accounting Policies (continued)

### 4.3 Valuation of financial instruments

The Company's accounting policy on fair value measurements is set out in Note 3(e).

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

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Company determines fair values using valuation techniques.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist and other valuation models. These valuation techniques rely on certain assumptions and inputs, and therefore uncertainty is inherent in the fair value estimated. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have an orderly disposal of assets.

# COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED

Notes to the Separate Financial Statements

December 31, 2018

## 4. Critical Accounting Estimates and Judgments in Applying Accounting Policies (continued)

### 4.3 Valuation of financial instruments (continued)

#### Valuation Framework

The Company has an established control framework for the measurement of fair values. This framework includes a Finance, Investment and Resolution Committee who reports to the Chief Executive Officer, and has an overall responsibility for independently verifying the results of trading and investment operations and all significant fair value measurements. Specific controls include:

- verification of observable pricing;
- re-performance of model valuations;
- a review and approval process for contracting external valuation specialists;
- analysis and investigation of significant month valuation movements; and
- review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of Level 3 instruments compared with prior year.

The Company also uses prices readily available on the relevant stock exchanges or broker information.

Significant valuation issues are reported to the Audit Committee.

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

#### Financial instruments measured at fair value

	<u>Notes</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
		<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
<b>December 31, 2018</b>					
Investment in associates	8	8,343	-	629,337	637,680
Investment in subsidiaries	9	-	-	2,583,173	2,583,173
Investment securities	10	<u>696,597</u>	<u>9,103,629</u>	<u>1,450</u>	<u>9,801,676</u>
<b>December 31, 2017</b>					
Investment in associates	8	22,890	-	1,105,702	1,128,592
Investment in subsidiaries	9	-	-	2,369,736	2,369,736
Investment securities	10	<u>2,539,146</u>	<u>9,744,254</u>	<u>204,038</u>	<u>12,487,438</u>



# COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED

Notes to the Separate Financial Statements

December 31, 2018

## 4. Critical Accounting Estimates and Judgments in Applying Accounting Policies (continued)

### 4.3 Valuation of financial instruments (continued)

#### Level 2 fair value measurements

Investment Securities are valued using market data obtained from external, independent sources. This includes quoted prices for similar assets in active markets, prices for identical or similar assets in inactive markets.

There has been no change in the valuation techniques used for these assets.

#### Level 3 fair value measurements

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy.

	Investment in Associates \$'000	Investment in Subsidiaries \$'000	Investment Securities \$'000
Balance at January 1	1,105,702	2,369,736	204,038
(Losses) gain in profit or loss	(475,663)	213,436	(142,070)
Impairment	(702)	-	(60,518)
Balance at December 31	<u>629,337</u>	<u>2,583,173</u>	<u>1,450</u>

Total gains or losses for the year in the above table are presented in the statement of profit or loss as follows:

	Investment in Associates \$'000	Investment in Subsidiaries \$'000	Investment Securities \$'000
<b>2018</b>			
Total (losses) gains recognised in profit or loss:			
Impairment (losses) gains on financial assets	<u>(475,663)</u>	<u>213,436</u>	<u>-</u>

	Investment in Associates \$'000	Investment in Subsidiaries \$'000	Investment Securities \$'000
<b>2017</b>			
Total (losses) gains recognised in profit or loss:			
Impairment gains on financial assets	<u>234,806</u>	<u>-</u>	<u>145,430</u>

# COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED

Notes to the Separate Financial Statements

December 31, 2018

## 4. Critical Accounting Estimates and Judgments in Applying Accounting Policies (continued)

### 4.3 Valuation of financial instruments (continued)

#### Level 3 fair value measurements (continued)

#### Unobservable inputs used in measuring fair value

##### Investments in Associates

The Valuation assessment used for associates is a result of two widely utilised relative valuation methodologies. Trading Comparable and Transaction Comparable. Comparable is relative valuation methodology that looks at ratios of similar public companies and uses them to derive the value of another business (also called “trading multiples” or “peer group analysis” or “equity comps” or “public market multiples”) is a relative valuation method in which you compare the current value of a business to other similar businesses by looking at trading multiples like Price to Earnings (P/E), Enterprise Value (EV)/Earnings before interest, taxes, depreciation & amortization (EBITDA).

#### Unobservable inputs to valuation

	<b>Valuation Technique</b>	<b>Significant Unobservable Inputs</b>	<b>Range</b>
Investment in associates	Trading comparables		
Investment in associates	Precedent comparable transactions	EBITDA	13.4x-15.9x
Investment in associates	Specific industry valuation metrics	Market trading range	\$12.5 - \$16.0

Management made an adjustment to CLWB valuation for 2017 in its 2018 financial statements, using a Net Asset Based Approach as CL Financial Limited is currently in liquidation and loans owed to CLWB would therefore be impaired. The necessary information (audited financials, management information etc.) was not available to perform an updated valuation. The CLWB value was based mainly on the value of its investments on the Trinidad and Tobago stock exchange.

# COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED

## Notes to the Separate Financial Statements

December 31, 2018

### 4. Critical Accounting Estimates and Judgments in Applying Accounting Policies (continued)

#### 4.3 Valuation of financial instruments (continued)

##### Level 3 fair value measurements (continued)

##### Unobservable inputs to valuation (continued)

##### Investments in Subsidiaries

The Company's investments in subsidiaries are stated at fair values categorised Level 3 of the fair value hierarchy. The total carrying value of these assets is \$2.58 billion (2017: \$2.37 billion), representing 16.85% (2017: 12.17%) of total assets. The Company has not disclosed a description of the valuation techniques and the quantitative information about significant unobservable inputs used in the fair value measurements as such disclosure would bring CLICO into contempt of a Court Order, however, the information has been presented to the Company's auditor. Disclosure of the valuation techniques and the quantitative information about significant unobservable inputs used in the fair value measurement is required by IFRS 13, 'Fair Value Measurement'.

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

##### Financial instruments not measured at fair value

	Notes	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total Carrying Values \$'000
<b>December 31, 2018</b>					
<b>Assets</b>					
Loans and other receivables	12	-	-	366,981	366,981
Short-term deposits	13	-	-	738,153	738,153
<b>Liabilities</b>					
Insurance contracts	16	-	6,439,057	-	6,439,057
Investment contracts	17	-	1,665,526	-	1,665,526
Debt securities issued	19	-	-	3,973,984	3,973,984

# COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED

Notes to the Separate Financial Statements

December 31, 2018

## 4. Critical Accounting Estimates and Judgments in Applying Accounting Policies (continued)

### 4.3 Valuation of financial instruments (continued)

#### Financial instruments not measured at fair value (continued)

	Notes	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total Carrying Values \$'000
<b>December 31, 2017</b>					
<b>Assets</b>					
Loans and other receivables	12	-	-	383,230	383,230
Short-term deposits	13	-	-	528,283	528,283
<b>Liabilities</b>					
Insurance contracts	16	-	6,921,110	-	6,921,110
Investment contracts	17	-	1,754,500	-	1,754,500
Debt securities issued	19	-	-	4,992,751	4,992,751

### 4.4 Financial asset and liability classification

The Company's accounting policies provide scope for assets and liabilities to be designated at inception into different accounting categories in certain circumstances:

- In classifying financial assets or liabilities as trading, the Company has determined that it meets the description of trading assets and liabilities set out in Note 3(e).
- In designating financial assets or liabilities at fair value through profit or loss, the Company has determined that it has met one of the criteria for this classification set out in Note 3(e).

## 5. Insurance and Financial Risk Management

### Introduction and overview

The Company has exposure to the following risks from the use of financial instruments and the issuing of insurance and investment contracts:

- Insurance risk
- Credit risk
- Liquidity risk
- Market risk
- Operational risk
- Capital management

This Note presents information about the Company's exposure to each of the above-stated risks and its objectives, policies and processes for measuring and managing risk.

# COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED

Notes to the Separate Financial Statements

December 31, 2018

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## 5. Insurance and Financial Risk Management (continued)

### 5.1 Risk management framework

As described in Note 1, the Central Bank intervened in the operations of the Company and, as a consequence, the Board of Directors submits monthly reports to the Governor of the Central Bank.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board Finance, Investment and Resolution Committee and the Board Audit and Risk Committees were established by the Board. Day to day management of insurance and financial risks is executed by the Company's management team and day to day operational risks are managed by department managers whereas for more significant transactions Board approval was sought. The Company also has a clear organisational structure with delegated authorities and responsibilities for executive management and senior management.

During 2018, there were significant improvements with the risk management framework which included the establishment of an Enterprise Risk Management Risk Council, the endorsement of an Enterprise Risk Management Policy by the Board of Directors and the implementation of a program for Enterprise Risk Management.

### 5.2 Insurance risk

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

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities.

This could occur because the frequency of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

# COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED

Notes to the Separate Financial Statements

December 31, 2018

## 5. Insurance and Financial Risk Management (continued)

### 5.2.1 Objectives in managing insurance contract risks and mitigation policies and concentration of insurance risks

#### (a) Objectives of risk management

The Company is in the business of accepting risks by issuing insurance contracts for commensurate returns to the shareholders. Effective management of these risks is critical to meeting the expectations of shareholders, policyholders and regulators.

The objectives of the Company's risk management activities are to: (i) maintain a desirable overall risk profile, (ii) maintain strength in fulfilling contractual obligations to policyholders, and (iii) protect capital and add value to shareholders.

#### (b) (i) Concentration of insurance risk - Life

The tables below present the concentration of insured benefits across five bands of insured benefits per individual life assured.

	2018	
	\$'000	%
<b>Insured benefits per life \$'000</b>		
0-200	4,131,144	68.65
201-400	1,246,803	20.72
401-800	421,452	7.00
801-1,000	123,034	2.04
More than 1,001	95,399	1.59
<b>Total</b>	<b>6,017,832</b>	<b>100.00</b>

	2017	
	\$'000	%
<b>Insured benefits per life \$'000</b>		
0-200	4,192,027	69.52
201-400	1,204,741	19.98
401-800	408,289	6.77
801-1,000	131,115	2.17
More than 1,001	93,413	1.56
<b>Total</b>	<b>6,029,585</b>	<b>100.00</b>

**COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED**

Notes to the Separate Financial Statements

December 31, 2018

**5. Insurance and Financial Risk Management (continued)**

**5.2 Insurance risk (continued)**

**5.2.1 Objectives in managing insurance contract risks and mitigation policies and concentration of insurance risks (continued)**

*(b) (ii) Concentration of insurance risk - Annuities*

The following tables for annuity contracts illustrate the concentration of risk based on five bands that group these contracts in relation to the amount payable per annum as if the annuity were in payment at the year end. The Company does not hold any reinsurance contracts against the liabilities carried for these contracts.

	<b>2018</b>	
	<b>\$'000</b>	<b>%</b>
<b>Annuities payable per annum per life</b>		
0-20,000	97,906	56.00
21,000-40,000	35,596	20.00
41,000-80,000	23,825	14.00
81,000-100,000	3,713	2.00
More than 101,000	<u>15,163</u>	<u>8.00</u>
<b>Total</b>	<u>176,203</u>	<u>100.00</u>

The risk concentration has not materially changed from the prior year.

	<b>2017</b>	
	<b>\$'000</b>	<b>%</b>
<b>Annuities payable per annum per life</b>		
0-20,000	98,400	52.00
21,000-40,000	36,317	19.00
41,000-80,000	29,511	16.00
81,000-100,000	4,871	3.00
More than 101,000	<u>19,538</u>	<u>10.00</u>
<b>Total</b>	<u>188,637</u>	<u>100.00</u>

For contracts where death is the insured risk (life insurance), the most significant factors that could increase the overall frequency of claims are epidemics (such as AIDS) or wide spread changes in lifestyle, such as eating, smoking and exercise habits, resulting in claims occurring earlier than expected or in greater numbers than expected. For contracts where survival is the insured risk (annuity), the most significant factor is continued improvement in medical science and social conditions that would increase longevity.

# COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED

Notes to the Separate Financial Statements

December 31, 2018

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## 5. Insurance and Financial Risk Management (continued)

### 5.2 Insurance risk (continued)

#### 5.2.2 Long-term insurance contracts and long-term annuities

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

Insurance risk for contracts is also affected by the contract holders' right to pay reduced or no future premiums, to terminate the contract completely, or to exercise a guaranteed annuity option. As a result, the amount of insurance risk is also subject to contract holder behaviour. On the assumption that contract holders will make decisions rationally, overall insurance risk can be assumed to be aggravated by such behaviour. For example, it is likely that contract holders whose health has deteriorated significantly will be less inclined to terminate contracts insuring death benefits than those contract holders remaining in good health. This results in an increasing trend of expected mortality, as the portfolio of insurance contracts reduces due to voluntary terminations. The Company has factored the impact of contract holders behaviour into the assumptions and provisions used to measure these liabilities.

Insurance risk for contracts disclosed in the note is also affected by interest rate risk. This is especially significant for some types of long term insurance products. If new market rates were to rise appreciably, policyholders would want to cash in their policies (where cash values are provided) and move their money elsewhere where they can benefit from higher market rates. While at the same time that the insurer needs cash to pay the policyholder, the assets may have depreciated in market value.

##### (b) *Sources of uncertainty in the estimation of future benefit payments and premium receipts*

Uncertainty in the estimation of future benefit payments and premium receipts for long-term insurance contracts arises from the unpredictability of long-term changes in overall levels of mortality and the variability in contract holder behaviour.

The Company uses appropriate base tables of standard mortality according to the type of contract being written and the territory in which the insured person resides. An investigation into the actual experience of the Company over the last five years is carried out, and statistical methods are used to adjust the crude mortality rates to produce a best estimate of expected mortality for the future. Where data is sufficient to be statistically credible, the statistics generated by the data are used without reference to an industry table. Where this is not the case, the best estimate of future mortality is based on standard industry tables adjusted for the Company's overall experience.

For contracts that insure survival, an adjustment is made for future mortality improvements based on trends identified in the data and in the continuous mortality investigations performed by independent actuarial bodies. The impact of any historical evidence of selective termination behaviour will be reflected in this experience. The Company maintains voluntary termination statistics to investigate the deviation of actual termination experience against assumptions. Statistical methods are used to determine appropriate termination rates. An allowance is then made for any trends in the data to arrive at a best estimate of future termination rates.



# COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED

Notes to the Separate Financial Statements

December 31, 2018

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## 5. Insurance and Financial Risk Management (continued)

### 5.2 Insurance risk (continued)

#### 5.2.2 Long-term insurance contracts and long term annuities (continued)

##### (c) *Guaranteed annuity options*

The amount of insurance risk under contracts with guaranteed annuity options is also dependent on the number of contract holders that will exercise their option ('option take-up rate'). This will depend significantly on the investment conditions that apply when the options can be exercised. The lower the current market interest rates in relation to the rates implicit in the guaranteed annuity rates, the more likely it is that contract holders will exercise their options. Continuing improvements in longevity reflected in current annuity rates will increase the likelihood of contract holders exercising their options as well as increasing the level of insurance risk borne by the Company under the annuities issued. The Company does not have sufficient historical data on which to base its estimate of the number of contract holders who will exercise their options.

Conversely, if current market interest rates were to rise in relation to the rates implicit in the guaranteed annuity rates, the more likely it is that policyholders would want to cash in their policies and move their money elsewhere where they can benefit from higher interest rates unless their contracts provide some link to the higher interest rates.

##### (d) *Reinsurance*

To further mitigate underwriting risk, the Company purchases reinsurance to share part of the insurance risks accepted by the Company in writing premiums. This reinsurance, however, does not relieve the Company of its primary obligation to policyholders. If any reinsurers are unable to meet their obligation under the related agreements, the Company remains liable to its policyholders for the unrecoverable amounts. The Company has various yearly renewable term and coinsurance reinsurance agreements with reinsurers with different retention amounts for whole life, term, critical illness and universal life products.

The benefits to which the Company is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of balances due from reinsurers. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due. The Company reinsures approximately less than 10% of its group and ordinary life portfolios.

# COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED

Notes to the Separate Financial Statements

December 31, 2018

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## 5. Insurance and Financial Risk Management (continued)

### 5.2 Insurance risk (continued)

#### 5.2.3 Short-duration life insurance contracts

##### (i) *Frequency and severity of claims*

These contracts are mainly issued to employers to insure death benefit associated with their pension fund and other employee benefit plans. The risk is affected by the nature of the industry in which the employer operates, in addition to the factors in Note 5.2.1. (b).

The risk of death and disability will vary by industry. Undue concentration of risk by industry will therefore increase the risk of a change in the underlying average mortality or morbidity of employees in a given industry, with significant effects on the overall insurance risk.

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

Other than for the testing of the adequacy of the liability representing the unexpired risk at the reporting date, there is no need to estimate mortality rates or morbidity rates for future years because these contracts have short duration. However, for incurred disability income claims, it is necessary to estimate the rates of recovery from disability for future years. Standard recovery tables produced by reinsurers are used as well as the actual experience of the Company. The influence of economic circumstances on the actual recovery rate for individual contracts is the key source of uncertainty for these estimates.

### 5.3 Financial risk

The Company is exposed to a range of financial risks through its financial assets, financial liabilities (investment contracts and borrowings), reinsurance assets and insurance liabilities. In particular, the key financial risk is that in the long term, its investment proceeds are not sufficient to fund the obligations arising from its insurance and investment contracts. The most important components of this financial risk are credit risk, liquidity risk, interest rate risk, equity price risk and foreign currency risk.

#### 5.3.1 Credit risk

Credit risk is the risk of loss in the value of financial assets due to counterparties failing to meet all or part of their contractual obligations, and arises principally from the Company's loans, mortgages, investments and related party balances. This is one of the materialised risks with the Company unable to secure timely repayment of several of its advances.

# COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED

Notes to the Separate Financial Statements

December 31, 2018

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## 5. Insurance and Financial Risk Management (continued)

### 5.3 Financial risk (continued)

#### 5.3.1 Credit risk (continued)

##### Management of credit risk

The Board Audit and Risk Committee which reports to the Board of Directors has oversight of credit risk. The Finance team reporting to the Audit and Risk Committee, is responsible for managing the Company's credit risk, including the following.

- Formulating credit policies in consultation with the relevant departments, covering credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Limiting concentration of exposure to counterparties by issuer, credit rating band and market liquidity within regulatory and statutory requirements.
- Developing and maintaining the Company's risk gradings categorise exposures according to the degree of risk of default. The responsibility for setting risk grades lies with the final approving committee as appropriate. Risk grades are subject to regular reviews by the Audit and Risk Committee.
- Developing and maintaining the Company's processes for measuring ECL. This includes processes for:
  - initial approval, regular validation and back-testing of the models used;
  - determining and monitoring significant increase in credit risk; and
  - incorporation of forward looking information.
- Regular reports on the credit quality of portfolios are provided to the Audit and Risk Committee which may require appropriate corrective action to be taken. These include reports containing estimates of ECL allowances.
- Providing advice, guidance and making specialist skills available to business units to promote best practice in the management of credit risk.

# COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED

## Notes to the Separate Financial Statements

December 31, 2018

### 5. Insurance and Financial Risk Management (continued)

#### 5.3 Financial risk (continued)

##### 5.3.1 Credit risk (continued)

The Company applies the IFRS 9 general approach to measuring expected credit losses on financial assets. Under the general approach, the Company considers the probability of default on initial recognition of the asset and whether there has been a significant increase in credit risk throughout each reporting period. When determining whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without under cost or effort. The Company primarily identifies whether significant increase in credit risk has occurred for an exposure by comparing external credit ratings from initial recognition to the reporting date.

#### Definition of default

The Company considers a financial asset to be in default when the financial asset is classified as non-performing as at reporting date. Non-performing is defined as all investments that have missed payments as at reporting date.

A summary of the assumptions underpinning the company's expected credit loss model under the general approach is as follows

Category	Definition	Basis for recognition of expected credit loss provision
Stage 1 (Performing)	The counterparty has low risk of default and a strong capacity to meet contractual cash flows.	12 month expected losses. Where the expected lifetime of an asset is less than 12 months, expected credit losses are measured at its expected lifetime.
Stage 2 (Underperforming)	Financial assets for which there is a significant increase in credit risk since origination but no objective evidence of impairment.	Lifetime expected losses
Stage 3 (Non-performing)	The financial asset is in default.	Lifetime expected losses

Prior to January 1, 2018, the Company had a risk grading structure for the financial assets held at the reporting period. This risk grading structure placed financial assets into one of four categories:

1. Grade 1: Low risk- Cash, Blue Chip Stocks and Government Securities.

**COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED**

Notes to the Separate Financial Statements

December 31, 2018

**5. Insurance and Financial Risk Management (continued)**

**5.3 Financial risk (continued)**

**5.3.1 Credit risk (continued)**

2. Grade 2: Medium Risk- Securities issued by and receivables from performing private companies.
3. Grade 3: High Risk- Securities issued and receivables that was past due but not impaired.
4. Grade 4: Securities issued that management considered to be impaired.

**Credit risk table**

	<u>Carrying Amounts</u>		<u>Total</u> \$'000
	<u>Exposure</u> <u>Default</u> \$'000	<u>Expected</u> <u>Credit Loss</u> \$'000	
<b>As at December 31, 2018</b>			
<b>Other Financial Assets</b>			
Stage 1 (Performing)	1,148,406	(286)	1,148,120
Stage 2 (Underperforming)	8,659,593	(6,037)	8,653,556
Stage 3 (Non-Performing)	1,223,677	(1,223,677)	-
	<u>11,031,676</u>	<u>(1,230,000)</u>	<u>9,801,676</u>
<b>Due from Related Parties</b>			
Stage 1 (Performing)	-	-	-
Stage 2 (Underperforming)	-	-	-
Stage 3 (Non-Performing)	4,596,053	(4,596,053)	-
	<u>4,596,053</u>	<u>(4,596,053)</u>	<u>-</u>
<b>Loans and Other Receivables</b>			
Stage 1 (Performing)	2,550	-	2,550
Stage 2 (Underperforming)	365,512	(25,152)	340,360
Stage 3 (Non-Performing)	419,411	(395,340)	24,071
	<u>787,473</u>	<u>(420,492)</u>	<u>366,981</u>
<b>Bank and Short-term Deposits</b>			
Stage 1 (Performing)	1,421,746	-	1,421,746
<b>Total</b>	<u>17,836,948</u>	<u>(6,246,545)</u>	<u>11,590,403</u>

**COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED**

Notes to the Separate Financial Statements

December 31, 2018

**5. Insurance and Financial Risk Management (continued)**

**5.3 Financial risk (continued)**

**5.3.1 Credit risk (continued)**

**Management of credit risk (continued)**

**Credit risk table**

	<u>Carrying Amounts</u>			<u>Total</u> \$'000
	<u>Neither past Due nor Impaired</u> \$'000	<u>Past due not impaired</u> \$'000	<u>Impaired</u> \$'000	
<b>As at December 31, 2017</b>				
<b>Investment Securities</b>				
Grade 1	12,283,400	-	-	12,283,400
Grade 2	-	-	-	-
Grade 3	-	204,038	-	204,038
Grade 4	-	-	1,315,208	1,315,208
Impairment	-	-	(1,315,208)	(1,315,208)
	<u>12,283,400</u>	<u>204,038</u>	<u>-</u>	<u>12,487,438</u>
<b>Due from Related Parties</b>				
Grade 3	-	1,699,321	-	1,699,321
Grade 4	-	-	5,355,398	5,355,398
Impairment	-	-	(5,366,046)	(5,366,046)
	<u>-</u>	<u>1,699,321</u>	<u>(10,648)</u>	<u>1,688,673</u>
<b>Loans and Other Receivables</b>				
Grade 1	153,094	-	-	153,094
Grade 2	13,636	199,878	-	213,514
Grade 3	-	19,158	-	19,158
Grade 4	-	-	407,856	362,732
Impairment	-	-	(410,392)	(365,268)
	<u>166,730</u>	<u>219,036</u>	<u>(2,536)</u>	<u>383,230</u>
<b>Bank and Short-term Deposits</b>				
Grade 1	<u>845,390</u>	-	-	<u>845,390</u>
<b>Total</b>	<u>13,295,520</u>	<u>2,122,395</u>	<u>(13,184)</u>	<u>15,404,731</u>

# COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED

## Notes to the Separate Financial Statements

December 31, 2018

### 5. Insurance and Financial Risk Management (continued)

#### 5.3 Financial risk (continued)

##### 5.3.1 Credit risk (continued)

##### Impairments

	Impairment as at December 31, 2017	ECL Impairment January 1, 2018	ECL Impairment Gain/(Loss)	Current year Impairment (Increase)/Decrease	Impairment as at December 31, 2018
	\$'000	\$'000	\$'000	\$'000	\$'000
Other financial assets	(1,315,208)	(15,781)	9,458	152,049	(1,169,482)
Due by Related Parties	(5,366,046)	-	-	2,171,761	(3,194,285)
Loans and Receivables	(410,392)	-	-	(10,100)	(420,492)
Bank and Short-term Deposits	-	-	-	-	-
Due to related parties	-	-	-	(456,542)	(456,542)
	<u>(7,091,646)</u>	<u>(15,781)</u>	<u>9,458</u>	<u>1,857,168</u>	<u>(5,240,801)</u>

During the year, \$3.4M (2017: \$3.8M) was written off in loans and receivables.

##### Concentrations of credit risk

The Company does not monitor concentration of credit risk. An analysis of concentrations of credit risk from investments in associates, investment in subsidiaries, investment securities and loans and receivables is shown below.

	Investment in associates		Investment in subsidiaries		Investment in securities		Loans and receivables	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Concentration by sector:								
Corporate	637,680	1,128,592	2,583,173	2,369,736	691,723	2,743,184	-	-
Government	-	-	-	-	9,109,953	9,744,254	-	-
Government	-	-	-	-	-	-	366,981	383,230
	<u>637,680</u>	<u>1,128,592</u>	<u>2,583,173</u>	<u>2,369,736</u>	<u>9,801,676</u>	<u>12,487,438</u>	<u>366,981</u>	<u>383,230</u>

# COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED

## Notes to the Separate Financial Statements

December 31, 2018

### 5. Insurance and Financial Risk Management (continued)

#### 5.3 Financial risk (continued)

##### 5.3.2 Liquidity risk

Liquidity Risk is the risk that the entity will encounter difficulty in meeting obligations associated with its financial and insurance liabilities. The Company has managed its liquidity with cash generated from its operations.

##### Exposure to liquidity risk

The following tables provide information about the maturity profile for the Company's financial liabilities, financial assets and insurance liabilities.

##### Maturity analysis for non-derivative cash flows

As at December 31, 2018

##### *Contractual undiscounted cash flows*

	<b>Within 1 Year \$'000</b>	<b>1-5 Years \$'000</b>	<b>Over 5 Years \$'000</b>	<b>Total \$'000</b>	<b>Carrying Values \$'000</b>
<b>Financial liabilities</b>					
Investment contracts	18,501	-	979,395	997,896	1,665,526
Debt securities issued	-	4,033,975	-	4,033,975	3,973,984
Due to related parties	74,229	-	-	74,229	74,229
Accounts payable	409,486	-	-	409,486	469,476
<b>Total financial liabilities</b>	<b>502,216</b>	<b>4,033,975</b>	<b>979,395</b>	<b>5,515,586</b>	<b>6,183,216</b>
<b>Financial assets</b>					
Investment in associates	-	-	637,680	637,680	637,680
Investment in subsidiaries	-	2,583,173	-	2,583,173	2,583,173
Investment securities	2,258	737,669	9,061,749	9,801,676	9,801,676
Loans and other receivables	4,799	4,036	358,146	366,981	366,981
Cash and cash equivalents	1,421,746	-	-	1,421,746	1,421,746
<b>Total financial assets</b>	<b>1,428,803</b>	<b>3,324,878</b>	<b>10,057,575</b>	<b>14,811,256</b>	<b>14,811,256</b>



**COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED**

Notes to the Separate Financial Statements

December 31, 2018

**5. Insurance and Financial Risk Management (continued)**

**5.3 Financial risk (continued)**

**5.3.2 Liquidity risk (continued)**

**Maturity analysis for non-derivative cash flows (continued)**

**As at December 31, 2018**

*Expected undiscounted cash flows*

	<b>Within 1 Year</b>	<b>1-5 Years</b>	<b>Over 5 Years</b>	<b>Total</b>	<b>Carrying Values</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Ordinary life	46,597	116,687	1,017,734	1,181,018	631,456
FPA	396,026	550,665	3,558,918	4,505,609	2,955,090
Annuities	203,466	781,672	3,538,931	4,524,069	2,791,361
Long-term insurance	646,089	1,449,024	8,115,583	10,210,696	6,377,907
Short-term insurance	29,089	-	-	29,089	29,089
Claims admitted or intimated but not yet paid	32,061	-	-	32,061	32,061
<b>Total</b>	<b>707,239</b>	<b>1,449,024</b>	<b>8,115,583</b>	<b>10,271,846</b>	<b>6,439,057</b>

**As at December 31, 2017**

*Contractual undiscounted cash flows*

	<b>Within 1 Year</b>	<b>1-5 Years</b>	<b>Over 5 Years</b>	<b>Total</b>	<b>Carrying Values</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Financial liabilities</b>					
Investment contracts	253,079	-	1,501,421	1,754,500	1,754,500
Borrowings	87	-	-	87	87
Debt securities issued	-	6,894,445	-	6,894,445	4,992,751
Due to related parties	1,760,041	-	-	1,760,041	1,760,041
Accounts payable	346,907	-	-	346,907	2,248,601
<b>Total financial liabilities</b>	<b>2,360,114</b>	<b>6,894,445</b>	<b>1,501,421</b>	<b>10,755,980</b>	<b>10,755,980</b>
<b>Financial assets</b>					
Investment in associates	-	-	1,128,592	1,128,592	1,128,592
Investment in subsidiaries	-	2,369,736	-	2,369,736	2,369,736
Investment securities	288,052	925,344	11,274,042	12,487,438	12,487,438
Loans and receivables	4,800	8,836	369,594	383,230	383,230
Cash and cash equivalents	845,390	-	-	845,390	845,390
<b>Total financial assets</b>	<b>1,138,242</b>	<b>3,303,916</b>	<b>12,772,228</b>	<b>17,214,386</b>	<b>17,214,386</b>

**COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED**

Notes to the Separate Financial Statements

December 31, 2018

**5. Insurance and Financial Risk Management (continued)**

**5.3 Financial risk (continued)**

**5.3.2 Liquidity risk (continued)**

**Maturity analysis for non-derivative cash flows (continued)**

**As at December 31, 2017 (continued)**

*Expected undiscounted cash flows*

	<b>Within 1 Year</b>	<b>1-5 Years</b>	<b>Over 5 Years</b>	<b>Total</b>	<b>Carrying Values</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Ordinary life	46,347	123,817	1,021,918	1,192,082	650,165
FPA	408,034	591,206	3,378,647	4,377,887	2,984,258
Annuities	228,175	884,050	4,127,428	5,239,653	3,224,102
Long-term insurance	682,556	1,599,073	8,527,993	10,809,622	6,858,525
Short-term insurance	24,706	-	-	24,706	24,706
Deposits and premiums paid in advance	3,107	-	-	3,107	3,107
Claims admitted or intimated but not yet paid	34,772	-	-	34,772	34,772
<b>Total</b>	<b>745,141</b>	<b>1,599,073</b>	<b>8,527,993</b>	<b>10,872,207</b>	<b>6,921,110</b>

**Maturity analysis for derivative financial assets and liabilities**

	<b>Within 1 Year</b>	<b>1-5 Years</b>	<b>Over 5 Years</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>As at December 31, 2018</b>				
<b>Financial liabilities</b>				
Mutual Fund obligations	<u>39,470</u>	-	-	<u>39,470</u>
<b>As at December 31, 2017</b>				
<b>Financial liabilities</b>				
Mutual Fund obligations	<u>1,187,576</u>	-	-	<u>1,187,576</u>

# COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED

Notes to the Separate Financial Statements

December 31, 2018

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## 5. Insurance and Financial Risk Management (continued)

### 5.3 Financial risk (continued)

#### 5.3.3 Market risk

Market risk is the risk of adverse financial impact due to changes in fair values or future cash flows of financial instruments from fluctuations in interest rates, equity prices, property prices, and foreign currency exchange rates. Market risk arises due to fluctuations in both the value of liabilities and the value of investments held.

#### Management of market risk

During 2018, the management of market risk was undertaken mainly at the departmental level. The financial impact from changes in market risk (such as interest rates, equity prices and property values) was reviewed at the reporting date. The sensitivity of capital and Company earnings to changes in economic conditions was analysed through sensitivities to investment returns and asset values at the reporting date.

- *Equity price risk*

The Company is subject to equity price risk due to daily changes in market values of its equity securities portfolio. Unquoted equities are also valued on an annual basis using methodologies outlined in Note 3(e).

The Investments Department actively monitors equity assets owned directly by the Company and concentrations of specific equity holdings.

Sensitivity to changes in equity prices is given in section 5.3.3.1 below.

- *Interest rate risk*

Interest rate risk arises primarily from the Company's investment in long-term debt and fixed income securities, which are exposed to fluctuations in interest rates. Exposure to interest rate risk is monitored through the Actuarial Department and Finance Department and managed through the use of asset and liability matching using measures such as duration.

Insurance and investment contracts with guaranteed and fixed terms have benefit payments that are fixed and guaranteed at the inception of the contract. The financial component of these benefits is usually a guaranteed fixed interest rate and hence the Company's primary financial risk on these contracts is that interest income and capital redemptions from the financial assets backing the liabilities are insufficient to fund the guaranteed benefits payable.

# COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED

Notes to the Separate Financial Statements

December 31, 2018

## 5. Insurance and Financial Risk Management (continued)

### 5.3 Financial risk (continued)

#### 5.3.3 Market risk (continued)

##### Management of market risk (continued)

##### *Interest rate risk*

The table below summarises the Company's assets and liabilities to show the interest-rate gap.

	<u>Up to</u> <u>1 Year</u> <u>\$'000</u>	<u>1 to 5</u> <u>Years</u> <u>\$'000</u>	<u>Over</u> <u>5 Years</u> <u>\$'000</u>	<u>Non-Interest</u> <u>Bearing</u> <u>\$'000</u>	<u>Total</u> <u>\$'000</u>
<b><u>As at December 31, 2018</u></b>					
<b>Assets</b>					
Property, plant and equipment	-	-	-	115,073	115,073
Investment properties	-	-	-	407,338	407,338
Investments in associates	-	-	-	637,680	637,680
Investments in subsidiaries	-	-	-	2,583,173	2,583,173
Investment securities	2,258	737,669	8,370,027	691,722	9,801,676
Loans and other receivables	4,799	4,036	192,295	165,851	366,981
Cash and cash equivalents	1,421,746	-	-	-	1,421,746
<b>Total financial assets</b>	<b>1,428,803</b>	<b>741,705</b>	<b>8,562,322</b>	<b>4,600,837</b>	<b>15,333,667</b>
<b>Liabilities</b>					
Insurance contracts	8,696	79,816	3,255,537	3,095,008	6,439,057
Investment contracts	145,836	-	453,424	1,066,266	1,665,526
Debt securities issued	-	-	3,973,984	-	3,973,984
Due to related parties	-	-	-	74,229	74,229
Mutual fund obligation	-	-	-	39,470	39,470
Accounts payable	-	-	-	469,476	469,476
<b>Total financial liabilities</b>	<b>154,532</b>	<b>79,816</b>	<b>7,682,945</b>	<b>4,744,449</b>	<b>12,661,742</b>
<b>Periodic GAP</b>	<b>1,274,271</b>	<b>661,889</b>	<b>879,377</b>	<b>(143,612)</b>	<b>2,671,925</b>
<b>Cumulative GAP</b>	<b>1,274,271</b>	<b>1,936,160</b>	<b>2,815,537</b>	<b>2,671,925</b>	<b>-</b>
<b><u>As at December 31, 2017</u></b>					
Total financial assets	1,138,242	934,180	8,734,593	8,670,531	19,477,546
Total financial liabilities	260,268	83,128	8,742,472	9,778,798	18,864,666
<b>Periodic GAP</b>	<b>877,974</b>	<b>851,052</b>	<b>(7,879)</b>	<b>(1,108,267)</b>	<b>612,880</b>
<b>Cumulative GAP</b>	<b>877,974</b>	<b>1,729,026</b>	<b>1,721,147</b>	<b>612,880</b>	<b>-</b>

Sensitivity to changes in interest rates is given in section 5.3.3.1.

# COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED

Notes to the Separate Financial Statements

December 31, 2018

## 5. Insurance and Financial Risk Management (continued)

### 5.3 Financial risk (continued)

#### 5.3.3 Market risk (continued)

##### Management of market risk (continued)

- *Currency risk*

The Company has assets and liabilities denominated in foreign currencies and as a result are exposed to foreign currency exchange risk arising from fluctuations in exchange rates. The Company does not hedge its foreign currency revenues as these are substantially retained locally to support the Company's business and meet local regulatory and market requirements.

The Company's sensitivity to this risk is discussed in Note 5.3.3.1 below.

The currencies of denomination of assets and liabilities and the related exposure to foreign exchange risk are shown below.

	<u>TT</u>	<u>US</u>	<u>Other</u>	<u>Total</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
<b><u>As at December 31, 2018</u></b>				
<b>Assets</b>				
Property, plant and equipment	115,073	-	-	115,073
Investment properties	407,338	-	-	407,338
Investments in associates	8,343	-	629,337	637,680
Investments in subsidiaries	-	2,583,173	-	2,583,173
Investment securities	8,826,027	973,012	2,637	9,801,676
Due from related parties	-	-	-	-
Loans and other receivables	342,478	24,369	134	366,981
Cash and cash equivalents	724,476	677,900	19,370	1,421,746
<b>Total financial assets</b>	<b><u>10,423,735</u></b>	<b><u>4,258,454</u></b>	<b><u>651,478</u></b>	<b><u>15,333,667</u></b>
<b>Liabilities</b>				
Insurance contracts	6,439,057	-	-	6,439,057
Investment contracts	1,665,526	-	-	1,665,526
Debt securities issued	3,973,984	-	-	3,973,984
Due to related parties	39,484	34,745	-	74,229
Mutual fund obligation	39,470	-	-	39,470
Accounts payable	469,476	-	-	469,476
<b>Total financial liabilities</b>	<b><u>12,626,997</u></b>	<b><u>34,745</u></b>	<b><u>-</u></b>	<b><u>12,661,742</u></b>
<b>Net position</b>	<b><u>(2,203,262)</u></b>	<b><u>4,223,709</u></b>	<b><u>651,478</u></b>	<b><u>2,671,925</u></b>

# COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED

Notes to the Separate Financial Statements

December 31, 2018

## 5. Insurance and Financial Risk Management (continued)

### 5.3 Financial risk (continued)

#### 5.3.3 Market risk (continued)

	<u>TT</u>	<u>US</u>	<u>Other</u>	<u>Total</u>
	\$'000	\$'000	\$'000	\$'000
<b><u>As at December 31, 2017</u></b>				
Total financial assets	13,068,680	5,297,626	1,111,240	19,477,546
Total financial liabilities	18,828,663	36,003	-	18,864,666
Net position	(5,759,983)	5,261,623	1,111,240	612,880

#### 5.3.3.1 Market risk sensitivity analysis

The tables below demonstrate the effect of a change in a key assumption whilst all other assumptions remain unchanged. In reality there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear and larger or smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analyses do not take into consideration the fact that the Company's assets and liabilities are actively managed. Additionally, the financial position of the Company may vary at the time that any actual market movement occurs.

Other limitations in the sensitivity analyses below include the use of hypothetical market movements to demonstrate potential risk that only represent the Company's view of possible near-term market changes that cannot be predicted with any certainty; and the assumption that all interest rates move in an identical fashion.

<b>Sensitivity factor</b>	<b>Description of sensitivity factor applied</b>
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Exchange rates	A 5% change in the TT\$/US\$ foreign exchange rate would have the following impact on net assets and net income for the period. Any changes will have an impact on the net profit of the Company as changes are recognised in profit or loss.
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	<u>5% increase in</u>	<u>5% decrease in</u>
	<u>TT/US rate</u>	<u>TT/US rate</u>
	<u>TTS'000</u>	<u>TTS'000</u>
	\$	\$
<b>December 31, 2018</b>		
Impact on profit or loss	33,376	(33,376)
Impact on equity	<u>177,809</u>	<u>(177,809)</u>

# COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED

## Notes to the Separate Financial Statements

December 31, 2018

### 5. Insurance and Financial Risk Management (continued)

#### 5.3 Financial risk (continued)

#### 5.3.3 Market risk (continued)

#### 5.3.3.1 Market risk sensitivity analysis (continued)

	<b>5% increase in TT/US rate TTS'000</b>	<b>5% decrease in TT/US rate TTS'000</b>
	<u>\$</u>	<u>\$</u>
<b>December 31, 2017</b>		
Impact on profit or loss	92,503	(92,503)
Impact on equity	<u>170,578</u>	<u>(170,578)</u>

<b>Sensitivity factor</b>	<b>Description of sensitivity factor applied</b>	<b>Assumptions</b>
Interest rate and investment return	The impact of change in market interest rates by + or -1% (e.g. if a current interest rate is 5%, the impact of a immediate change to 4% and 6%).	Effective interest rate for financial assets used was 4% whilst the rate for financial liability was 10%.
Equity	The impact of a change in equity market values by + or - 10%.	All equity movements in the financial assets at fair value through profit or loss affect income whereas available-for-sale asset revaluation affects OCI. All equity market movements affect only quoted equity stock.

# COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED

## Notes to the Separate Financial Statements

December 31, 2018

### 5. Insurance and Financial Risk Management (continued)

#### 5.3 Financial risk (continued)

##### 5.3.3 Market risk (continued)

##### 5.3.3.1 Market risk sensitivity analysis (continued)

Impact on	Interest Rates Rise 100 bps \$'000	Interest Rates Fall 100 bps \$'000	Equity Prices Rise 10% \$'000	Equity Prices Fall 10% \$'000
<b>Sensitivities as at December 31, 2018</b>				
Profit or loss	28,155	(28,155)	109,952	(109,952)
Equity	(28,155)	28,155	322,085	(322,085)
<b>Sensitivities as at December 31, 2017</b>				
Profit or loss	67,139	(67,139)	308,414	(308,414)
Equity	(67,139)	67,139	349,833	(349,833)

#### 5.4 Operational risk

Operational risk is the risk of loss as a result of inadequately controlled internal processes or systems, human error, or from external events.

This definition is intended to include all risks to which the Company is exposed, other than the financial and insurance risk described above. Hence, operational risks include, for example, information technology, information security, human resources, project management, outsourcing, tax, legal and fraud and compliance risks.

In accordance with the Company's policies, department managers have primary responsibility for the effective identification, management and monitoring. Each operational risk is assessed by considering the potential impact and the probability of the event occurring. Impact assessments are made against strategic, operational and reputation criteria. Day to day operational risks is managed by department managers whereas for more significant transactions Board approval was sought.

#### 5.5 Capital management

The current capital structure of the Company consists of debt, which includes borrowings disclosed in Note 18, debt securities issued as disclosed in Note 19, amounts due to related parties disclosed in Note 20, policyholders' reserves as disclosed in Note 16; investment contracts as disclosed in Note 17; and amounts attributable to equity holders of the Company; comprising issued capital, reserves and retained earnings as disclosed in Notes 14 and 15 respectively.



**COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED**

Notes to the Separate Financial Statements

December 31, 2018

**5. Insurance and Financial Risk Management (continued)**

**5.5 Capital management (continued)**

As a result of the intervention of CBTT, the minimum capital requirements whilst being monitored are not imposed.

**6. Property, Plant and Equipment**

	<b>Land and Buildings</b>	<b>Furniture, Fixtures and Equipment</b>	<b>Motor Vehicles</b>	<b>Capital Work in Progress</b>	<b>Software</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Year ended</b>						
<b>December 31, 2018</b>						
Opening net book value	111,227	31,421	160	3,152	767	146,727
Additions	-	1,061	-	-	-	1,061
Revaluation	(28,076)	-	-	-	-	(28,076)
Depreciation charge	(1,969)	(2,169)	(32)	-	(469)	(4,639)
Closing net book value	<u>81,182</u>	<u>30,313</u>	<u>128</u>	<u>3,152</u>	<u>298</u>	<u>115,073</u>
<b>At December 31, 2018</b>						
Cost or valuation	104,350	167,892	1,369	3,152	61,859	338,622
Accumulated depreciation	(23,168)	(137,579)	(1,241)	-	(61,561)	(223,549)
Closing net book value	<u>81,182</u>	<u>30,313</u>	<u>128</u>	<u>3,152</u>	<u>298</u>	<u>115,073</u>
<b>Year ended</b>						
<b>December 31, 2017</b>						
Opening net book value	113,271	32,757	200	3,152	1,236	150,616
Additions	-	1,113	-	-	-	1,113
Depreciation charge	(2,044)	(2,449)	(40)	-	(469)	(5,002)
Closing net book value	<u>111,227</u>	<u>31,421</u>	<u>160</u>	<u>3,152</u>	<u>767</u>	<u>146,727</u>
<b>At December 31, 2017</b>						
Cost or valuation	132,426	166,831	1,369	3,152	61,859	365,637
Accumulated depreciation	(21,199)	(135,410)	(1,209)	-	(61,092)	(218,910)
Closing net book value	<u>111,227</u>	<u>31,421</u>	<u>160</u>	<u>3,152</u>	<u>767</u>	<u>146,727</u>

During the year, land and buildings were valued using the income approach by G.A. Farrell & Associates Limited. The loss of \$28,076 arising from these revaluations was debited to valuation reserve.

# COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED

Notes to the Separate Financial Statements

December 31, 2018

## 6. Property, Plant and Equipment (continued)

### *Measurement of fair values*

The fair value of Land and Buildings was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and segments of the properties being valued. The independent valuers provide the fair value of the Company's Land and Buildings portfolio on an annual basis.

The fair value measurement for all of the investment properties has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

### *Valuation technique and significant unobservable inputs*

The following table shows the valuation technique used in measuring the fair value of investment properties as well as the significant unobservable inputs used.

<b>Valuation Technique</b>	<b>Significant Unobservable Inputs</b>	<b>Inter-relationship between key unobservable inputs and fair value measurement.</b>
The Income Approach by direct capitalisation is based on the principle that the value of a property is indicated by the net return to the property, or what is also known as the present worth of future benefits. The future benefits of income-producing properties is net income before debt service and depreciation, derived by a projection of income and expense, along with any expected reversionary proceeds from a sale. In direct capitalization, net operating income is divided by an overall rate to indicate a value.		The estimated fair value would increase (decrease) if:
	In most instances, vacancy levels (voids) were estimated at 10% of the gross potential income	The allowance for voids was smaller (larger)
	In instances where we estimated building expenses, 15% of gross income was used	The allowance for building expenses (outgoings) was smaller (larger)
	Capitalization rates (net all-risks yield) was estimated between 8.5%-10%	The direct capitalization rate was lower (higher)

# COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED

## Notes to the Separate Financial Statements

December 31, 2018

	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>
<b>7. Investment Properties</b>		
At beginning of year	427,760	406,860
Additions	-	6,900
(Loss) gain on revaluation of investment properties	(19,247)	14,000
Disposals	<u>(1,175)</u>	<u>-</u>
At end of year	<u>407,338</u>	<u>427,760</u>

Rental income arising from the investment properties owned by the Company amounted to \$19.4 million (2017: \$23.4 million).

### *Measurement of fair values*

The fair value of investment properties was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and segments of the properties being valued. The independent valuers provide the fair value of the Company's investment properties portfolio on an annual basis.

The fair value measurement for all of the investment properties has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

### *Valuation technique and significant unobservable inputs*

The following table shows the valuation technique used in measuring the fair value of investment properties as well as the significant unobservable inputs used.

Valuation Technique	Significant Unobservable Inputs	Inter-relationship between key unobservable inputs and fair value measurement.
The Income Approach by direct capitalisation is based on the principle that the value of a property is indicated by the net return to the property, or what is also known as the present worth of future benefits. The future benefits of income-producing properties is net income before debt service and depreciation, derived by a projection of income and expense, along with any expected reversionary proceeds from a sale. In direct capitalization, net operating income is divided by an overall rate to indicate a value.		The estimated fair value would increase (decrease) if:
	In most instances, vacancy levels (voids) were estimated at 10% of the gross potential income	The allowance for voids was smaller (larger)
	In instances where we estimated building expenses, 15% of gross income was used	The allowance for building expenses (outgoings) was smaller (larger)
	Capitalization rates (net all-risks yield) was estimated between 8.5%-10%	The direct capitalization rate was lower (higher)

**COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED**

Notes to the Separate Financial Statements

December 31, 2018

**8. Investments in Associates**

	<b>% Shareholdings</b>		<b>2018</b>	<b>2017</b>
	<b>2018</b>	<b>2017</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Fair value through other comprehensive income</b>				
<b>Quoted at fair value</b>				
One Caribbean Media Limited 15,285,917 shares of no par value	-	23	-	199,634
L.J. Williams Limited – Class A 3,498,956 shares of no par value	23	23	8,343	8,617
Managed Funds Assets (see Note 10)			8,343	208,251
			-	(185,361)
<b>Total quoted at fair value</b>			<b>8,343</b>	<b>22,890</b>

# COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED

Notes to the Separate Financial Statements

December 31, 2018

## 8. Investments in Associates (continued)

	% Shareholdings		2018	2017
	2018	2017	\$'000	\$'000
<b>Total quoted at fair value (brought forward)</b>			<u>8,343</u>	<u>22,890</u>
<b>Unquoted at fair value</b>				
Plantations Holdings Limited (in receivership) 2,888,789 shares of BD\$1 each	34	34	1	1
CL World Brands Limited 42,830,350 shares of no par value	42	42	629,337	1,105,000
IBIS Caroni (Cayman) Limited 3,675 shares of no par value	49	49	22,586	22,813
IBIS Cedar (Cayman) Limited 5,726 shares of no par value	49	49	35,075	35,546
IBIS Kapok (Cayman) Limited 612 shares of no par value	49	49	<u>3,751</u>	<u>3,802</u>
			690,750	1,167,162
Less provision for impairment			<u>(61,413)</u>	<u>(61,460)</u>
<b>Total unquoted at fair value</b>			<u>629,337</u>	<u>1,105,702</u>
<b>Total investments in Associates</b>			<u><u>637,680</u></u>	<u><u>1,128,592</u></u>

The Company disposed its interest in One Caribbean Media Limited effective July 4, 2018.

The following table summarises the financial information of CL World Brands Limited (CLWB). The table also reconciles the summarised financial information to the carrying amount of the Company's interest in CLWB.

	2017	2016
	\$'000	\$'000
Non-current assets	566,749	518,328
Current assets	64,171	307,041
Non-current liabilities	-	(57,585)
Current liabilities	<u>(8,024)</u>	<u>(38,144)</u>
Net assets	<u>622,896</u>	<u>729,640</u>
Company's share of net assets (42%)	<u>261,616</u>	<u>306,449</u>

The above table represents the latest available information on the activities of CLWB.

**COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED**

Notes to the Separate Financial Statements

December 31, 2018

**9. Investment in Subsidiaries**

	<b>% Shareholdings</b>		<b>2018</b>	<b>2017</b>
	<b>2018</b>	<b>2017</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Fair value through other comprehensive income</b>				
CL Infinity (BVI) Limited 10 shares of no par value	100	100	28,832	29,255
Methanol Holdings International Limited 5,653,700 shares of no par value	56.53	56.53	2,583,173	2,369,737
Provision for impairment			2,612,005	2,398,992
			<u>(28,832)</u>	<u>(29,256)</u>
<b>Total</b>			<b>2,583,173</b>	<b>2,369,736</b>

**10. Investment Securities**

**Available-for-sale**

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Unquoted equity securities	-	544,991
Quoted equity securities	-	2,298,312
Debt securities	-	974,255
Government securities	-	8,947,188
	-	<u>12,764,746</u>
Provision for impairment	-	<u>(1,315,208)</u>
<b>Total</b>	-	<b>11,449,538</b>

**Fair value through other comprehensive income**

Unquoted equity securities	402,921	-
Quoted equity securities	696,596	-
Debt securities	822,206	-
Government securities	<u>7,852,827</u>	-
	9,774,550	-
Provision for impairment	<u>(1,230,000)</u>	-
<b>Total</b>	<b>8,544,550</b>	-

**COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED**

Notes to the Separate Financial Statements

December 31, 2018

	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>
<b>10. Investment Securities (continued)</b>		
<b>Managed Funds' assets at fair value through profit or loss</b>		
Quoted equity securities		
- Investments in associates (Note 8)	-	185,361
- Other equity securities	-	55,473
Government and corporate securities	<u>1,257,126</u>	<u>797,066</u>
	<u>1,257,126</u>	<u>1,037,900</u>
<b>Total</b>	<u><b>9,801,676</b></u>	<u><b>12,487,438</b></u>

Debt securities comprise bonds issued by CL Financial Limited (CLF), the Parent Company, of \$476 million (2017: \$476 million) and a bond issued by CLICO Investment Bank Limited, a fellow subsidiary, of \$346 million (2017: \$497.6 million). These amounts have been fully impaired.

The table below illustrates movements in investment securities during the year:

	<u>Fair value through other comprehensive income</u>	<u>Fair value through profit or loss</u>	<u>Total</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
At December 31, 2017 (a)	11,449,538	1,037,900	12,487,438
Disposals	(894,456)	-	(894,456)
Reclassifications (b)	(393,827)	393,827	-
Fair value gains	(1,560,172)	(174,601)	(1,734,773)
Foreign exchange gains on monetary financial assets	10,308	-	10,308
ECL Impairment losses	<u>(66,841)</u>	<u>-</u>	<u>(66,841)</u>
At December 31, 2018	<u><b>8,544,550</b></u>	<u><b>1,257,126</b></u>	<u><b>9,801,676</b></u>

(a) The opening balance of \$11,449,538 was reclassified from available for sale to fair value through other comprehensive income in 2018.

(b) During the year, the Company elected to transfer investments from FVOCI to FVTPL.

(c) The investment securities at fair value through profit or loss are held in internal funds to match against managed funds (Note 17) of \$1,039 million (2017: \$1,044 million).

# COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED

## Notes to the Separate Financial Statements

December 31, 2018

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	<u>2018</u>	<u>2017</u>
	\$'000	\$'000
<b>11. Due from Related Parties</b>		
Parent company	1,619,398	1,619,398
Subsidiary companies	50,649	50,649
Fellow subsidiary and associates	<u>728,733</u>	<u>5,384,672</u>
	2,398,780	7,054,719
Provision for impairment	<u>(2,398,780)</u>	<u>(5,366,046)</u>
	<u>-</u>	<u>1,688,673</u>

The \$1,699 million due from CLICO Investment Bank Limited (CIB) was repaid during the year with the liquidation of CIB being finalised. This amount is offset against an equal amount payable to CIB as outlined in Note 20.

The liquidation process involves the settlement of obligations and realisation of assets in simultaneous transaction.

	<u>2018</u>	<u>2017</u>
	\$'000	\$'000
<b>12. Loans and Other Receivables</b>		
Accrued investment income	149,241	153,094
Sundry debtors and prepayments	24,013	20,303
Promissory notes	362,732	362,732
Mortgages	32,667	42,533
Policy loans	<u>218,820</u>	<u>214,960</u>
	787,473	793,622
Provision for impairment	<u>(420,492)</u>	<u>(410,392)</u>
	<u>366,981</u>	<u>383,230</u>



**COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED**

Notes to the Separate Financial Statements

December 31, 2018

**12. Loans and Other Receivables (continued)**

The table below illustrates the movement of the provision for impairment during the year.

	<u>Promissory Notes</u>	<u>Mortgages</u>	<u>Policy Loans</u>	<u>Rental Income</u>	<u>Total</u>
	\$'000	\$'000	\$'000	\$'000	\$'000
As at December 31, 2018	<u>362,489</u>	<u>30,042</u>	<u>25,152</u>	<u>2,809</u>	<u>420,492</u>
As at December 31, 2017	<u>362,489</u>	<u>30,042</u>	<u>15,082</u>	<u>2,779</u>	<u>410,392</u>

<u>2018</u>	<u>2017</u>
\$'000	\$'000

**13. Bank and Short-term Deposits**

Deposits maturing more than three months	252,427	57,051
Deposits maturing less than three months	485,726	471,232
Cash at bank	<u>683,593</u>	<u>317,107</u>
	<u>1,421,746</u>	<u>845,390</u>

In 2018, \$36.7 million (2017: NIL) of bank and short-term deposits were pledged against Managed Funds (Note 17).

<u>2018</u>	<u>2017</u>
\$'000	\$'000

**14. Share Capital**

***Authorised***

An unlimited number of ordinary shares of no par value

***Issued***

2,950,000 ordinary shares of no par value	<u>14,750</u>	<u>14,750</u>
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Holder of these shares are entitled to dividends as declared from time to time. However, as a result of Central Bank intervention, and the issue of the redeemable preference shares, the Company cannot make dividend payments to ordinary shareholders until the full discharge of the obligation to repay all of the preference shares.

The Company is not allowed to issue any further ordinary shares except with the approval of the preference shareholder.

**COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED**

Notes to the Separate Financial Statements

December 31, 2018

**15. Valuation Reserves**

	<b>Managed Funds</b>	<b>Marketable Securities</b>	<b>Land and Buildings</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<i>Year ended December 31, 2018</i>				
<b>Balance at December 31, 2017</b>	185,509	3,352,318	124,547	3,662,374
<b>Items that will not be reclassified to profit and loss</b>				
Equity investments at FVOCI				
Net change in fair value	-	(1,932,377)	-	(1,932,377)
<b>Items that are or may be reclassified subsequently to profit and loss</b>				
Debt investments at FVOCI				
Net change in fair value	(28,305)	(3,144)	(28,076)	(59,525)
Net movement in Trustee's units held in Managed Funds	21,891	-	-	21,891
<b>Balance at December 31, 2018</b>	<u>179,095</u>	<u>1,416,797</u>	<u>96,471</u>	<u>1,692,363</u>
<i>Year ended December 31, 2017</i>				
<b>Balance at December 31, 2016</b>	146,709	3,947,706	124,547	4,218,962
Net change in fair value	32,234	(593,443)	-	(561,209)
Tax on Fair value gains	-	(1,945)	-	(1,945)
Net movement in Trustee's units held in Managed Funds	6,566	-	-	6,566
<b>Balance at December 31, 2017</b>	<u>185,509</u>	<u>3,352,318</u>	<u>124,547</u>	<u>3,662,374</u>

Valuation reserves relate to the fair value movements in the managed fund, marketable securities and property, plant and equipment.

# COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED

## Notes to the Separate Financial Statements

December 31, 2018

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	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>
<b>16. Insurance Contracts</b>		
Long-term Insurance Contracts - Note 16.3 (a)	6,377,907	6,858,525
Short-term Insurance Contracts - Note 16.3 (b)	<u>29,089</u>	<u>24,706</u>
	6,406,996	6,883,231
Deposits and premiums paid in advance	-	3,107
Claims admitted or initiated but not yet paid	<u>32,061</u>	<u>34,772</u>
Total policyholders' liabilities	<u>6,439,057</u>	<u>6,921,110</u>

### 16.1 Actuarial valuation

The Company's Consulting Actuary, Prescience Insurance Consultants and Actuaries, in their report dated February 28, 2019, stated that the aggregate amount of the liabilities of the Company in relation to its long-term insurance business and investment contracts (which includes EFPA Investments, Managed Funds and Deposit Administration Contracts (Note 17)) registered in Trinidad and Tobago as at December 31, 2018 amounted to \$8,086 million (2017: \$8,682 million) and does not exceed the aggregate value (as provided by the Company) of the Statutory Fund assets (see Note 36).

The Caribbean Policy Premium Method (CPPM) was used as a minimum basis for valuing long-term insurance liabilities as described in the pending revisions to the Insurance Act. However, the current Insurance Act of Trinidad and Tobago provides that no policy shall be treated as an asset whereas CPPM allows negative reserves. Thus, CPPM is applied with a zero reserve floor in this valuation. This method uses a traditional discounted cash flow valuation platform.

The actuary valued the policy liability by projecting future policy cash flows, and then discounting these cash flows to the reporting date at risk adjusted interest rates. Due to uncertainty in the future experiences, margins for adverse deviation from the Company's recent experiences are added in deriving future policy cash flows.

### 16.2 Long-term and short-term life insurance contracts - assumptions and sensitivity

#### (a) *Process used to decide on assumptions*

At each reporting date, the valuation assumption for each component of policy cash flows consists of an assumption for the expected experience and, separately, a margin for adverse deviation that reflects the degree of uncertainty in the expected experience assumption. The expected experience and the margin reflect the latest current experiences.

# COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED

Notes to the Separate Financial Statements

December 31, 2018

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## 16. Insurance Contracts (continued)

### 16.2 Long-term and short-term life insurance contracts - assumptions and sensitivity (continued)

#### (a) *Process used to decide on assumptions* (continued)

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

#### *Mortality*

For long-term life insurance policies, the mortality assumptions are made based on 1986-92 Canadian Institute of Actuaries Select and Ultimate mortality tables. An investigation into the Company's mortality experience is performed, and the mortality tables are adjusted to reflect the Company's experience and territory differences. Additional margin was provided for uncertainty in setting the expected mortality assumptions.

For all immediate and deferred payout annuity policies, the mortality assumptions are based on 1994 Group Annuitant Mortality Static tables. Mortality improvement is assumed for past and future years. Additional margin was provided for uncertainty in setting the expected mortality assumptions.

#### *Lapses*

Future lapses were assumed in valuing the actuarial liabilities of the individual life insurance, universal life insurance and FPA business based on the Company's experience since 1999. Additional margins were provided for uncertainty in setting the expected lapse assumptions.

#### *Interest rates*

Valuation interest rate assumptions are determined based on the following information:

- i. Projected investment income from and market values of all assets in the Statutory Fund at December 31, 2018
- ii. Margined liability cash flows at December 31, 2018
- iii. Trinidad and Tobago Treasury yield curve as at December 31, 2018
- iv. Yield curve used for reinvestment and disinvestments.

Additional allowances are made for investment income tax, investment expense, asset default and asset/liability mismatch.

The Statutory Fund assets as of December 31, 2018 are meant to support the policy liabilities for Ordinary Long-term Insurance Business, EFPA, GAP and GAAPP.

In addition, as suggested in the Guidance Note document on the Quantitative Impact Study (QIS) published by the Central Bank, the expected return on equities from the combination of dividend, capital growth and maturity proceeds for a consistent term should not exceed return on government debt instruments plus 1%.

# COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED

Notes to the Separate Financial Statements

December 31, 2018

## 16. Insurance Contracts (continued)

### 16.2 Long-term and short-term life insurance contracts - assumptions and sensitivity (continued)

#### (a) Process used to decide on assumptions (continued)

##### Expenses

Policy administrative expense assumptions are made based on the Company's operating experience during the year of valuation. An expense study is performed by the Company, and a per-policy administrative expense is derived from the results of the analysis. A future expected rate of expense inflation is assumed based on the actual rate of inflation in Trinidad and Tobago during the year of valuation.

##### Morbidity assumptions

Critical illness morbidity rates were based on rates supplied by Swiss Re and a margin for adverse deviation is added.

#### (b) Change in assumptions

The following table presents changes in assumptions from the prior year valuations and their impact on the value of insurance liabilities in the current year.

Assumption	Change in Assumption	Reason for Assumption Change	Increase (Decrease) in Policy Liabilities (\$000's)	Percentage of Change (as % of total liabilities)
Guaranteed Option of FPA	Updated assumptions and correction of model	Incorporate new mortality, interest and expense assumptions + model refinements	(13,427)	(0.17%)
Annuitant Mortality	Change in mortality multiple	Use Recent Trinidad study	5,135	(0.07%)
UL Premium Persistency	Different premium persistency vector	Updated Persistency study	(1,422)	(0.02%)
Life mortality	No change; multiple kept at 76%	Updated Mortality Study performed	-	0.00%

**COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED**

Notes to the Separate Financial Statements

December 31, 2018

**16. Insurance Contracts (continued)**

**16.2 Long-term and short-term life insurance contracts - assumptions and sensitivity (continued)**

**(b) Change in assumptions (continued)**

<b>Assumption</b>	<b>Change in Assumption</b>	<b>Reason for Assumption Change</b>	<b>Increase (Decrease) in Policy Liabilities (\$000's)</b>	<b>Percentage of Change (as % of total liabilities)</b>
Per Policy Expense	3.1% for Ordinary Life, UL and accumulation annuities, 1.96% for payout annuities	Updated expenses study performed	15,562	0.20%
Inflation Rates	-0.44%	Observed changes in Retail Price Indices and core inflation used	(23,813)	(0.30%)
Interest Rates	0.03% increase in interest rates for OL and annuities	Higher Observed Asset Returns, Higher C3	(25,693)	(0.33%)
FPA Lapse Rates	Registered from 1.76% to 1.05%, Unregistered from 4.26% to 2.55%	Updated lapse study performed	19,405	0.25%
Life (OL & UL) Lapse Rates	-0.07% for OL and -0.03% for UL	Updated lapse study performed	(217)	0.00%

**COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED**

Notes to the Separate Financial Statements

December 31, 2018

**16. Insurance Contracts (continued)**

**16.2 Long-term and short-term life insurance contracts - assumptions and sensitivity (continued)**

*(c) Sensitivity analysis*

The following tables present the sensitivity of the value of insurance liabilities disclosed in this note to movements in the assumptions used in the estimation of insurance liabilities.

**As at December 31, 2018**

<b>Variable</b>	<b>Change in Variable</b>	<b>Increase (Decrease) in Policy Liabilities</b> \$'000	<b>Change</b> %
Parallel shift of valuation	100 basis points	968,080	15.19
Change in per-policy maintenance expense	10%	53,595	0.84
Change in rate of inflation	100 basis points	63,100	0.99
Reduction in lapse rate	100 basis points	111,971	1.76
Increase in lapse rate	100 basis points	-	-
Change in mortality rate	10%	17,975	0.28

**As at December 31, 2017**

<b>Variable</b>	<b>Change in Variable</b>	<b>Increase (Decrease) in Policy Liabilities</b> \$'000	<b>Change</b> %
Parallel shift of valuation	100 basis points	1,009,385	14.72
Change in per-policy maintenance expense	10%	54,422	0.79
Change in rate of inflation	100 basis points	60,858	0.89
Reduction in lapse rate	100 basis points	21,786	0.32
Increase in lapse rate	100 basis points	-	-
Change in mortality rate	10%	131,931	1.92

**COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED**

Notes to the Separate Financial Statements

December 31, 2018

**16. Insurance Contracts (continued)**

**16.3 Movement in insurance liabilities**

*(a) Long-term insurance contracts with fixed terms and guaranteed amounts*

	<u>2018</u>	<u>2017</u>
	\$'000	\$'000
At beginning of year	6,858,525	7,135,862
Premiums received in the year	141,061	126,211
Liabilities released for payments on death and other terminations in the year	(403,497)	(440,170)
Change in actuarial reserves	(803,956)	(1,614,997)
Investment income	586,690	1,652,243
Other movements	(916)	(624)
At end of year	<u>6,377,907</u>	<u>6,858,525</u>

*(b) Short-term insurance contracts with fixed terms and guaranteed amounts*

	<u>2018</u>	<u>2017</u>
	\$'000	\$'000
At beginning of year	24,706	24,189
Premiums received in the year	79,307	68,560
Liabilities released for payments on death, surrender, and other terminations in the year	(187,156)	(50,016)
Change in actuarial reserves	106,654	-
Investment income	13,752	-
Other movements	(8,174)	(18,027)
At end of year	<u>29,089</u>	<u>24,706</u>

**17. Investment Contracts**

	<u>2018</u>	<u>2017</u>
	\$'000	\$'000
Managed Funds (Note 10)	1,066,266	1,044,300
Deposit administration contracts	453,424	457,121
EFPA Investment Contracts	145,836	253,079
	<u>1,665,526</u>	<u>1,754,500</u>



# COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED

## Notes to the Separate Financial Statements

December 31, 2018

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### 17. Investment Contracts (continued)

The benefits offered under the Company's investment contracts are mainly based on the return on the assets of the Company. This investment mix is unique and cannot be replicated by any benchmark indicator or combinations thereof with sufficiently high correlation to the assets of the Company. The Company communicates the performance of these contracts, by the change in the unit values for Managed Funds, and by the rate of interest credited for deposit administration contracts.

#### EFPA's

In 2015 the Company began its First Partial Distribution of cash to Statutory Funds STIPs policyholders including the Government. The total value of this distribution during 2015 was \$4.9 billion to both the Government and individuals who did not accept the Government's previous offer in 2011.

The remaining EFPA Investment Contracts have been valued taking into consideration the residual balance of the STIP contracts assigned to the GORTT by policyholders who accepted the Government's pay-out offer in 2011. This offer involved policyholders accepting a pay-out value equivalent to the policy value as at the last renewal date before September 10, 2010, less principal withdrawals, and the policyholders assigning their policy to the Government. These policies, now assigned to GORTT, are valued at the pay-out value. The remainder of the EFPA contracts (for policyholders who did not accept the Government's 2011 offer) were valued at the fund value basis with margins on exchange rates as determined by the Company's external actuary.

#### Managed Funds

The assets backing Managed Funds liabilities are included in the relevant balances in the statement of financial position. The carrying values of assets pledged for these liabilities are as follows:

	<u>2018</u>	<u>2017</u>
	\$'000	\$'000
Quoted equity securities (Note 10)	-	55,473
Government securities (Note 10)	1,257,126	797,066
Cash and cash equivalents	36,688	-
Investments in associates (Note 10)	-	185,361
	<u>1,293,814</u>	<u>1,037,900</u>
	<u>2018</u>	<u>2017</u>
	\$'000	\$'000
<b>18. Borrowings</b>		
Finance lease obligations	<u>-</u>	<u>87</u>

# COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED

## Notes to the Separate Financial Statements

December 31, 2018

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	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>
<b>19. Debt Securities Issued</b>		
Redeemable preference shares	3,973,984	4,992,751

All issued preference shares are fully paid. Redeemable preference shares do not carry the right to vote and rank equally with other shares with regard to the Company's residual assets, except that holders of redeemable preference shares participate only to the extent of the face value of the shares.

These redeemable cumulative preference shares carry an annual dividend rate of 4.75 percent of the par amount. There is no specified repayment date for the preference shares. Repayment is based on the discretion and the availability of funds by the Company. The repayment is expected to occur within the next five years based on the plans for the sale of the traditional portfolio.

	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>
<b>20. Due to Related Parties</b>		

Current accounts with related parties are as follows:

Affiliates	<u>74,229</u>	<u>1,760,041</u>
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The \$1,699 million due to CLICO Investment Bank Limited (CIB) was repaid during the year with the liquidation of CIB being finalised. This amount is offset against an equal amount receivable from CIB as outlined in Note 11. The balance due to affiliates are unsecured and interest free.

### 21. Mutual Fund Obligations

The Company is the advisor, manager and distributor of the Colonial Life Family of Funds.

The Company guaranteed the principal and interest to the unit holders of the Core (Series VI) and Power (Series VI) Funds. The original guarantee was for the principal and for a specified interest rate of return over a specified period of time.

The Company has a mutual fund obligation liability of \$39.5 million at the reporting date (2017: \$1,187 million). In prior years this value was an estimate of the liability that the Company is exposed to should the Core (Series VI) and/or Power (Series VI) not perform to the level of the guarantee. This estimate for 2016 continues to be based on the level of acceptance of the GORTT's pay out offer to Core (Series VI) unit holders.

# COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED

## Notes to the Separate Financial Statements

December 31, 2018

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### 21. Mutual Fund Obligation (continued)

The GORTT's offer values the mutual fund at the value at the last unit anniversary date prior to September 2010.

No management fee was accrued for 2018 (2017: \$NIL).

	<u>2018</u>	<u>2017</u>
	\$'000	\$'000
<b>22. Accounts Payable</b>		
Due to GORTT	59,991	1,901,694
Taxes payable	57,476	33,448
Other payables	<u>352,009</u>	<u>313,459</u>
	<u>469,476</u>	<u>2,248,601</u>
<b>23. Net Insurance Premium Revenue</b>		
<i>Insurance premium revenue</i>		
Long-term insurance contracts	142,779	132,814
Short-term insurance contracts	<u>85,911</u>	<u>75,310</u>
	<u>228,690</u>	<u>208,124</u>
<i>Insurance premium ceded to reinsurers</i>		
Long-term reinsurance contracts	(1,719)	(6,603)
Short-term reinsurance contracts	<u>(6,603)</u>	<u>(6,750)</u>
	<u>(8,322)</u>	<u>(13,353)</u>
Net insurance premium revenue	<u>220,368</u>	<u>194,771</u>

**COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED**

Notes to the Separate Financial Statements

December 31, 2018

	<u>2018</u>	<u>2017</u>
	\$'000	\$'000
<b>24. Insurance Benefits and Claims</b>		
<i>Long-term insurance contracts</i>		
- Death, maturity and surrender benefits	38,556	45,574
- Pensions and lump sum benefits	321,138	357,411
- Other terminations	699	767
	<u>360,393</u>	<u>403,752</u>
<i>Short-term insurance contracts</i>		
- Health benefits	28,504	31,031
- Death claims	158,651	18,985
	<u>187,155</u>	<u>50,016</u>
Net insurance benefits and claims	<u>547,548</u>	<u>453,768</u>
<b>25. Investment Income</b>		
<i>Net income from financial instruments designated at FVTPL</i>		
Short-term deposits	52	-
Corporate securities	240	497
Government securities	20,419	12,386
<i>Net income from financial instruments measured at FVOCI</i>		
Short-term deposits	12,446	7,164
Government securities	431,369	453,621
Loans and advances	7,035	2,705
Equities	454,843	353,282
<i>Rental income (net)</i>	9,819	15,298
<i>Other income</i>		
Bank accounts	2	26
Other income	159	1,095
	<u>936,384</u>	<u>846,074</u>
<b>26. (Loss) gain on Sale of Investments and Other Assets</b>		
Property, plant and equipment	(1,100)	-
Government securities	(12,366)	55
Company securities	-	1,229,793
	<u>(13,466)</u>	<u>1,229,848</u>

**COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED**

## Notes to the Separate Financial Statements

December 31, 2018

---

	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>
<b>27. Expenses for Administration</b>		
Employee costs	24,227	22,471
Marketing	130	101
Professional fees	29,701	25,048
Depreciation	4,639	5,002
Directors fees	480	484
Repairs and maintenance	4,317	5,163
Bad debts	41,985	10,132
Other expenses	<u>(38,824)</u>	<u>10,609</u>
	<u>66,655</u>	<u>79,010</u>
<b>28. Investment Contract Movements</b>		
Deposit Administration funds	10,715	12,338
Managed Funds	16,509	34,734
Movement in EFPA valuation		
- Due to policyholders not accepting GORTT offer	<u>4,607</u>	<u>10,677</u>
	<u>31,831</u>	<u>57,749</u>
	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>
<b>29. Finance Costs</b>		
Interest on debt securities	215,610	237,156
Other finance costs, net	<u>356</u>	<u>439</u>
	<u>215,966</u>	<u>237,595</u>

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**COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED**

## Notes to the Separate Financial Statements

December 31, 2018

---

	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>
<b>30. Taxation</b>		
Current tax	39,051	10,199
Prior year tax	913	301
Green Fund levy	<u>2,742</u>	<u>2,728</u>
	42,706	13,228
Deferred tax	<u>(1,934)</u>	<u>(29)</u>
<b>Tax expense for the year</b>	<u><u>40,772</u></u>	<u><u>13,199</u></u>

The following is a reconciliation between tax and accounting profit multiplied by the applicable tax rate:

	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>
Profit before taxation	<u>2,654,845</u>	<u>2,093,308</u>
Tax calculated at the statutory rate of 30% (2017: 30%)	796,454	627,992
Tax effect of different tax rates on lines of business	(28,361)	(22,867)
Tax effect of income not subject to tax	(280,186)	(660,482)
Tax effect of expenses not deductible	16,838	99,239
Utilisation of prior year tax losses	(480,925)	-
Green Fund levy	2,742	2,728
Prior year tax under accruals	913	301
Other differences	<u>13,297</u>	<u>(33,712)</u>
<b>Tax charge</b>	<u><u>40,772</u></u>	<u><u>13,199</u></u>

# COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED

## Notes to the Separate Financial Statements

December 31, 2018

---

### 31. Related Party Balances and Transactions

At the year end the Company was 51% owned by C L Financial Limited and 49% owned by the Government of the Republic of Trinidad and Tobago. A number of transactions are entered into with related parties in the normal course of business. The related party balances and transactions for the year are as follows:

	<u>2018</u>	<u>2017</u>
	\$'000	\$'000
<b>Statement of Financial Position - Assets</b>		
<i>Fellow subsidiary companies</i>		
Investment in associates	620,995	1,082,112
Due from related parties	-	21,121
Loans and other receivables –accrued investment income	326	326
<i>Associated companies</i>		
Investment in associates	8,343	22,889
Financial assets at fair value through profit or loss	-	185,361
<i>Subsidiary companies</i>		
Investment in subsidiaries	2,612,006	2,398,991
<i>Parent company</i>		
Due from related parties	-	28,464
<i>Government</i>		
Investment securities	7,852,827	8,947,188
Financial assets at fair value through profit or loss	<u>1,257,126</u>	<u>797,066</u>
<b>Total related party assets (carried forward)</b>	<u>12,351,623</u>	<u>13,483,518</u>

**COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED**

Notes to the Separate Financial Statements

December 31, 2018

	<u>2018</u>	<u>2017</u>
	\$'000	\$'000
<b>31. Related Party Balances and Transactions (continued)</b>		
<b>Total related party assets (brought forward)</b>	<u>12,351,623</u>	<u>13,483,518</u>
<b>Statement of Financial Position - Liabilities</b>		
<i>Government</i>		
Debt securities issued	3,973,984	4,992,751
Mutual Fund obligation	-	1,133,150
Accounts payable	59,991	1,887,662
<i>Fellow subsidiary companies</i>		
Due to related parties	74,229	1,760,041
<i>Due to subsidiaries</i>		
Accounts payable	-	1,652
<i>Other related parties</i>		
Due to related parties	-	8,535
Mutual fund obligation	<u>39,470</u>	<u>55,741</u>
<b>Total related party liabilities</b>	<u>4,147,674</u>	<u>9,839,532</u>
<b>Net assets with related parties</b>	<u>8,203,949</u>	<u>3,643,986</u>
<b>Statement of Profit or Loss and Other Comprehensive Income - Income</b>		
<i>Fellow subsidiary companies</i>		
Premiums	7,515	6,449
Investment income – dividends received	456	-
<i>Associated companies</i>		
Investment income – dividends received	381,635	310,269
<i>Government</i>		
Investment income – gain on sale of assets	<u>-</u>	<u>1,223,770</u>
<b>Total income from related parties (carried forward)</b>	<u>389,606</u>	<u>1,540,488</u>



# COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED

## Notes to the Separate Financial Statements

December 31, 2018

	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>
<b>31. Related Party Balances and Transactions (continued)</b>		
<b>Total income from related parties (brought forward)</b>	<u>389,606</u>	<u>1,540,488</u>
<b>Statement of Profit or Loss and Other Comprehensive Income – Expenses</b>		
<i><b>Government</b></i>		
Interest on preference share - GORTT	215,610	237,808
<i><b>Fellow subsidiary companies</b></i>		
Insurance benefits	3,919	4,079
Medical services	57	70
Bad debt	28,464	-
Other	1,930	1,802
<i><b>Associated companies</b></i>		
Advertising expense	<u>11</u>	<u>16</u>
<b>Total expenses with related parties</b>	<u>249,991</u>	<u>243,775</u>
<b>Net income from related parties</b>	<u>139,615</u>	<u>1,296,713</u>
<b>Key management compensation</b>		
Salaries and other short-term benefit	<u>2,478</u>	<u>2,328</u>

### 32. Contingent Liabilities and Commitments

- (a) The Company guaranteed a loan from a third party to a related party in the amount of US\$16.7 million. During 2015 the related party settled the outstanding principal with the third party. As at the reporting date only a portion of outstanding interest is to be liquidated, as discussions are ongoing between the third party and the related party to have this settled.
- (b) The Company has given a guarantee to the Supervisor of Insurance Barbados agreeing to indemnify policyholders against any losses suffered as a condition of the transfer of its long-term portfolio to a fellow subsidiary incorporated in Barbados. Management has assessed that it is not likely that there will be a significant outflow of economic benefits in relation to this contingency.

# COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED

## Notes to the Separate Financial Statements

December 31, 2018

### 32. Contingent Liabilities and Commitments (continued)

- (c) There were a number of legal proceedings pending against the Company at the reporting date. A lost reserve of TT\$90 million has been made (2017: NIL). No further provision has been made as professional advice indicates that it is unlikely that any significant loss will arise.
- (d) Future minimum lease payments under non-cancellable operating leases are:

	<b>Within 1 year \$'000</b>	<b>1-5 Years \$'000</b>	<b>Over 5 Years \$'000</b>	<b>Total \$'000</b>
Operating lease commitments	109	545	1,475	2,129

### 33. Principal Associated Undertakings

<b>Quoted</b>	<b>Country of Origin</b>	<b>Activity</b>	<b>Percentage Ownership* %</b>
LJ Williams Limited	Trinidad and Tobago	Trading	23
<b>Unquoted</b>	<b>Country of Origin</b>	<b>Activity</b>	
CL World Brands Limited	United Kingdom	Beverage Manufacturing	42

\* Percentage ownership equates to voting rights.

### 34. Principal Subsidiary Undertakings

<b>Unquoted</b>	<b>Country of Origin</b>	<b>Activity</b>	
Methanol Holdings International Limited	St. Kitts and Nevis	Energy – Methanol	56.53

\* Percentage ownership equates to voting rights.

### 35. Assets Pledged

Every company registered under the Insurance Act 1980 to carry on long-term insurance business is required to establish and maintain a statutory fund in respect of that business.

The Company is required to place in trust in Trinidad and Tobago, assets equal to its liability and contingency reserves with respect to its Trinidad and Tobago policyholders established by the statement of financial position of the Company as at the end of its financial year. Currently, according to the Insurance Act regulations, the Company has sufficient assets in trust to cover its Trinidad and Tobago policyholders as defined by the Act.

## COLONIAL LIFE INSURANCE COMPANY [TRINIDAD] LIMITED

### Notes to the Separate Financial Statements

December 31, 2018

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#### 35. Assets Pledged (continued)

Listed below are the assets pledged by category either to the Inspector of Financial Institutions in Trinidad and Tobago or to other counter parties.

- (a) Approximately \$8 million (2017: \$191 million) of investments in associated companies are pledged to the order of the Inspector of Financial Institutions in Trinidad and Tobago and approximately \$Nil million (2017: \$17 million) are pledged against collateralised borrowings due to CLICO Investment Bank Limited.
- (b) Approximately \$2,233 million (2017: \$2,054 million) of investments in subsidiary companies are pledged to the order of the Inspector of Financial Institutions in Trinidad and Tobago.
- (c) Fixed deposits pledged to the order of the Inspector of Financial Institutions in Trinidad and Tobago under the provisions of the Trinidad and Tobago Insurance Act, 1980, amounted to approximately \$7 million (2017: \$232 million).
- (d) Approximately \$9,846 million (2017: \$10,711 million) of other investments are pledged to the order of the Inspector of Financial Institutions in Trinidad and Tobago. Approximately \$Nil million (2017: \$1,196 million) of other investments are pledged as security for various bank overdrafts, short-term and long-term loans including collateralised borrowings due to CLICO Investment Bank Limited.
- (e) Assets required to be placed in trust are to be so placed not more than one month after the end of the financial year to which the statement of financial position relates. Subsequent to December 31, 2018 a further \$43 million (2017: Nil) of assets were pledged to the order of the Inspector of Financial Institution in Trinidad and Tobago.

#### 36. Events after the Reporting Date

There were no significant events occurring after the reporting date and before the date of approval of the financial statements by the Board of Directors which require adjustments or disclosure in these financial statements.