Separate Financial Statements of

COLONIAL LIFE INSURANCE COMPANY (TRINIDAD) LIMITED

December 31, 2013

COLONIAL LIFE INSURANCE COMPANY (TRINIDAD) LIMITED

December 31, 2013

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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 long-term insurance business registered in Colonial Life Insurance Company (Trinidad) Limited ("the Company") as at December 31, 2013.

I have examined the financial position and valued the policy benefit liabilities of the Company for its balance sheet as at December 31, 2013 and the corresponding change in the 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 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 policy liabilities represented in the balance sheet of the Company amounting to $TT 20,540,531,000 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

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

July 17, 2014
Date

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Chartered Accountants
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Independent Auditors' Report
To the shareholders of
Colonial Life Insurance Company (Trinidad) Limited

Report on the Separate Financial Statements

We have audited 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, 2013 and the separate statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the separate financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

KPMG

Opinion

In our opinion, the separate financial statements present fairly, in all material respects, the separate financial position of the Company as at December 31, 2013 and of its separate financial performance and its separate cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without further qualifying our opinion, 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.

The preparation of the financial statements in accordance with IFRS usually assumes that the Company will continue in operational existence for the foreseeable future. This means, inter alia, that the statements of financial position, income and other comprehensive income assume no intention or necessity to liquidate or curtail the activities of the Company. This is commonly referred to as the going concern basis. Note 2(b) to the separate financial statements describes that the going concern basis of preparing the financial statements has not been used because the Company is in the process of winding down its operations. Appropriate adjustments have therefore been made in the financial statements for estimated values realisable in the event of an orderly disposal.

KPMG

Chartered Accountants

March 6, 2015
Port of Spain
Trinidad and Tobago

COLONIAL LIFE INSURANCE COMPANY (TRINIDAD) LIMITED

Separate Statement of Financial Position

December 31, 2013

	Notes	2013	2012
		$'000	$'000
ASSETS			
Property, plant and equipment	6	201,576	206,744
Investment properties	7	398,603	421,153
Investment in associates	8	1,702,606	1,290,398
Investment in subsidiaries	9	9,881,515	5,747,224
Investment securities	10	11,848,489	10,075,328
Due from related parties	11	1,753,550	1,730,694
Loans and other receivables	12	466,216	394,924
Retirement benefit	34	113,810	105,299
Taxation recoverable		8,070	7,677
Bank and short-term deposits	13	2,148,487	2,483,885
Total assets		28,522,922	22,463,326
EQUITY			
Share capital	14	14,750	14,750
Accumulated deficit		(11,502,780)	(11,908,794)
Valuation reserves	15	10,376,346	5,312,774
Net deficit		(1,111,684)	(6,581,270)
LIABILITIES			
Insurance contracts	16	8,229,156	8,174,258
Investment contracts	17	12,257,684	11,977,391
Borrowings	18	494	632
Debt securities issued	19	4,992,751	4,992,751
Due to related parties	20	1,760,041	1,760,041
Mutual fund obligation	21	1,314,312	1,308,597
Trade and accounts payable	22	1,076,084	803,903
Deferred taxation	23	4,084	27,023
Total liabilities		29,634,606	29,044,596
Total equity and liabilities		28,522,922	22,463,326

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

Director ______________________ Director ______________________

COLONIAL LIFE INSURANCE COMPANY (TRINIDAD) LIMITED

Separate Statement of Comprehensive Income

For the year ended December 31, 2013

	Notes	2013 $'000	2012 $'000
Insurance premium revenue		266,950	267,427
Net reinsurance premium ceded		(19,488)	849
Net insurance premium revenue	24	247,462	268,276
Insurance benefits and claims	25	(464,573)	(431,182)
Expenses for the acquisition of insurance and investment contracts		(14,544)	(14,303)
Change in value of insurance contracts		(47,397)	(2,096,079)
Underwriting expenses		(526,514)	(2,541,564)
Net results from insurance activities		(279,052)	(2,273,288)
Investment income	26	1,253,491	2,330,190
(Loss) gain on sale of available for sale investments and other assets	27	(333)	3,831,574
Net fair value gain on assets at fair value through profit or loss		202,241	140,051
Loss on trading managed fund units		(4,116)	(12,598)
Administration and asset management fees		10,313	9,034
Impairment losses on financial assets	28	(124,630)	(76,308)
Loss on revaluation of investment properties		(20,300)	(14,157)
Other income		4,492	7,706
Net results from investing activities		1,321,158	6,215,492
Expenses for marketing and administration	29	(129,354)	(125,081)
Investment contract movements	30	(72,388)	357,825
Revaluation loss on managed fund liability		(202,010)	(140,051)
Operating expenses		(403,752)	92,693
Results of operating activities		638,354	4,034,897
Finance costs	31	(237,501)	(237,780)
Operating profit before tax		400,853	3,797,117
Taxation	32	5,161	(1,319)
Profit for the year attributable to equity holders		**406,014**	**3,795,798**

COLONIAL LIFE INSURANCE COMPANY (TRINIDAD) LIMITED

Separate Statement of Comprehensive Income (continued)

For the year ended December 31, 2013

	Note	2013	2012
		$'000	**$'000**
Profit for the year attributable to equity holders		**406,014**	**3,795,798**
Other comprehensive income, net of tax			
Items that are or maybe reclassified to profit or loss			
Fair value reserve (available-for-sale financial assets):			
- Net change in fair value	15	5,025,258	529,662
- Net amount transferred to profit or loss		-	(3,658,045)
Net movement in revaluation reserves for property		323	(7,928)
Tax effect of movements in other comprehensive income	15	13,055	(8,482)
Total comprehensive income, net of tax		**5,444,650**	**651,005**

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

COLONIAL LIFE INSURANCE COMPANY (TRINIDAD) LIMITED

Separate Changes in Equity

For the year ended December 31, 2013

	Share Capital $'000	Accumulated Deficit $'000	Valuation Reserves $'000	Total $'000
Year ended December 31, 2013				
Balance at January 1, 2013	14,750	(11,908,794)	5,312,774	(6,581,270)
Profit for the year	-	406,014	-	406,014
Other comprehensive income, net of tax				
Fair value reserve (available-for-sale financial assets):				
- Net change in fair value	-	-	5,025,258	5,025,258
Net movement in revaluation reserves for property	-	-	323	323
Tax effect of movement in other comprehensive income	-	-	13,055	13,055
Total comprehensive income	-	406,014	5,038,636	5,444,650
Transactions with owners, recorded directly into equity				
Net movement in trustee's units held in Managed Fund	-	-	24,936	24,936
Balance at December 31, 2013	**14,750**	**(11,502,780)**	**10,376,346**	**(1,111,684)**
Year ended December 31, 2012				
Balance at January 1, 2012	14,750	(15,713,446)	8,424,423	(7,274,273)
Profit for the year	-	3,795,798	-	3,795,798
Other comprehensive income, net of tax				
Fair value reserve (available-for-sale financial assets):				
- Net change in fair value	-	-	529,662	529,662
- Net amount reclassified to profit or loss	-	-	(3,658,045)	(3,658,045)
Net movement in revaluation reserves for property		8,854	(16,782)	(7,928)
Tax effect of movement in other comprehensive income	-	-	(8,482)	(8,482)
Total comprehensive income	-	3,804,652	(3,153,647)	651,005
Transactions with owners, recorded directly into equity				
Net movement in trustee's units held in Managed Fund	-	-	41,998	41,998
Balance at December 31, 2012	**14,750**	**(11,908,794)**	**5,312,774**	**(6,581,270)**

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, 2013

	2013 $'000	2012 $'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	400,853	3,797,117
Adjustments for:		
Depreciation	5,997	8,600
Exchange losses on translation of non-monetary assets	7	4,895
Loss on revaluation of investment properties	20,300	14,157
Interest income	(1,253,491)	(2,330,190)
Gain on disposal of available for sale assets	(93)	(3,831,417)
Loss (gain) on disposal of property, plant and equipment	426	(1,568)
Loss on revaluation of property, plant and equipment	-	59
Gain on disposal of investment property	(250)	(1,169)
Interest on mutual fund obligation	5,715	(25,508)
Impairment of financial assets	124,630	76,308
Change in actuarial valuation	257,156	(309,377)
Loss on trading Managed Fund units	4,116	12,598
Shareholders' funds transferred from Managed Fund	24,936	42,000
Interest on debt security issued	237,156	237,805
Net pension cost	(6,088)	(3,793)
Contributions paid	(2,423)	(2,579)
Prior year adjustment – IAS 19	-	(5,739)
	(181,053)	(2,317,801)
Change in insurance contracts	(149,701)	2,083,053
Change in investment contracts	48,315	111,623
Change in loans and receivables	(62,367)	285,478
Change in trade and account payables	34,794	(5,875)
Change in amounts due from related parties	(147,486)	(188,364)
Change in amounts due to related parties	-	(64)
Change in taxation recoverable	-	4,321
Taxes paid	(5,116)	(28,211)
Net cash used in operating activities	(462,614)	(55,840)
CASH FLOW FROM FINANCING ACTIVITIES		
Net repayments to borrowings	(138)	(292)
Net cash used in financing activities	(138)	(292)

Separate Statement of Cash Flows (continued)

For the year ended December 31, 2013

	Note	2013	2012
		$'000	$'000
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(5,192)	(7,805)
Proceeds from disposal of property, plant and equipment		4,491	33,049
Proceeds from sale of investment properties		2,500	18,469
Proceeds from disposal of investment securities		113,510	539,991
Dividends received		836,458	1,805,357
Interest received		408,108	494,518
Purchase of investment securities		(1,232,521)	(788,556)
Change in fixed deposits maturing more than 3 months		(201,400)	(374,652)
Net cash (used in) from investing activities		(74,046)	1,720,371
Movement in cash and cash equivalents		(536,796)	1,664,239
CASH AND CASH EQUIVALENTS AT START OF YEAR		1,963,256	299,017
CASH AND CASH EQUIVALENTS AT END OF YEAR		1,426,460	1,963,256
CASH AND CASH EQUIVALENTS REPRESENTED BY			
Deposits maturing less than three months	13	909,104	235,327
Cash at bank	13	517,356	1,727,929
		1,426,460	1,963,256

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

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.

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 payout 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 was 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 instructs 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 all matters against the Company have been stayed.

These financial statements are separate as the Company also prepares consolidated financial statements in accordance with IAS 27 – Consolidated and Separate Financial Statements.

These separate financial statements were approved for issue on March 6, 2015 by the Board of Directors of the Company.

2. Basis of Preparation

(a) Statement of compliance

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

(b) Basis of measurement

The separate financial statements have been prepared under the fair value basis. Assets are carried at fair values that could reasonably be obtained from selling the assets in an orderly disposal. Liabilities are carried at their settlements values or the undiscounted flows that are expected to be paid to settle these in the normal course of business.

In addition to IFRS these financial statements have been prepared based on the public statements made by the CBTT during 2014 that –

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

Both statements have been viewed as materially affecting the operations of CLICO. The sale of new business ceased before the reporting date with the Company restructuring its operations to recognise this new reality by terminating its sales force, closing branches and conducting a VSEP exercise to reduce staffing levels.

Given the positive statement of CBTT on the possibility of a portfolio sale and active steps being taken to secure liability valuations, it is considered prudent to value all assets and liabilities at values that would obtain in an orderly disposal. Additionally any sale of the traditional portfolio and the related transfer of investments (to match liabilities) will significantly impact the size of the Company and raise questions on its strategic direction from thereon.

As a result of these events, CLICO has also adopted the preparation of financial statements based on the break up basis which replaces going concern basis previously used. The impact of which is that all assets and liabilities are measured at fair value

(c) Functional and presentation currency

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

2. **Basis of Preparation** (continued)

(d) Use of estimates and judgements

The preparation of the separate 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 and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the separate financial statements are described in Note 4.

3. Significant Accounting Policies

The principal accounting policies applied in the preparation of these separate 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 comprehensive income.

Translation differences on non-monetary assets and liabilities, such as investments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale financial assets, are included in the 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, based on periodic, but at least triennial valuations by external independent appraisers, carried out at varying dates during the triennium 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.

3. Significant Accounting Policies (continued)

(b) Property, plant and equipment (continued)

Valuations are made on the basis of current prices on 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 disposed of 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 credited to valuation reserves 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.

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:

	Method	**Rate**
Buildings	Reducing balance	2%
Furniture, fixtures and office equipment	Reducing balance	10-20%
Motor vehicles	Reducing balance	20%
Computer equipment		
- Mainframe	Reducing balance	20%
- 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 that 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.

3. Significant Accounting Policies (continued)

(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 on an active market for all properties. These valuations are done annually by the Company's management and reviewed triennially 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.

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 all entities (including special purpose entities) over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another 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 available-for-sale and are stated at fair value based on quoted closing market prices.

Investments in unquoted subsidiaries and associated companies are classified as available-for-sale and are stated at fair value using valuation techniques and allowance for impairment.

3. Significant Accounting Policies (continued)

(e) Financial assets and liabilities

Financial instruments carried on the statement of financial position include cash resources, investments, loans, due from related parties, other assets, policyholders' liabilities, debt security in issue, other liabilities and due to related parties. The standard treatment for recognition, derecognition, classification and measurement of the Company's financial instruments are noted below in notes (i) – (iv), whilst, additional information on specific categories of the company's financial instruments are discussed in Notes 3(f) – 3(k) and 3(n) and 3(q).

(i) Recognition

The Company initially recognises loans and policy holder's liabilities on the date that they are 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 at which the Company becomes a party to the contractual provisions of the instrument.

(ii) 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 on 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.

Realised gains and losses arising from derecognition of a financial asset or liability 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 and 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. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

3. Significant Accounting Policies (continued)

(e) Financial assets and liabilities (continued)

(iii) Classification

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

Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held-for-trading and those designated at fair value through profit or loss at inception.

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

Financial assets designated as at fair value through profit or loss at inception are those that are held in internal funds to back investment contract liabilities that are valued based on changes in the fair value of these assets and whose performance is evaluated on a fair value basis.

Assets held for the Managed Fund (Note 17) are designated as financial assets at fair value through profit or loss. The Company does not hold any assets held-for-trading.

Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in profit or loss in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money or services directly to a debtor with no intention of trading the receivable.

A provision for impairment of loans and receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to their original terms (see Note 3(f)). Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables.

3. Significant Accounting Policies (continued)

(e) Financial assets and liabilities (continued)

(iii) Classification (continued)

Available-for-sale

Available-for-sale investments are those intended to be held for an indefinite period of time, and may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

(iv) Measurement

Financial instruments are measured initially at cost, including transaction costs.

Financial assets

Subsequent to initial recognition all financial assets at fair value through profit and loss and available-for-sale assets 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 to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date.

Where the instrument is not actively traded or quoted on recognised exchanges, fair value is determined using discounted cash flow analysis. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market-related rate at the date of the statement of financial position for an instrument with similar terms and conditions.

Any available-for-sale asset that does not have a quoted market price in an active market and where fair value cannot be reliably measured, is stated at cost or net asset value, including transaction costs, less impairment losses.

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 recognized in other comprehensive income.

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

All non-trading financial liabilities and originated loans and receivables are measured at amortised costs less impairment losses. Amortised cost is calculated on the effective interest rate method.

3. Significant Accounting Policies (continued)

(e) Financial assets and liabilities (continued)

(iv) Measurement (continued)

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.

(v) Fair values of financial assets and liabilities

The fair value of financial assets and financial liabilities are 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) are 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 (Note 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.

(f) Impairment of assets

i) Financial assets carried at amortised cost

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

i. Significant difficulty of the issuer or debtor;

ii. A breach of contract, such as a default or delinquency in payments;

iii. It becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation;

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

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

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

iv. The disappearance of an active market for that financial asset because of financial difficulties; or

v. Observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Company, including:

a. adverse changes in the payment status of issuers or debtors in the Company; or

b. national or local economic conditions that correlate with defaults on the assets in the Company.

If there is objective evidence that an impairment loss has been incurred on loans and receivables carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an asset 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. 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.

3. Significant Accounting Policies (continued)

(f) Impairment of assets (continued)

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 and cash equivalents comprise cash in hand, deposits held at call with banks, investments in money market instruments and other short term highly liquid investments with original maturities of three months or less, net of bank overdrafts.

(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 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.

(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.

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

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

1) **Recognition and measurement** (continued)

Long term insurance contracts (continued)

They include the following:

i. Ordinary Life contracts – These contracts provide 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 paying the sum assured on death in return for a premium.

ii. Critical Illness contracts – These contracts provide 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 paying the sum insured in return for a premium.

iii. Individual and Group Annuity contracts – These include deferred or immediate annuity 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 providing an income to the policyholder while alive in return for an insurance premium.

Long-term insurance premium income is accounted for in the statement of comprehensive income on the accruals 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 are 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 benefit payments and the future administration expenses that are directly related to the contract, less the expected discounted value of the 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.

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 the income statement on the accruals 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.

Provisions for unearned premiums represent 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.

3. Significant Accounting Policies (continued)

(i) Insurance contracts (continued)

3) Outstanding claims

Provisions for outstanding claims and the related costs of settlement are based on incidents reported before the end of the financial year and include appropriate provisions for claims incurred but not yet reported. Estimates are continually revised as more information becomes available and for the effects of anticipated inflation. Adjustments arising on these revisions are included with claims expense in the current year.

4) Receivables and payables related to insurance contracts

Receivables and payables 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 the income statement. 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.

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 the income statement. 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 following the same method used for these financial assets.

3. Significant Accounting Policies (continued)

(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 fund and EFPA/GAP/GAAPP policies.

Deposit administration business

These are investment vehicles issued by the Company to registered pension schemes and used for accumulating retirement benefits for employees of a Company. 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 is recorded as 'investment contract expenses'.

Managed Fund business

The managed fund is a unit 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 policyholders are invested in specific investments, which are pooled, and the policyholders 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 be the holder of units at any valuation date. These units are kept as a reserve, the value of which are separated from the policyholders' units and credited to shareholders' equity. Administration and investment management fees are charged to the policyholders 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. The terms of these policies could have been extended at the option of the policyholder for another term and at an interest rate determined by the Company. Additional premiums attracted the prevailing interest rate at the time. The interest owing to policyholders is recorded as an investment contract expense.

3. Significant Accounting Policies (continued)

(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 25% on profits of long-term insurance business and non-insurance business transferred to the account of shareholders.

Deferred income tax is provided in full, using the liability method 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 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) Employee benefits

Pension obligations

The Company operates a defined benefit plan, the assets of which are held in a self-administered managed fund. The pension plan is generally funded by payments from employees and by the Company, taking account of the recommendations of independent qualified actuaries.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

3. Significant Accounting Policies (continued)

(m) Employee benefits (continued)

Pension obligations (continued)

The Company's net obligation in respect of the defined benefit plan is determined by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that have terms to maturity that approximate the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to income immediately in profit and loss

When the calculations results in a potential asset for the Company, the recognised asset is limited to the present value economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in Other Comprehensive Income. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Company recognises gain and losses on the settlement of a defined benefit plan when the settlement occurs.

Plan assets exclude any insurance contracts issued by the Company.

3. Significant Accounting Policies (continued)

(m) Employee benefits (continued)

Pension obligations (continued)

Actuarial valuations for the Staff Plan are carried out on an annual basis. Triennial actuarial valuations are carried out in accordance with statutory requirements. The last triennial valuation for the period ended December 31, 2011 was completed in September 2012.

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the reporting date are discounted to present value.

(n) 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.

(o) Revenue recognition

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.

3. Significant Accounting Policies (continued)

(o) 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 accruals 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.

(p) 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.

(q) 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 element of the finance cost 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 or the lease term.

(r) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2013, and have not been applied in preparing these separate financial statements. None of these is expected to have a significant effect on the separate financial statements of the Company, except for the following:

- IFRS 9 Financial Instruments (2010), IFRS 9 Financial Instruments (2009)

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

(r) ***New standards and interpretations not yet adopted*** (continued)

- IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 (2010) introduces additional changes relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting.

The Company does not plan to adopt this standard early and the extent of the impact has not yet been determined.

(s) ***Segment reporting***

An operating segment is a distinguishable component of the Company that is engaged in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components, whose results are reviewed regularly by management to make decisions about resource allocation to each segment and assesses its performance, and for which discrete financial information is available. The Company has one principal operating segment, insurance operations.

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

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and 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.

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)

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.

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 come up with 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.

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

4.2 Impairment of financial assets

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 saw the need to impair its assets.

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.

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

4.3 Valuation of financial instruments

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

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

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

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

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

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 Group determines fair values using valuation techniques.

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

4.3 Valuation of financial instruments (continued)

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. 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.

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:

	Note	Level 1	Level 2	Level 3	Total
		$'000	$'000	$'000	$'000
December 31, 2013					
Investment in associates	8	955,179	747,427	-	1,702,606
Investment in subsidiaries	9	7,445,155	2,436,360	-	9,881,515
Investment securities	10	11,837,582	-	10,907	11,848,489
December 31, 2012					
Investment in associates	8	725,967	564,431	-	1,290,398
Investment in subsidiaries	9	-	5,747,224	-	5,747,224
Investment securities	10	10,064,420	-	10,908	10,075,328

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 designation set out in Note 3(e).
- In classifying financial assets as held-to-maturity, the Company has determined that it has both the positive intention and ability to hold the assets until their maturity date as required by Note 3(e).

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

4.5 Going concern assumption

CLICO has adopted the preparation of financial statements based on the break up basis which replaces going concern basis previously used. Given the positive statement of CBTT on the possibility of a portfolio sale and active steps being taken to secure liability valuations, the cessation of writing new business and the termination of its sales force, it is considered prudent to value all assets and liabilities at values that would obtain in an orderly disposal. Additionally any sale of the traditional portfolio and the related transfer of investments (to match liabilities) will significantly impact the size of the Company and raise questions on its strategic direction from thereon.

The impact of which is that all assets and liabilities are measured at fair value.

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:

i. Insurance risk
ii. Operational risk
iii. Credit risk
iv. Liquidity risk
v. Market risk.

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

5.1 Risk management framework

As described in Note 1, the Central Bank intervened in the operations of the Company and as such, management and the Board of Directors submitted monthly reports to the Governor of the Central Bank. Day to day management of insurance and financial risks were executed by the Company's management team.

The Board of Directors, has overall responsibility for the establishment and oversight of the Company's risk management framework.

To this end the Board has established its Investment/Asset Recovery Committee and its Audit Committee both of which meet on a regular basis. The Company also has a clear organisational structure with delegated authorities and responsibilities for executive management and senior management.

5. Insurance and Financial Risk Management (continued)

5.1 Risk management framework (continued)

Management of the Company has worked to manage the effects of certain risks which materialised in 2009. Additionally the Board is working on further developing the governance framework which would allow the Company to effectively manage its risks in the future. Future plans include:

- The establishment of a formal Risk Department within the Company
- The establishment of a formal Compliance Department within the Company.

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.

5.2.1 *Objectives in managing insurance contract risks and mitigation policies*

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.

5. Insurance and Financial Risk Management (continued)

5.2 Insurance risk (continued)

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

(a) Objectives of risk management (continued)

The objectives of the Company's risk management activities are: (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) Concentration of insurance risk

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

	2013	
	$'000	**%**
Insured benefits per life $'000		
0-200	5,632,646	72.43
201-400	1,446,665	18.60
401-800	358,314	4.61
801-1,000	169,017	2.17
More than 1,001	169,876	2.19
Total	7,776,518	100.00

	2012	
	$'000	**%**
Insured benefits per life $'000		
0-200	5,925,536	73.18
201-400	1,474,496	18.21
401-800	367,322	4.54
801-1,000	169,463	2.09
More than 1,001	160,613	1.98
Total	8,097,430	100.00

5. Insurance and Financial Risk Management (continued)

5.2 Insurance risk (continued)

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

(b) Concentration of insurance risk (continued)

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.

	2013	
	$'000	**%**
Annuities payable per annum per life		
0-20,000	94,037	53.00
21,000-40,000	34,976	20.00
41,000-80,000	24,493	14.00
81,000-100,000	4,729	3.00
More than 101,000	17,176	10.00
Total	175,411	100.00

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

	2012	
	$'000	**%**
Annuities payable per annum per life		
0-20,000	91,110	50.00
21,000-40,000	34,441	19.00
41,000-80,000	22,729	13.00
81,000-100,000	5,046	3.00
More than 101,000	27,256	15.00
Total	180,582	100.00

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.

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

Actual Death Claims Compared with Estimated Death Claims

	Expected Claims TT$	Actual Claims TT$
2005	7.9 million	6.6 million
2006	8.6 million	9.2 million
2007	9.5 million	9.1 million
2008	13.2 million	15.0 million
2009	13.7 million	14.1 million
2010	15.3 million	17.1 million
2011	14.8 million	8.3 million
2012	15.1 million	7.4 million
2013	12.4 million	3.0 million

Insurance risk for contracts disclosed in this note 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 money 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.

5. Insurance and Financial Risk Management (continued)

5.2 Insurance risk (continued)

5.2.2 *Long term insurance contracts and long term annuities* (continued)

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.

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.

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 (continued)

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.

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.

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. Insurance and Financial Risk Management (continued)

5.3 Financial risk

The Company is exposed to a range of financial risk 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. In 2009 several financial risks materialised resulting in the Central Bank of Trinidad and Tobago intervening under Section 44D of the Central Bank Act as described in Note 1. During 2013 these materialised risks continued to adversely affect the Company. 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 and investments and related parties. This is one of the materialised risk with the Company unable to secure timely repayment on several of its advances.

The Company has a risk grading structure for the financial assets held as at December 31, 2013. This risk grading structure places financial assets into one of four categories:

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

2 Grade 2: Medium Risk- Securities issued by and receivables from performing private companies.

3 Grade 3: High Risk- Securities issued and receivables that are past due but not impaired.

4 Grade 4: Securities issued that management considers to be impaired.

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

	Carrying Amounts			
	Neither past Due nor Impaired	**Past due not impaired**	**Impaired**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
As at December 31, 2013				
Investment Securities				
Grade 1	11,837,582	-	-	11,837,582
Grade 2	-	-	-	-
Grade 3	-	10,907	-	10,907
Grade 4	-	-	1,310,700	1,310,700
Impairment	-	-	(1,310,700)	(1,310,700)
	11,837,582	10,907	-	11,848,489
Due from Related Parties				
Grade 3	-	1,699,320	-	1,699,320
Grade 4	-	-	4,916,865	4,916,865
Impairment	-	-	(4,862,635)	(4,862,635)
	-	1,699,320	54,230	1,753,550
Loans and Other Receivables				
Grade 1	196,999	-	-	196,999
Grade 2	36,914	179,786	-	216,700
Grade 3	-	52,275	-	52,275
Grade 4	-	-	402,118	402,118
Impairment	-	-	(401,876)	(401,876)
	233,913	232,061	242	466,216
Bank and Short-term Deposits				
Grade 1	2,148,487	-	-	2,148,487
Total	14,219,982	1,942,288	54,472	16,216,742

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

	Carrying Amounts			
	Neither past Due nor Impaired	**Past due not impaired**	**Impaired**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
As at December 31, 2012				
Investment Securities				
Grade 1	10,064,420	-	-	10,064,420
Grade 2	-	-	-	-
Grade 3	-	10,908	-	10,908
Grade 4	-	-	1,310,700	1,310,700
Impairment	-	-	(1,310,700)	(1,310,700)
	10,064,420	10,908	-	10,075,328
Due from Related Parties				
Grade 3	-	1,699,320	-	1,699,320
Grade 4	-	-	4,769,379	4,769,379
Impairment	-	-	(4,738,005)	(4,738,005)
	-	1,699,320	31,374	1,730,694
Loans and Other Receivables				
Grade 1	116,182	-	-	116,182
Grade 2	36,983	173,466	-	210,449
Grade 3	-	68,050	-	68,050
Grade 4	-	-	402,119	402,119
Impairment	-	-	(401,876)	(401,876)
	153,165	241,516	243	394,924
Bank and Short-term Deposits				
Grade 1	2,483,885	-	-	2,483,885
Total	12,701,470	1,951,744	31,617	14,684,831

5. Insurance and Financial Risk Management (continued)

5.3 **Financial risk** (continued)

5.3.1 ***Credit risk*** (continued)

Collateral

The Company holds collateral against loans and advances in the form of mortgages over properties, other registered securities over assets and guarantees. Estimates of fair value are based on the value of the collateral assessed at the time of borrowing and generally are not updated except when a financial asset is individually assessed as impaired. Collateral usually is not held against financial assets and no such collateral was held at December 31, 2013 or 2012.

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. Prior to the reporting period, the Company had experienced the materialisation of its liquidity risk. As a result the Company required funding assistance from the GORTT until Minister of Finance in the Budget Speech for 2011 placed a moratorium on all payments on the Company's EFPA/GAP/GAAPP policies and all payments on the CSI Series 6 Mutual Funds. With the moratorium in place, for the reporting period the Company has managed its liquidity situation with cash generated from its operations without further recourse to the GORTT. The liquidity position was managed mainly by the Finance Department.

5. Insurance and Financial Risk Management (continued)

5.3 Financial risk (continued)

5.3.2 *Liquidity risk* (continued)

Exposure to liquidity risk

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

Maturity analysis for non derivative cash flows

As at December 31, 2013

Contractual undiscounted cash flows

	Within 1 Year $'000	1-5 Years $'000	Over 5 Years $'000	Total $'000	Carrying Values $'000
Investment contracts	10,795,795	-	1,181,597	11,977,392	12,257,684
Borrowings	494	-	-	494	494
Debt securities issued	-	-	4,992,751	4,992,751	4,992,751
Due to related parties	1,760,041	-	-	1,760,041	1,760,041
Trade and accounts payable	1,076,084	-	-	1,076,084	1,076,084
	13,632,414	-	6,174,348	19,806,762	20,087,054

Expected undiscounted cash flows

	Within 1 Year $'000	1-5 Years $'000	Over 5 Years $'000	Total $'000	Carrying Values $'000
Ordinary life	48,284	191,798	950,678	1,190,760	692,256
FPA	349,966	645,571	3,948,987	4,944,524	3,636,769
Annuities	208,642	829,093	5,363,417	6,401,152	3,868,544
Long term insurance	606,892	1,666,462	10,263,082	12,536,436	8,197,569
Short term insurance	21,466	-	-	21,466	21,466
Deposits and premiums paid in advance	(18,420)	-	-	(18,420)	(18,420)
Claims admitted or intimated but not yet paid	28,541	-	-	28,541	28,541
Grand Total	**638,479**	**1,666,462**	**10,263,082**	**12,568,023**	**8,229,156**

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

As at December 31, 2012

Contractual undiscounted cash flows

	Within 1 Year $'000	1-5 Years $'000	Over 5 Years $'000	Total $'000	Carrying Values $'000
Investment contracts	10,795,795	-	1,144,539	11,940,334	11,977,391
Borrowings	632	-	-	632	632
Debt securities issued	-	-	4,992,751	4,992,751	4,992,751
Due to related parties	1,760,105	-	-	1,760,105	1,760,105
Trade and accounts payable	803,903	-	-	803,903	803,903
	13,360,475	-	6,137,290	19,497,725	19,534,718

Expected undiscounted cash flows

	Within 1 Year $'000	1-5 Years $'000	Over 5 Years $'000	Total $'000	Carrying Values $'000
Ordinary life	33,009	171,603	1,179,047	1,383,659	788,957
FPA	312,464	486,240	5,754,961	6,553,665	3,746,801
Annuities	203,508	814,541	5,381,514	6,399,563	3,616,575
Long term insurance	548,981	1,472,384	12,315,522	14,336,887	8,152,549
Short term insurance	19,305	-	-	19,305	19,305
Deposits and premiums paid in advance	(25,680)	-	-	(25,680)	(25,680)
Claims admitted or intimated but not yet paid	28,084	-	-	28,084	28,084
Grand Total	**570,690**	**1,472,384**	**12,315,522**	**14,358,596**	**8,174,258**

5. Insurance and Financial Risk Management (continued)

5.3 Financial risk (continued)

5.3.2 *Liquidity risk* (continued)

Exposure to liquidity risk (continued)

Maturity analysis for derivative financial assets and liabilities

	Within 1 Year $'000	1-5 Years $'000	Over 5 Years $'000	Total $'000
As at December 31, 2013				
Financial Liabilities				
Mutual Fund obligation	866,913	447,399	-	1,314,312
As at December 31, 2012				
Financial Liabilities				
Mutual Fund obligation	674,138	634,459	-	1,308,597

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 2013, 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 end of 2013. The sensitivity of capital and Company earnings to changes in economic conditions was analysed through sensitivities to investment returns and asset values at the end of 2013.

5. Insurance and Financial Risk Management (continued)

5.3 Financial risk (continued)

5.3.3 ***Market risk*** (continued)

Management of market risk (continued)

- *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 below.

- *Property price risk*

  The Company is subject to property price risk due to holdings of investment properties in a variety of locations countrywide. The investment in property is managed by the Properties Department by reference to latest housing market information and regular valuations. This area is also subject to local regulations on asset admissibility, liquidity requirements and the expectations of policyholders. Sensitivity to changes in property prices is given in section 5.3.3 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.

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 interest earning assets and interest bearing liabilities.

	Up to 1 Year $'000	1 to 5 Years $'000	Over 5 Years $'000	Non-Interest Bearing $'000	Total $'000
As at December 31, 2013					
Assets					
Property, plant and equipment	-	-	-	201,576	201,576
Investment properties	-	-	-	398,603	398,603
Investments in associates	-	-	-	1,702,606	1,702,606
Investments in subsidiaries	-	-	-	9,881,515	9,881,515
Investment securities	46,809	291,612	9,111,381	2,398,687	11,848,489
Due from related parties	-	-	-	1,753,550	1,753,550
Loans and other receivables	4,800	24,000	211,371	226,045	466,216
Retirement benefit	-	-	-	113,810	113,810
Taxation recoverable	-	-	-	8,070	8,070
Cash and cash equivalents	2,148,487	-	-	-	2,148,487
	2,200,096	315,612	9,322,752	16,684,462	28,522,922
Liabilities					
Insurance contracts	287,229	304,308	3,467,222	4,170,397	8,229,156
Investment contracts	10,848,352	-	404,770	1,004,562	12,257,684
Borrowings	494	-	-	-	494
Debt securities issued	-	-	4,992,751	-	4,992,751
Due to related parties	-	-	-	1,760,041	1,760,041
Mutual fund obligation	-	-	-	1,314,312	1,314,312
Trade and accounts payable	-	-	-	1,076,084	1,076,084
Deferred taxation	-	-	-	4,084	4,084
	11,136,075	304,308	8,864,743	9,329,480	29,634,606
Periodic GAP	(8,935,979)	11,304	458,009	7,354,982	(1,111,684)
Cumulative GAP	(8,935,979)	(8,924,675)	(8,466,666)	(1,111,684)	-
As at December 31, 2012					
Total assets	2,548,405	178,643	8,195,586	11,540,692	22,463,326
Total liabilities	10,854,687	558,526	9,145,580	8,485,803	29,044,596
Periodic GAP	(8,306,282)	(379,883)	(949,994)	3,054,889	(6,581,270)
Cumulative GAP	(8,306,282)	(8,686,165)	(9,636,159)	(6,581,270)	-

Sensitivity to changes in interest rates is given in section 5.3.3 below.

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 is 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 sensitivity arising from this risk is discussed in Note 5.3.3.

The exposure to foreign exchange from financial instruments risk is shown below.

	TT $'000	US $'000	Other $'000	Total $'000
As at December 31, 2013				
Assets				
Property, plant and equipment	201,576	-	-	201,576
Investment properties	398,603	-	-	398,603
Investments in associates	955,179	-	747,427	1,702,606
Investments in subsidiaries	7,617,255	2,264,260	-	9,881,515
Investment securities	11,326,689	520,454	1,346	11,848,489
Due from related parties	434,060	1,319,263	227	1,753,550
Loans and other receivables	433,007	33,075	134	466,216
Retirement benefit	113,810	-	-	113,810
Taxation refundable	8,070	-	-	8,070
Cash and cash equivalents	442,437	1,698,090	7,960	2,148,487
	21,930,686	5,835,142	757,094	28,522,922
Liabilities				
Insurance contracts	8,229,156	-	-	8,229,156
Investment contracts	11,760,398	461,855	35,431	12,257,684
Borrowings	494	-	-	494
Debt securities issued	4,992,751	-	-	4,992,751
Due to related parties	276,211	1,483,830	-	1,760,041
Mutual fund obligation	1,314,312	-	-	1,314,312
Trade and accounts payable	1,076,084	-	-	1,076,084
Deferred taxation	4,084	-	-	4,084
	27,653,490	1,945,685	35,431	29,634,606
Exchange GAP	(5,722,804)	3,889,457	721,663	(1,111,684)

5. Insurance and Financial Risk Management (continued)

5.3 Financial risk (continued)

5.3.3 *Market risk* (continued)

	TT $'000	US $'000	Other $'000	Total $'000
As at December 31, 2012				
Total assets	17,707,919	4,181,858	573,549	22,463,326
Total liabilities	27,078,196	1,932,002	34,398	29,044,596
Exchange GAP	**(9,370,277)**	**2,249,856**	**539,151**	**(6,581,270)**

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 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.

Sensitivity Factor	Description of sensitivity factor applied
Exchange rates	A 5% change in the TT$/US$ foreign exchange rates 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.

	5% increase in TT/US rate TT$'000	5% decrease in TT/US rate TT$'000
Impact on comprehensive income and equity as at		
December 31, 2013	115,076	(115,076)
December 31, 2012	112,493	(112,493)

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)

Sensitivity factor	Description of sensitivity factor applied	Assumptions
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 an immediate change to 4% and 6%).	Effective interest rate for financial assets used was 4% whilst the rate for financial liabilities was 10%.
Equity/property market values	The impact of a change in equity/property market values by + or – 10%.	All property revaluation and equity movements in the financial assets at fair value through profit or loss affect income whereas available for sale asset revaluation affect equity directly. All equity market movements affect only quoted equity stock.

Impact on	Interest Rates Rise 100 bps $'000	Interest Rates Fall 100 bps $'000	Property Prices Rise 10% $'000	Property Prices Fall 10% $'000	Equity Prices Rise 10% $'000	Equity Prices Fall 10% $'000
Sensitivities as at December 31, 2013						
Statement of comprehensive income	(85,798	85,798	39,860	(39,860)	273,513	(273,513)
Equity	85,798	(85,798)	54,545	(54,545)	713,982	(713,982)
Sensitivities as at December 31, 2012						
Statement of comprehensive income	(96,358)	96,358	42,115	(42,115)	221,437	(221,437)
Equity	96,358	(96,358)	57,280	(57,280)	703,762	(703,762)

5. Insurance and Financial Risk Management (continued)

5.4 Operational risk

Operational risk arises 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 below. 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, monitoring and reporting of risks to the executive management team and to the Company as part of its continuous risk reporting process. 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 were managed by department managers whereas for more significant transactions Board approval was sought.

The Company's Audit Committee has been charged with the responsibility for governing the development and implementation of the Company's risk management methodology and frameworks with the assistance of a consulting Internal Auditor.

5.5 Capital Structure

Further to the events of the January 31, 2009, the Company's Board together with the Central Bank and the GORTT are working to eliminate the current capital deficiency where the Company has excess liabilities to assets. The current capital structure of the Company consists of debt; which includes borrowings disclosed in Note 18, debt securities issued disclosed in Note 19, amounts due from Related Parties disclosed in Note 11, policyholders' reserves as disclosed in Note 16; and amounts attributable to equity holders of the Company; comprising issued capital, reserves and retained earnings as disclosed in Notes 14 and 15 respectively.

Subject to the Insurance Act, 1980, no company may be registered to carry on ordinary long term business unless it has a paid up share capital of not less than three million dollars.

6. Property, Plant and Equipment

	Land and Buildings $'000	Furniture, Fixtures and Equipment $'000	Motor Vehicles $'000	Capital Work in Progress $'000	Software $'000	Total $'000
Year ended December 31, 2013						
Opening net book amount	151,643	37,939	1,449	10,638	5,075	206,744
Additions	-	3,501	72	1,619	-	5,192
Reclassification to investment property						
Revaluation	554	-	-	-	-	554
Disposals	(4,813)	(1,310)	(360)	-	(65)	(6,548)
Depreciation on disposals	211	1,140	280	-	-	1,631
Depreciation charge	(745)	(3,706)	(294)	-	(1,252)	(5,997)
Closing net book amount	146,850	37,564	1,147	12,257	3,758	201,576
At December 31, 2013						
Cost or valuation	165,598	161,472	4,648	12,257	59,983	403,958
Accumulated depreciation	(18,748)	(123,908)	(3,501)	-	(56,225)	(202,382)
Closing net book amount	146,850	37,564	1,147	12,257	3,758	201,576
Year ended December 31, 2012						
Opening net book amount	319,341	39,795	2,229	9,983	65	371,413
Additions	-	2,142	-	655	5,010	7,807
Reclassification to investment property	(141,014)	-	-	-	-	(141,014)
Disposals	(33,187)	-	(761)	-	-	(33,948)
Impairments	-	-	(59)	-	-	(59)
Depreciation on disposals	2,023	-	443	-	-	2,466
Depreciation on reclassification	8,679	-	-	-	-	8,679
Depreciation charge	(4,199)	(3,998)	(403)	-	-	(8,600)
Closing net book amount	151,643	37,939	1,449	10,638	5,075	206,744
At December 31, 2012						
Cost or valuation	169,858	159,281	4,936	10,638	60,048	404,761
Accumulated depreciation	(18,215)	(121,342)	(3,487)	-	(54,973)	(198,017)
Closing net book amount	151,643	37,939	1,449	10,638	5,075	206,744

7. Investment Properties

	2013 $'000	2012 $'000
Year ended December 31		
At beginning of year	421,153	321,038
Transfers from property, plant and equipment	-	132,335
Loss on revaluation of investment properties	(20,300)	(14,157)
Disposals	(2,250)	(18,063)
At end of year	398,603	421,153

Rental income arising from the investment properties owned by the Company amounted to $19.5 million (2012: $8.3 million).

The fair values of investment properties at the year end were determined by management to approximate the amounts reflected in the valuations performed during 2012 and 2013 by independent valuators.

8. Investments in Associates

	% Shareholdings 2013	% Shareholdings 2012	2013 $'000	2012 $'000
Available-for-sale				
Quoted at fair value				
Angostura Holdings Limited - 66,971,877 shares of no par value	32	32	835,139	602,076
One Caribbean Media Limited – 15,285,917 shares of no par value	23	23	282,789	241,976
L.J. Williams Limited – Class A 3,245,694 shares of no par value	7	7	941	941
L.J. Williams Limited – Class B 10,190,584 shares of no par value	52	52	6,624	9,070
			1,125,493	854,063
Managed Fund Assets (see Note 10)			(170,314)	(128,097)
Total quoted at fair value			955,179	725,966
Unquoted at fair value				
Home Construction Limited 27,558,038 shares of no par value	43	43	380,975	380,975
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	747,427	564,432
Balance carried forward			1,128,403	945,408

	% Shareholdings 2013	% Shareholdings 2012	2013 $'000	2012 $'000
8. Investments in Associates (continued)				
Unquoted at fair value (continued)				
Balance brought forward			1,128,403	945,408
IBIS Caroni (Cayman) Limited 3,675 shares of no par value	49	49	22,813	22,813
IBIS Cedar (Cayman) Limited 5,726 shares of no par value	49	49	35,546	35,546
IBIS Kapok (Cayman) Limited 612 shares of no par value	49	49	3,802	3,802
			1,190,564	1,007,568
Less provision for impairment			(443,137)	(443,137)
Total unquoted at fair value			747,427	564,432
Total investments in Associates			1,702,606	1,290,398

9. Investment in Subsidiaries

Available-for-sale

	% Shareholdings 2013	% Shareholdings 2012	2013 $'000	2012 $'000
Occidental Investments Ltd. 50,000 shares of no par value	100	100	153,815	153,815
Oceanic Properties Ltd. 50,000 shares of no par value	100	100	18,285	18,285
CL Infinity (BVI) Limited 10 shares of no par value	100	100	29,256	29,256
Methanol Holdings (Trinidad) Limited 188,834,682 shares of no par value	56.53	56.53	7,445,155	4,882,433
Methanol Holdings International Limited 5,653,700 shares of no par value	56.53	56.53	2,264,260	692,691
			9,910,771	5,776,480
Less provision for impairment			(29,256)	(29,256)
Total			9,881,515	5,747,224

10. Investment Securities

	2013 $'000	2012 $'000
Available-for-sale		
Unquoted equity securities	347,352	347,352
Quoted equity securities	1,635,765	1,317,448
Debt securities	974,255	974,255
Government securities	9,208,487	7,967,784
Provision for impairment	(1,310,700)	(1,310,700)
	10,855,159	9,296,139
Managed funds' assets at fair value through profit or loss		
Quoted equity securities		
- Investments in associates (Note 8)	170,314	128,097
- Other equity securities	581,701	421,469
Government securities	241,315	229,623
	993,330	779,189
Total	11,848,489	10,075,328

Debt securities comprise bonds with CL Financial Limited (CLF), the Parent Company, of $476 million (2012: $476 million) and a bond with CLICO Investment Bank Limited, a fellow subsidiary, of $497.6 million (2012: $497.6 million). These amounts have been fully impaired.

The carrying values of the unquoted equity securities are deemed to approximate their fair values.

10. Investment Securities (continued)

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

	Available-for-sale $'000	Fair value through profit or loss $'000	Total $'000
At December 31, 2012	9,296,139	779,189	10,075,328
Acquisitions	1,182,294	50,312	1,232,606
Disposals	(75,329)	(38,181)	(113,510)
Revaluation gains	452,062	202,010	654,072
Foreign exchange losses	(7)	-	(7)
At December 31, 2013	10,855,159	993,330	11,848,489

The investment securities at fair value through profit or loss are held in internal funds to match against managed funds (Note 17) of $1,004 million (2012: $798 million).

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

	Available-for-sale $'000	Fair value through profit or loss $'000	Total $'000
As at December 31, 2013 and 2012	1,310,700	-	1,310,700

11. Due from Related Parties

	2013 $'000	2012 $'000
Current accounts and past due balances with:		
Parent company	2,930,088	2,921,456
Fellow subsidiary	3,686,097	3,547,243
Provision for impairment	(4,862,635)	(4,738,005)
	1,753,550	1,730,694

Included in these balances is an amount of $1,699 billion due from CLICO Investment Bank Limited (CIB). This amount is held as a direct offset against an equal amount payable to CIB as outlined in Note 21.

12. Loans and Other Receivables

	2013 $'000	2012 $'000
Accrued investment income	125,107	116,182
Sundry debtors and prepayments	30,006	28,138
Promissory notes	434,625	362,732
Due from reinsurers	98	1,933
Mortgages	83,388	99,267
Policy loans	194,868	188,548
Provision for impairment	(401,876)	(401,876)
	466,216	394,924

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

	Promissory Notes $'000	Mortgages $'000	Policy Loans $'000	Total $'000
As at December 31, 2013 and 2012	362,489	24,305	15,082	401,876

13. Bank and Short-term Deposits

	2013 $'000	2012 $'000
Deposits maturing more than three months	722,029	520,629
Deposits maturing less than three months	909,104	235,327
Cash at bank	517,354	1,727,929
	2,148,487	2,483,885

$104,602 million (2012: $119,228 million) of bank and short-term deposits are held in internal funds to match against managed funds (Note 17).

	2013 $'000	2012 $'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	14,750	14,750

15. Valuation Reserves

	Managed Funds $'000	Marketable Securities $'000	Land and Buildings $'000	Total $'000
Year ended December 31, 2012				
Balance at December 31, 2011	6,484	8,279,415	138,524	8,424,423
Net change in fair value	-	529,662	-	529,662
Net amount reclassified to profit or loss	-	(3,658,045)	-	(3,658,045)
Tax effect of movement in valuation reserve	(6,614)	(1,868)	-	(8,482)
Revaluation of property	-	-	(16,782)	(16,782)
Net movement in Trustee's units held in Managed Fund	41,998	-	-	41,998
Balance at December 31, 2012	41,868	5,149,164	121,742	5,312,774
Year ended December 31, 2013				
Balance at December 31, 2012	41,868	5,149,164	121,742	5,312,774
Net change in fair value	-	5,025,258	-	5,025,258
Tax effect of movement in valuation reserve	12,769	286	-	13,055
Revaluation of property	-	-	323	323
Net movement in Trustee's units held in Managed Fund	24,936	-	-	24,936
Balance at December 31, 2013	79,573	10,174,708	122,065	10,376,346

16. Insurance Contracts

	2013 $'000	2012 $'000
Long Term Insurance Fund - Note 16.3 (a)	8,197,569	8,152,549
Short Term Insurance Fund - Note 16.3 (b)	21,466	19,305
	8,219,035	8,171,854
Deposits and premiums paid in advance	(18,420)	(25,680)
Claims admitted or intimated but not yet paid	28,541	28,084
Total policyholders' liabilities	8,229,156	8,174,258

16.1 Actuarial valuation

The Company's Consulting Actuary, Prescience Insurance Consultants and Actuaries, in their report dated July 17, 2014, stated that the aggregate amount of the liabilities of the Company in relation to its long-term insurance business (which includes EFPA Investment, Managed Funds and Deposit Administration Contracts (Note 17)) registered in Trinidad and Tobago as at December 31, 2013 amounted to $20,540,531 million (2012: $20,212,840 million) and exceeds the aggregate value (as provided by the Company) of the Statutory Fund assets (see Note 39).

The details of the Actuary's valuation are as follows:

	2013 $'000	2012 $'000
Insurance Contracts	8,282,847	8,237,449
Investment Contracts – EFPA (Note 17)	10,848,352	10,795,795
Investment Contracts – Managed Funds (Note 17)	1,004,562	798,088
Investment Contracts - Deposit Administration (Note 17)	404,770	383,508
	20,540,531	20,214,840

The Caribbean Policy Premium Method (CPPM) was used as a minimum basis for valuing long term 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 flows 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. Insurance Contracts (continued)

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.

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 individual payout annuity policies, the mortality assumptions are based on 1983 Individual Annuitant Mortality tables. Mortality improvement is assumed for past and future years. Additional margin was provided for uncertainty in setting the expected mortality assumptions.

For group payout annuity policies, the mortality assumptions are based on 1994 Group Annuitant Mortality 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 business except FPA, EFPA, GAP and GAAPP based on the Company's experience since 1999. Additional margins were provided for uncertainty in setting the expected lapse assumptions. In the case of the EFPA, GAP and GAAPP, as a consequence of the Government's pay-out offer (announced in the 2011/2012 Budget) and the suspension of EFPA/GAP/GAAPP transactions, the actuary determined that the lapse experiences of these lines were no longer applicable.

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)

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, 2013

ii. Margined liability cash flows at December 31, 2013

iii. Trinidad and Tobago Treasury yield curve

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, 2013 are meant to support the policy liability 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%.

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 analysis results. 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 margin for adverse deviation is added.

16. Insurance Contracts (continued)

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

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 +	2,738	0.01%
Annuitant Mortality	Group: Reduced multiple, Individual: reduced multiple, model suspense account as term certain	Updated SOA/CIA industry experience + model refinements	14,859	0.07%
Multiflex modeling change		Model declared interest portion exactly as FPA using AXIS	21,228	0.10%

16. Insurance Contracts (continued)

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

b) Change in assumptions (continued)

Assumption	Change in Assumption	Reason for Assumption Change	Increase (Decrease) in Policy Liabilities ($000's)	Percentage of Change (as % of total liabilities)
UL Premium Persistency and model refinement	Different premium persistency vector and waiver rider model changes	Updated Persistency study + model refinement	(21,786)	-0.11%
Per Policy Expense	-4.42% for Ordinary Life, UL and accumulation annuities, -5.69% for payout annuities	Updated expenses study performed	(36,034)	-0.18%
Inflation Rates	-3.04%	Observed changes in Retail Price Indices and core inflation used	(168,626)	-0.82%
Interest Rates	-0.45% for life and -0.63% for annuity	Lower Observed Asset Returns	618,590	3.02%
FPA Lapse Rates	Registered from .3% to 2.4% Unregistered from 1.5% to 5%	Updated lapse study performed	(223,295)	-1.09%
Life (OL & UL) Lapse Rates	-0.29% for OL and -0.26% for UL	Updated lapse study performed	(3,074)	-0.02%

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, 2013

Variable	**Change in Variable**	**Increase (Decrease) in Policy Liabilities $'000**	**Change %**
Parallel shift of valuation	100 basis points	1,109,926	13.54
Change in per-policy maintenance expense	10%	66,630	0.81
Change in rate of inflation	100 basis points	86,648	1.06
Reduction in lapse rate	100 basis points	78,685	0.96
Increase in lapse rate	100 basis points	(67,678)	(0.83)
Change in mortality rate	10%	157,022	1.92

As at December 31, 2012

Variable	**Change in Variable**	**Increase (Decrease) in Policy Liabilities $'000**	**Change %**
Parallel shift of valuation	100 basis points	1,257,088	15.42
Change in per-policy maintenance expense	10%	118,350	1.45
Change in rate of inflation	100 basis points	176,973	2.17
Change in lapse rate	100 basis points	32,486	0.40
Change in mortality rate	10%	147,517	1.81

16. Insurance Contracts (continued)

16.3 Movement in insurance liabilities

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

Year ended December 31

	2013 $'000	2012 $'000
At beginning of year	8,152,549	6,053,605
Premiums received in the year	185,083	202,326
Liabilities released for payments on death and other terminations in the year	(430,340)	(402,872)
Change in actuarial reserves	204,599	1,822,854
Investment income	296,842	527,130
Other movements	(211,164)	(50,494)
At end of year	8,197,569	8,152,549

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

	2013 $'000	2012 $'000
At beginning of year	19,305	22,133
Premiums received in the year	62,379	65,950
Liabilities released for payments on death, surrender, and other terminations in the year	(48,778)	(42,984)
Change in actuarial assumptions	-	(2,828)
Investment income	-	37,985
Other movements	(11,440)	(60,951)
At end of year	21,466	19,305

17. Investment Contracts

	2013 $'000	2012 $'000
Managed Funds (Note 10)	1,004,562	798,088
Deposit administration contracts	404,770	383,508
EFPA Investment Contracts	10,848,352	10,795,795
	12,257,684	11,977,391

The benefits offered under the Company's investment contracts are mainly based on the return of 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 in the case of the Managed Fund and by the rate of interest credited in the case of the deposit administration contracts.

EFPA's

For 2013, the EFPA Investment Contracts have been valued taking into consideration the total acceptances of the GORTT's payout offer as at December 31, 2013. For the periods under consideration, more than 90% of the EFPA policyholders had accepted the Government's offer. This offer involved policyholders accepting a payout 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. This payout commenced in 2011 and all of the policies, now assigned to GORTT, are valued at the payout value. The remainder of the EFPA contracts were valued at the fund value basis as determined by the Company's external actuary.

Managed Fund

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

	2013 $'000	2012 $'000
Quoted equity securities	752,015	549,566
Government securities (Note 10)	241,315	229,623
Cash and cash equivalents (Note 13)	104,602	119,228
	1,097,932	898,417

18. Borrowings

	2013 $'000	2012 $'000
Finance lease obligations	494	632

The finance lease obligations consists a lease of land at TT$489.

19. Debt Securities Issued

Proceeds from issue of redeemable preference shares	4,992,751	4,992,751

All issued 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 preference shares carry an annual dividend rate of 4.75 percent of the par amount.

20. Due to Related Parties

Current accounts with related parties are as follows:

	2013 $'000	2012 $'000
Associates	8,441	8,441
Affiliates	1,751,600	1,751,600
	1,760,041	1,760,041

Part of these balances is an amount of $1,699 billion due to CLICO Investment Bank (CIB). This amount is offset directly against an equal amount receivable from CIB as outlined in Note 11.

21. Mutual Fund Obligation

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

The Company has 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 $1,314 million in 2013 (2012: $1,308 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 2013 continues to be based on the level of acceptances of the GORTT's pay out offer to Core (Series VI) unit holders. The GORTT's offer values the mutual fund at the value at the last unit anniversary date prior to September 2010. According to the terms of the agreement of accepting the offer, this is the value that CLICO may be liable for. For unitholders who have not accepted the offer their units are valued, as previously done, at principal and interest accrued over a period of time. As at the reporting date about 87% of the Core (Series VI) had accepted the offer.

No Management fee was accrued in 2013 (2012: $NIL).

22. Trade and Accounts Payable

	2013 $'000	2012 $'000
Sundry creditors and accruals	1,076,084	803,903

23. Deferred Taxation

Deferred income taxes are calculated on all temporary differences under the liability method using substantially enacted tax rates between 0% and 25%.

	2013 $'000	2012 $'000
At beginning of year	27,023	29,665
Credited to equity (Note 15)	(13,055)	8,482
Charged to profit or loss (Note 32)	(9,884)	(11,124)
At end of year	4,084	27,023

23. Deferred Taxation (continued)

Deferred tax assets and liabilities, deferred tax charge (credit) in profit or loss and other comprehensive income are attributable to the following items:

	As at 31.12.2012 $'000	Credit to Equity $'000	Charge to Income $'000	As at 31.12.2013 $'000
Deferred taxation liabilities				
Accelerated tax depreciation	5,841	-	(11,438)	(5,597)
Retirement benefit	7,760	-	1,554	9,314
Short-term reserves and unexpired risks	357	-	-	357
Unrealised gains on investments	13,065	(13,055)	-	10
	27,023	(13,055)	(9,884)	4,084

24. Net Insurance Premium Revenue

	2013 $'000	2012 $'000
Long-term insurance contracts		
Premiums (net of refunds and taxes)	235,752	243,495
Premium revenue ceded to reinsurance, net of recoveries	(10,986)	1,465
Net insurance premium revenue	224,766	244,960
Short-term insurance contracts		
Premiums (net of refunds and taxes)	31,197	23,932
Premium revenue ceded to reinsurance	(8,501)	(616)
Net insurance premium revenue	22,696	23,316
	247,462	268,276

25. Insurance Benefits and Claims

	2013	2012
Long-term insurance contracts		
- Death, maturity and surrender benefits	39,879	42,145
- Pensions and lump sum benefits	382,354	352,060
- Other terminations	200	3
	422,433	394,208
Short-term insurance contracts		
- Death claims	42,140	36,974
Net insurance benefits and claims	464,573	431,182

	2013 $'000	2012 $'000
26. Investment Income		
Interest income		
Short-term deposits	7,580	4,335
Companies securities	924	259,295
Government securities	380,034	222,990
Loans and advances	3,708	4,888
Debt securities	1,700	7,337
Dividend income		
Company securities	836,458	1,805,357
Rental income (net)	17,080	15,408
Other income		
Bank accounts	3	7
Other income	6,004	10,573
	1,253,491	2,330,190

27. (Loss) Gain on Sale of Investments and Other Assets

	2013 $'000	2012 $'000
Property, plant and equipment	(426)	157
Government securities	93	1,876
Company securities (see below)	-	3,829,541
	(333)	3,831,574

The gain on sale of company securities in 2012 was due mainly to the realisation of $3,811 million on the disposal of Republic Bank Limited Shares, $3,658 million of which were previously recognised in the statement of changes in equity as unrealised revaluation gains on available-for-sale investments.

28. Impairment Losses (Write Backs)

The Company has recognised impairment losses (write backs) as follows:

	2013 $'000	2012 $'000
Current accounts	124,630	925,409
Investment securities	-	(660,361)
Loans and receivables	-	(137,567)
Investments in subsidiaries	-	(51,173)
	124,630	76,308

Note 5.3.1 to these financial statements provide additional information about the credit quality of monetary financial assets at the reporting date. Impairment losses recognised represent management's best estimate of the impact of identified loss events on the future cash flows expected from financial assets.

29. Expenses for Marketing and Administration

	2013 $'000	2012 $'000
Employee costs	27,398	26,275
Marketing	790	3,247
Professional fees	64,150	37,986
Depreciation	5,997	8,600
Directors fees	528	578
Repairs and maintenance	4,672	3,677
Exchange (gains) losses	(11,645)	4,088
Other expenses	37,464	40,630
	129,354	125,081

	2013 $'000	2012 $'000
30. Investment Contract Movements		
Deposit Administration	18,495	34,901
Managed Funds	6,916	(27,218)
Understatement of retirement benefit	-	(56,131)
Movement in EFPA valuation		
- Due to policyholders not accepting GORTT offer	52,557	(75,953)
- Due to policyholders accepting GORTT offer	-	(233,424)
- Other movements	(5,580)	-
	72,388	(357,825)

31. Finance Costs

	2013 $'000	2012 $'000
Interest on debt securities	237,156	237,805
Bank charges and other finance costs, net	345	(25)
	237,501	237,780

32. Taxation

	2013 $'000	2012 $'000
Current tax	3,415	10,043
Green fund levy	1,308	2,400
	4,723	12,443
Deferred tax (Note 23)	(9,884)	(11,124)
Tax expense for the year	(5,161)	1,319
Profit before taxation	**400,853**	**3,797,117**
Tax calculated at the statutory rate	100,213	949,279
Tax effect of different tax rates on lines of business	(11,100)	(222,937)
Tax effect of income not subject to tax	(88,708)	(713,625)
Tax effect of net expenses not deductible	(5,075)	(3,539)
Utilisation of prior year tax losses	(2,751)	(2,126)
Green fund levy	1,308	2,400
Other differences	952	(8,133)
Tax charge	(5,161)	1,319

33. 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:

	2013 $'000	2012 $'000
Statement of Financial Position - Assets		
Fellow Subsidiary Companies		
Investment in associates	1,443,853	1,066,506
Investment in subsidiaries	172,100	172,100
Financial assets at fair value through profit or loss	138,714	100,003
Due from related parties	24,327	26,208
Loans and other receivables –accrued investment income	447	326
Loans and other receivables – promissory notes and other	444	243
Associated Companies		
Investment in associates	258,754	223,893
Financial assets at fair value through profit or loss	31,600	28,094
Subsidiary Companies		
Investment in subsidiaries	9,709,413	5,575,122
Parent Company		
Due from related parties	29,903	26,986
Government		
Investment securities	9,208,487	7,967,784
Financial assets at fair value through profit or loss	241,315	229,622
Other Related Parties		
Investment securities	1,824	1,814
Available-for-sale financial assets – debt securities	-	-
Due from related parties – Mutual funds	8,124	8,124
Total related party assets	21,269,305	15,426,828

33. Related Party Balances and Transactions (continued)

	2013 $'000	2012 $'000
Statement of Financial Position - Liabilities		
Fellow subsidiary companies		
Insurance contracts	427,986	397,028
Due to related parties	1,760,041	1,760,041
Trade and accounts payable	2,724	2,724
Other related parties		
Insurance contracts	2,933	4,772
Due to related parties	-	21,821
Mutual fund obligation	1,314,312	1,308,597
Total related party liabilities	3,507,996	3,494,983
Net assets with related parties	17,761,309	11,931,845
Statement of Comprehensive Income - Income		
Fellow subsidiary companies		
Investment income – interest on bonds, debentures and fixed deposits	-	286
Investment income – dividends received	724,638	1,653,411
Associated companies		
Investment income – dividends received	26,409	120,335
Investment income – gain on sale of available for sale asset (see Note 27)	-	3,811,127
Parent company		
Investment income – interest earn less provision	-	259,595
Total income from related parties	751,047	5,844,754

33. Related Party Balances and Transactions (continued)

	2013 $'000	2012 $'000
Statement of Comprehensive Income - Expenses		
Fellow subsidiary companies		
Medical services	144	180
Repairs and maintenance	222	199
Other	3,468	203
Finance costs	121	4
Associated companies		
Advertising expense	10	72
Total expenses with related parties	3,965	658
Net income from related parties	747,082	5,844,096
Key management compensation		
Salaries and other short-term benefit	3,258	3,234

34. Retirement Benefit

The amounts recognised in the statement of financial position are determined as follows:

	2013 $'000	2012 $'000
Present value of funded obligations	170,575	156,049
Fair value of plan assets	(380,246)	(301,736)
	(209,671)	(145,687)
Un-utilisable assets	95,861	40,388
Pension fund assets	(113,810)	(105,299)

The Plan is currently being reviewed to determine the distribution of the pension fund assets

34. Retirement Benefits (continued)

The movement in the defined benefit obligation over the year is as follows:

	2013 $'000	2012 $'000
Beginning of year	156,049	152,276
Current service cost	10,559	7,027
Interest cost	7,217	8,390
Actuarial gains	(1,465)	(5,155)
Benefits paid	(1,785)	(6,489)
End of year	170,575	156,049

The movement in the fair value of plan assets over the year is as follows:

Beginning of year	301,736	251,203
Expected return on plan assets	13,623	11,250
Actuarial gains	62,864	41,719
Contributions	3,808	4,053
Benefits paid	(1,785)	(6,489)
End of year	380,246	301,736

The amount recognised in the income statement is as follows:

Current service cost	9,174	5,553
Interest cost	7,217	8,390
Expected return on plan assets	(13,623)	(11,250)
Net actuarial gains recognised in year	(64,329)	(46,874)
Increase in Unutilisable asset	55,473	40,388
Total included in staff costs	(6,088)	(3,793)

The actual return on plan assets for the year is $76 million (2012: $53 million).

	2013 $'000	2012 $'000
Total expense recognised in the income statement	(6,088)	(3,793)
Employer contributions paid	(2,423)	(2,579)
Prior year adjustment	-	(5,739)
	(8,511)	(12,111)

34. Retirement Benefits (continued)

The principal actuarial assumptions used for accounting purposes were:

	2013	2012
Discount rate - Pre retirement	4.5%	4.5%
- Post retirement	4.0%	5.0%
Expected return on plan assets	0.0%	0.0%
Future salary increases	3.0%	5.0%
Expected rate of pension increases	3.0%	3.0%

35. 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. The loan is currently in default but the third party and the related party are in negotiations to restructure the facility. The third party has written to the Company reminding it of its role as a guarantor.

b) The Company guaranteed a loan from a third party to a related party in the amount of TT$219 million. The loan is currently in default but the third party and the related party are in negotiations to restructure the facility. The third party has written to the Company reminding it of its role as a guarantor.

c) 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.

d) Between 2006 – 2008 the Company entered into an arrangement to provide reinsurance coverage for a U.S. insurer. During that period the Company received approximately US$5.5 million in premiums. At present there have been about US$23 million in reinsurance claims directly from the U.S. insurer's clients which need to be validated and the Company is disputing some of these claims on various grounds. The Company is unable at this time to quantify the number or the value of other possible reinsurance claims due to incongruity between the records of the Company, the U.S. Insurer and the U.S. Insurer's clients.

e) There were a number of legal proceedings pending against the Company at the reporting date. No provision has been made as professional advice indicates that it is unlikely that any significant loss will arise.

35. Contingent Liabilities and Commitments (continued)

f) Future minimum lease payments under non-cancellable operating leases are:

	Within 1 year	1-5 Years	Over 5 Years	Total
	$'000	$'000	$'000	$'000
Operating lease commitments	1,676	8,378	272	10,326

g) At the reporting date, tax audits were pending and ongoing for several years of income. Management has assessed that it is not possible at this time to determine whether the final outcome of these matters will differ significantly from the amounts originally recorded.

36. Events after the Reporting Date

Adjusting Events

a) On October 9, 2014 the Company sold its 56.53% shareholding in Methanol Holdings (Trinidad) Limited (MHTL) to Consolidated Energy Limited for US$1,175 billion (TT$7,5 billion). This sale was pursuant to the terms set out in the ruling dated August 24, 2014 from a Tribunal at the ICC International Court of Arbitration which determined what the sale price of the 56.53% should be. This ruling followed the Tribunal's previous rulings on March 28 2013, of partial oppression, and November 18, 2013, that the remedy for such oppression be the sale of the 56.53% shareholding held by the Company. The carrying value of MHTL in these financials has been adjusted to reflect this ruling.

b) In May 2014 the Governor of the Central Bank of Trinidad and Tobago indicated that as part of the resolution strategy for CLICO, the Central Bank proposes to transfer CLICO's traditional insurance portfolio for value to an acquiring insurance company that is well 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 was received in November 2014. The carrying value of CLICO's traditional liabilities in these accounts is within the range provided in this independent valuation. As at the reporting date no independent third party has been engaged to manage any possible sale process.

c) In August 2014 the Company was advised by the Central Bank that it should 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.

37. Principal Associated Undertakings

Quoted	Country of Origin	Activity
One Caribbean Media Limited	Trinidad and Tobago	Media
Angostura Holdings Limited	Trinidad and Tobago	Beverage Manufacturing
LJ Williams Limited	Trinidad and Tobago	Trading
Unquoted		
Home Construction Limited	Trinidad and Tobago	Construction
CL World Brands Limited	United Kingdom	Beverage Manufacturing

38. Principal Subsidiary Undertakings

Unquoted	Country of Origin	Activity
Occidental Investments Ltd	Trinidad and Tobago	Real Estate
Oceanic Properties Ltd	Trinidad and Tobago	Real Estate
Methanol Holdings (Trinidad) Limited	Trinidad and Tobago	Energy - Methanol
Methanol Holdings International Limited	St. Kitts and Nevis	Energy – Methanol

39. 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 balance sheet of the Company as at the end of its financial year. Currently, according to the Insurance Act regulations, the Company has insufficient assets in trust to cover its Trinidad and

Tobago policyholders as defined by the Act.

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 $925 million (2012: $705 million) of investments in associated companies are pledged to the order of the Inspector of Financial Institutions in Trinidad and Tobago and approximately $24 million (2012: $21 million) are pledged against collateralised borrowings due to CLICO Investment Bank Limited.

39. Assets Pledged (continued)

b) Approximately $1,810 million (2012: $1,859 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 $812 million (2012: $555 million).

d) Approximately $10,625 million (2012: $9,219 million) of other investments are pledged to the order of the Inspector of Financial Institutions in Trinidad and Tobago. Approximately $1,365 million (2012: $1,511 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.

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 balance sheet relates. Subsequent to December 31, 2013 a further $256 million (2012: $150 million) of assets were pledged to the order of the Inspector of Financial Institution in Trinidad and Tobago.