Separate Financial Statements of

COLONIAL LIFE INSURANCE COMPANY (TRINIDAD) LIMITED

December 31, 2019

Contents

COLONIAL LIFE
INSURANCE COMPANY (TRINIDAD) LIMITED
P.O. Box 443, 29 St. Vincent Street, Port of Spain, Republic of Trinidad & Tobago, W.I.
Tel: (868) 623-1421, Fax: (868) 627-3821, Email: info@clico.com, Website: clico.com

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES
COLONIAL LIFE INSURANCE COMPANY (TRINIDAD) LIMITED

Management is responsible for the following:

- Preparing and fairly presenting the accompanying separate financial statements of Colonial Life Insurance Company (Trinidad) Limited (the Company), which comprise the separate statement of financial position as at December 31, 2019, the separate statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information;

- Ensuring that the Company keeps proper accounting records;

- Selecting appropriate accounting policies and applying them in a consistent manner;

- Implementing, monitoring and evaluating the system of internal control that assures security of the Company's assets, detection/prevention of fraud and the achievement of the Company's operational efficiencies;

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

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

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

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

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

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

JACINTA SOHUN	CLAIRE GOMEZ-MILLER
CHIEF FINANCIAL OFFICER	EXECUTIVE CHAIRMAN
Name, Title	Name, Title
Date: December 30th, 2020	Date: December 30th, 2020

ACTUARIAL CERTIFICATION

3. OPINION OF THE APPOINTED ACTUARY

The actuarial certificates are required by the Insurance Act and the Section 5 Part 1 of the Second Schedule of the Insurance Regulations.

3.1. Actuarial Certification – Long-term insurance and investment contracts

This actuarial certificate and opinion are provided in accordance with the provisions of the Insurance Act, with respect to the long-term insurance business of the Colonial Life Insurance Company (Trinidad) Limited.

I have examined the financial position and valued the long-term insurance and investment contract liabilities for the Colonial Life Insurance Company (Trinidad) Limited as reported on its balance sheet as at December 31, 2019 and the corresponding change in insurance and investment contract liabilities for the year then ended.

In my opinion

- The methods and procedures used in the verification of the valuation data are sufficient and reliable and fulfill the acceptable standards of care;
- The valuation of long-term insurance and investment contract 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 insurance and investment contract liabilities are appropriate to the circumstances of the Company and of the said policies and claims;
- The long-term insurance and investment contract liabilities represented in the balance sheet of the Company amounting to $TT 7,718,453,000 ($TT 7,615,570,000 backed by statutory fund and $TT 102,883,000 not backed by Statutory Fund) makes proper provision for the future payments under the Companies' policies and meets the requirements of the Act and any other Regulations made there-under;
- A proper charge on account of these liabilities has been made in the revenue account.

Simone Brathwaite, FCIA, FSA, CERA

Appointed Actuary, CLICO

July 21, 2020

ACTUARIAL CERTIFICATION

3.2. Actuarial Certification – Short-term insurance and investment contracts

This actuarial certificate and opinion are provided in accordance with the requirements of the Insurance Act with respect to the short-term investment business (EFPA) registered as at December 31, 2019.

I have valued the short-term investment contracts of the Company for its balance sheet as at December 31, 2019.

In my opinion:

- The methods and procedures used in the verification of the valuation data are sufficient and reliable and fulfill the acceptable standards of care;
- The valuation of short-term investment contracts (EFPA) has been made in accordance with generally accepted actuarial principles, and the Resolution Plan;
- The short-term EFPA investment contracts represented in the balance sheet of the Company amounting to $TT 145,485,000 ($TT 81,223,000 within the Statutory Fund and $TT 64,262,000 outside of the Statutory Fund) makes proper provision for the future payments under the Companies' policies and meets the requirements of the Act and any other Regulations made there-under;
- A proper charge on account of these liabilities has been made in the revenue account

Simone Brathwaite, FCIA, FSA, CERA

July 21, 2020

Appointed Actuary, CLICO

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

Tel: (868) 612-KPMG
Email: kpmg@kpmg.co.tt
Web: https://home.kpmg/tt

Independent Auditors' Report
To the Shareholders of
Colonial Life Insurance Company (Trinidad) Limited

Qualified Opinion

We have audited the separate financial statements of Colonial Life Insurance Company (Trinidad) Limited ("the Company"), which comprise the separate statement of financial position as at December 31, 2019, the separate statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019, and of its financial performance and its cash flows for the year then ended in accordance with the disclosed basis of accounting.

Basis for Qualified Opinion

The Company's investments in subsidiaries are stated at fair values categorised within Level 3 of the fair value hierarchy. The total carrying value of these assets is $2.58 billion (2018: $2.58 billion), representing 17.34 (2018: 16.8%) of total assets. The Company has not disclosed a description of the valuation techniques and the quantitative information about significant unobservable inputs used in the fair value measurements for the reasons that are more fully explained in Note 4.3. Disclosure of the valuation techniques and the quantitative information about significant unobservable inputs used in the fair value measurement is required by IFRS 13, 'Fair Value Measurement'.

In addition, the valuation of the investments in subsidiaries is based on outdated information as updated information is not available to management for further analysis. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of the Company's investment in Methanol Holdings International Limited as at December 31, 2019, because updated financial information about Methanol Holdings International Limited was not provided to us. Consequently, we were unable to determine whether any adjustments to the amounts shown in the separate financial statements for investments in subsidiaries and the separate statement of profit or loss and other comprehensive income as at and for the year ended December 31, 2019, were necessary.

Basis for Qualified Opinion (continued)

The Company's investment in one of its associates, stated in these separate financial statements at $629 million, is based on unaudited financial statements of the associate as at June 30, 2019, which is non-coterminous with that of the Company. Financial information about the associate for the period July 1, 2019, to December 31, 2019, is not available to management for further analysis. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of the Company's investment in CL World Brands Limited as at December 31, 2019, because relevant financial information about CL World Brands Limited for the period July 31, 2019, to December 31, 2019 was not provided to us. Consequently, we were unable to determine whether any adjustments to the amounts shown in the separate financial statements for investments in associates and the separate statement of profit or loss and other comprehensive income as at and for the year ended December 31, 2019, were necessary.

The Company has recorded $465 million in net insurance benefits and claims and recognized $6.5 billion in insurance contract liabilities as at December 31, 2019. We were unable to obtain sufficient appropriate audit evidence about the accuracy of the amounts paid out and provided for with respect to insurance benefits and claims and the accuracy of certain attributes that go into the actuarial determination of the insurance contract liabilities because we were not provided with the related original insurance policy documentation which were not available as supporting evidence for our testing as these were not retained by the Company. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

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

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

Emphasis of Matter – The impact of the Central Bank of Trinidad and Tobago intervention

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

Emphasis of Matter - Basis of Accounting and Restriction of Use

We draw attention to Note 2(a) to the separate financial statements, which describes the basis of accounting. These separate financial statements, prepared for regulatory purposes, are in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board, as modified by the Insurance Act, Act 6 of 1980, for the exclusion of the preparation of consolidated financial statements in accordance with IFRS 10 – Consolidated Financial Statements. As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

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

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

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

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

Auditors' Responsibilities for the Audit of the Separate Financial Statements

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

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

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

Responsibilities of Management and Those Charged with Governance for the Separate Financial Statements (continued)

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

KPMG

Chartered Accountants

Port of Spain
Trinidad and Tobago
December 30, 2020

COLONIAL LIFE INSURANCE COMPANY (TRINIDAD) LIMITED

Separate Statement of Financial Position

December 31, 2019

	Notes	2019	2018
		$'000	$'000
ASSETS			
Property, plant and equipment	6	70,468	115,073
Investment properties	7	363,763	407,338
Investment in associates	8	647,259	637,680
Investment in subsidiaries	9	2,583,173	2,583,173
Investment securities	10	2,536,834	9,801,676
Loans and other receivables	12	154,858	366,981
Assets held for sale	18	7,688,277	-
Deferred tax assets		21,035	21,805
Bank and short-term deposits	13	826,177	1,421,746
Total assets		14,891,844	15,355,472
EQUITY			
Share capital	14	14,750	14,750
Accumulated surplus		1,089,485	964,812
Valuation reserves	15	2,118,851	1,692,363
Net surplus		3,223,086	2,671,925
LIABILITIES			
Insurance contracts	16	-	6,439,057
Investment contracts	17	145,485	1,665,526
Liabilities directly associated with assets held for sale	18	7,726,414	-
Debt securities issued	19	3,017,977	3,973,984
Due to related parties	20	68,956	74,229
Mutual fund obligation	21	41,011	39,470
Accounts payable	22	624,233	412,000
Taxation		44,682	79,281
Total liabilities		11,668,758	12,683,547
Total equity and liabilities		14,891,844	15,355,472

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

Director ______________________ Director M. Miller

COLONIAL LIFE INSURANCE COMPANY (TRINIDAD) LIMITED

Separate Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2019

	Notes	2019	2018
		$'000	**$'000**
Insurance premium revenue		217,240	228,690
Net reinsurance premium ceded		(7,130)	(8,322)
Net insurance premium revenue	23	210,110	220,368
Insurance benefits and claims	24	(465,968)	(547,548)
Expenses for the acquisition of insurance and investment contracts		(3,097)	(2,431)
Change in value of insurance contracts		35,650	476,237
Underwriting expenses		(433,415)	(73,742)
Net results from insurance activities		(223,305)	146,626
Investment income	25	211,982	936,384
Loss on sale of investments and other assets	26	-	(13,466)
Net fair value gain on assets at fair value through profit or loss		-	14,154
Loss on trading managed funds units		-	(13,168)
Administration and asset management fees		-	6,608
Impairment (loss) gain on financial assets		(1,113)	1,844,639
Gain (loss) on revaluation of investment properties		525	(19,247)
Other income		1,287	20,403
Net results from investing activities		212,681	2,776,307
Expenses for administration	27	(19,216)	(66,655)
Investment contract movements	28	-	(31,831)
Revaluation loss on managed funds liabilities		-	(14,154)
Operating expenses		(19,216)	(112,640)
Results of operating activities		(29,840)	2,810,293
Finance costs	29	(148,320)	(215,966)
Operating (loss) profit before tax		(178,160)	2,594,327
Taxation	30	(3,182)	(40,772)
(Loss) profit for the year before performance of assets held for sale		(181,342)	2,553,555
Profit from assets held for sale	18	305,032	-
Profit for the year		123,690	2,553,555

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

COLONIAL LIFE INSURANCE COMPANY (TRINIDAD) LIMITED

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

For the year ended December 31, 2019

	Notes	2019	2018
		$'000	**$'000**
Profit for the year		123,690	2,553,555
Other comprehensive income, net of tax			
Items that will not be reclassified to profit or loss			
Equity investments at FVOCI			
- Net change in fair value		199,030	(441,095)
Items that are or maybe reclassified to profit or loss			
Fair value reserve:			
- Net change in fair value of marketable securities	15	49,154	(31,449)
- Revaluation reserves for property in other comprehensive income	15	2,628	28,076
- Other comprehensive income arising from assets held for sale	15	156,674	-
Total other comprehensive income, net of tax		407,486	(500,620)
Total comprehensive income, net of tax		531,176	2,052,935

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

COLONIAL LIFE INSURANCE COMPANY (TRINIDAD) LIMITED

Separate Statement of Changes in Equity

For the year ended December 31, 2019

	Share Capital $'000	Accumulated (Deficit) Surplus $'000	Valuation Reserves $'000	Total $'000
Year ended December 31, 2019				
Balance at January 1, 2019	14,750	964,812	1,692,363	2,671,925
Transfer from Valuation Reserves, Disposal of equity through OCI	-	983	(983)	-
Profit for the year	-	123,690	-	123,690
Other comprehensive income, net of tax				
Net change in fair value	-	-	389,134	389,134
Fair value gains on property	-	-	18,352	18,352
Total comprehensive income	-	124,673	406,503	531,176
Transactions with owners of the Company				
Net movement in trustee's units held in Managed Funds	-	-	19,985	19,985
Balance at December 31, 2019	**14,750**	**1,089,485**	**2,118,851**	**3,223,086**
Year ended December 31, 2018				
Balance at January 1, 2018	14,750	(3,064,244)	3,662,374	612,880
Impact of initial application of IFRS 9	-	(15,781)	-	(15,781)
Transfer from Valuation Reserves, Disposal of equity through OCI	-	1,491,282	(1,491,282)	-
Profit for the year	-	2,553,555	-	2,553,555
Other comprehensive income, net of tax				
Net change in fair value	-	-	(472,544)	(472,544)
Fair value gains on property	-	-	(28,076)	(28,076)
Total comprehensive income	-	4,029,056	(1,991,902)	2,037,154
Transactions with owners of the Company				
Net movement in trustee's units held in Managed Funds	-	-	21,891	21,891
Balance at December 31, 2018	**14,750**	**964,812**	**1,692,363**	**2,671,925**

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, 2019

	2019	2018
	$'000	$'000
CASH FLOW FROM OPERATING ACTIVITIES		
Operating profit before taxation	(178,160)	2,594,327
Adjustments for:		
Depreciation	1,167	4,639
Bad debts	-	42,015
Deferred Taxes	2,808	(11,823)
(Gain) loss on revaluation of property and investment properties	(525)	19,245
Investment income	(211,982)	(936,384)
Gain on disposal of investment property	-	1,177
Impairment loss (gain) of financial assets	2,096	(1,693,013)
Change in actuarial valuation	(40,257)	(509,951)
Gain on trading Managed Funds units	-	(14,150)
Shareholders' funds transferred to Managed Funds	-	21,891
Interest expense on debt security issued	148,006	215,610
Fair value (gain) loss through profit or loss	-	174,601
Operating loss before changes in working capital	(276,847)	(91,816)
Changes in:		
- Insurance contracts	65,175	(5,818)
- Investment contracts	4,257	18,051
- Loans and receivables	-	(1,155)
- Accounts payable	(207,182)	28,305
- Taxation	(34,882)	-
- Amounts due to related parties	(5,273)	115,755
Taxes paid	(3,846)	(4,008)
Net cash (used in)/from operating activities	(458,598)	59,314
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of debt securities	(730,913)	(490,667)
Repayment of borrowings	-	(87)
Net cash used in financing activities	(730,913)	(490,754)

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

COLONIAL LIFE INSURANCE COMPANY (TRINIDAD) LIMITED

Separate Statement of Cash Flows (continued)

For the year ended December 31, 2019

	Note	2019	2018
		$'000	$'000
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(1,118)	(1,061)
Property, plant and equipment adjustment		(3,942)	-
Proceeds from disposal of property, plant and equipment		1,283	-
Proceeds from disposal of investment securities		-	68,622
Dividends received		132,889	454,843
Interest received		80,918	485,393
Purchase of investing securities		93,420	-
Change in fixed deposits maturing more than 3 months		80,881	(195,377)
Net cash from investing activities		384,331	812,420
(Decrease) increase in cash and cash equivalents		(805,180)	380,980
Increase in cash and cash equivalents –Assets held for sale	18	212,453	-
Net (decrease) increase in cash and cash equivalents		(592,727)	380,980
CASH AND CASH EQUIVALENTS AT START OF YEAR		1,169,319	788,339
CASH AND CASH EQUIVALENTS AT END OF YEAR		576,592	1,169,319
CASH AND CASH EQUIVALENTS REPRESENTED BY			
Deposits maturing less than three months	13	334,059	485,726
Cash at bank	13	242,533	683,593
		576,592	1,169,319

During the year, certain assets were disposed of in the amount of $254M (2018: $3,797M) to extinguish debt to a related entity. This transaction excludes the exchange of cash.

Restricted Cash

The cash at bank disclosed above excludes $78 million in escrow which is held by Republic Bank Limited. This deposit is subject to regulatory restrictions and is therefore not available for general use by the company (see Note 13).

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. The Parent entered into involuntary liquidation during the year 2018.

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

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

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

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

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

1. General Information (continued)

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

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

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

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

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

On September 30, 2019, CLICO executed a sale and purchase agreement (SPA) with Sagicor Life Inc for the sale of the company's traditional insurance portfolio. The effective date of the transfer is dependent on regulatory approval from the Central Bank. The SPA contemplates within a period of two years from September 30, 2019 for the transfer to take place.

Further to the SPA with SAGICOR, an Application for Leave to make a claim for Judicial Review of the SPA was filed in November 2019 by Maritime Life [Caribbean] Ltd against the Central Bank (see Note 36 (c).

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

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

The financial statements for December 31, 2019 were approved for issue on December 15, 2020, by the Board of Directors of the Company.

2. Basis of Preparation

(a) Statement of compliance

These financial statements, prepared for regulatory purposes, are in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board, as modified by the Insurance Act, Act 6 of 1980, for the exclusion of the preparation of consolidated financial statements in accordance with IFRS 10 – Consolidated Financial Statements. By extension, IAS 27 Separate Financial Statements is used to account for the investment in associate companies even though the Company does not meet the criteria to apply IAS 27.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for land and buildings, investment securities, investment properties and financial assets and financial liabilities which are all measured at fair value.

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

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

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

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

2. Basis of Preparation (continued)

(e) Intra-group balances and transactions

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

3. Significant Accounting Policies

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

(a) Foreign currency translation

Transactions and balances

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

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

(b) Property, plant and equipment

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

Artwork, which mainly comprised paintings commissioned for the Company's annual calendars, were valued in 2011 and that value was deemed to be cost and included in property, plant and equipment. Artwork is shown at deemed cost less depreciation over its useful life. Useful life is determined to be equivalent to that of the buildings on which they hang .All other property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of items. Management is of the opinion that this gives a fair indication of realisable value if these items were sold in an orderly sale.

3. Significant Accounting Policies (continued)

(b) Property, plant and equipment (continued)

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

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

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	Straight line	2%
Artwork	Straight line	2%
Furniture, fixtures and office equipment	Reducing balance	10%-20%
Motor vehicles	Reducing balance	20%
Computer equipment		
- Mainframe	Reducing balance	20%
- Deferred software	Straight Line	25%
- Peripherals	Reducing balance	20%

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

At the reporting date, the Company performs an assessment of the carrying amounts of property, plant and equipment for indicators of impairment. If any such indication exists, then the asset`s recoverable amount is estimated. Where the carrying amount of an asset is greater that its estimated recoverable amount, it is written down to its recoverable amount.

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 in an active market for all properties. These valuations are done bi-annually by independent professionally qualified appraisers.

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

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

(d) *Investments in subsidiaries and associates*

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

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

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

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

Note 2 (a) describes the reason for the exclusion of the preparation of consolidated financial statements. By extension, IAS 27 Separate Financial Statements is used to account for the investment in associate companies even though the Company does not meet the criteria to apply IAS 27.

3. Significant Accounting Policies (continued)

(e) Financial assets and liabilities

(i) Definition

The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The Company's classification of its financial assets and liabilities is governed by IFRS9.

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

(ii) Recognition

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

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

(iii) Derecognition

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

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

On derecognition of a financial asset, the differences between the carrying amounts at the date of derecognition and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss. The cumulative gain or loss on equity investments designated at Fair Value through Other Comprehensive Income (FVOCI) is not reclassified to profit or loss.

3. Significant Accounting Policies (continued)

(e) Financial assets and liabilities (continued)

(iv) Classification

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

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

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

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

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

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

3. Significant Accounting Policies (continued)

(e) Financial assets and liabilities (continued)

(v) Measurement

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

Financial assets

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

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

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

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

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

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

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

3. Significant Accounting Policies (continued)

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

(v) *Measurement* (continued)

Financial assets (continued)

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

Financial liabilities

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

3. Significant Accounting Policies (continued)

(e) Financial assets and liabilities (continued)

(vi) Fair values of financial assets and liabilities

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

i. The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and

ii. The fair value of other financial assets and liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

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

(vii) Offsetting

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

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

(viii) Amortised cost measurement

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

Amortised cost is calculated on the effective interest rate method.

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

3. Significant Accounting Policies (continued)

(f) Impairment of assets

IFRS 9 with its forward-looking 'expected credit loss' (ECL) model is used for the impairment review of the organisation's financial assets. The new impairment model applies to financial assets measured at amortised cost, debt investments at FVOCI and lease receivables.

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

The Company recognises loss allowances for ECL on:

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

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

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

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

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

(i) Measurement of ECL

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

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

3. Significant Accounting Policies (continued)

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

(i) *Measurement of ECL* (continued)

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

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

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

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

(ii) *Credit impaired financial assets*

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

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

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

3. Significant Accounting Policies (continued)

(f) Impairment of assets (continued)

(ii) Credit impaired financial assets (continued)

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

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

(iii) Write off

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

(g) Cash and cash equivalents

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

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

(h) Insurance and investment contracts – classification

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

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

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

3. Significant Accounting Policies (continued)

(i) Insurance contracts

(1) Recognition and measurement

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

Long-term insurance contracts

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

They include the following:

i. Ordinary Life contracts – These contracts provide for payment of a known sum in the event of the death of the policyholder. The main risk is the premature death of the policyholder. The Company takes on this risk by contracting to pay the sum assured on death in return for a premium.

ii. Critical Illness contracts – These contracts provide for payment of the sum insured upon diagnosis of one of the critical illnesses specified in the contract. The main risk is the premature diagnosis of the specific critical illness. The Company takes on the risk by contracting to pay the sum insured in return for a premium.

iii. Individual Annuity, Group Annuity and Flexible Premium Annuity (FPA) contracts – These include deferred or immediate annuity and FPA contracts. These contracts provide for payment of a regular income upon maturity of the contract in the case of deferred annuities and for immediate commencement of payments in the case of an immediate annuity. The main risk is the policyholder outliving the life expectancy adopted for underwriting the policies.

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

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

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

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

3. Significant Accounting Policies (continued)

(i) Insurance contracts (continued)

(1) Recognition and measurement (continued)

Short-term insurance contracts

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

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

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

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

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

(2) Liability adequacy test

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

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

3. Significant Accounting Policies (continued)

(i) Insurance contracts (continued)

(3) Outstanding claims

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

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

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

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

(4) Receivables and payables related to insurance contracts

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

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

(5) Reinsurance contracts held

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

3. Significant Accounting Policies (continued)

(i) Insurance contracts (continued)

(5) Reinsurance contracts held (continued)

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

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

(j) Investment contracts

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

Deposit administration business

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

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

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

3. Significant Accounting Policies (continued)

(j) Investment contracts (continued)

Managed Funds business

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

EFPA/GAP/GAAPP policies

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

(k) Borrowings

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

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

(l) Current and deferred income tax

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

3. Significant Accounting Policies (continued)

(l) Current and deferred income tax (continued)

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

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

(m) Provisions

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

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

(n) Revenue recognition

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

The insurance products revenue recognition is defined in IFRS 4.(See note 3(i) on premium income).

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)

(n) Revenue recognition (continued)

Investment income

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

Rental income is recognised on the accrual basis.

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

(o) Expenses of management

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

(p) Leases

Prior to January 1, 2019

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

Policy applicable prior to January 1, 2019

i. Determining whether an arrangement contains a lease

At inception of an arrangement the Company determines whether the arrangement is or contains a lease.

ii. Leased assets

Leases of property that transfer to the Company substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to investment property IAS 40 at fair value.

3. Significant Accounting Policies (continued)

(p) Leases (continued)

Prior to January 1, 2019

iii. Leased payments

Payments made under finance leases are set off against lease liabilities with the attendant interest expense recognised in profit or loss over the term of the lease.

As at January 1, 2019

The Company has applied IFRS 16 (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after January 1, 2019. IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in Note 3(q). The impact of the adoption of IFRS 16 on the Company's financial statements is described below. The date of initial application of IFRS16 for the Company is January 1, 2019.

Policy applicable from January 2019

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16. This policy is applied to contracts entered into, on or after January 1, 2019. All leases that existed before January 1, 2019 are treated as finance leases resulting in no adjustment being required on initial application of IFRS 16.

Impact of the new definition of a lease

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

3. Significant Accounting Policies (continued)

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

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

- IFRS 16 Leases, The Company has initially adopted IFRS 16 Leases from 1 January 2019. This is the first set of the Company's financial statements in which IFRS 16 has been applied.

  (i) <u>As a Lessee</u>

  At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative standalone prices. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component. The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

  The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

  The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

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

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

(i) **As a Lessee** (continued)

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

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

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities on the face of the statement of financial position.

The Company presents right-of-use assets that meet the definition of investment property at fair value under IAS 40 as investment property.

3. Significant Accounting Policies (continued)

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

(i) <u>As a Lessee</u> (continued)

<u>Former Finance Leases</u>

The main differences between IFRS 16 and IAS 17 with respect to contracts formerly classified as finance leases is the measurement of the residual value guarantees provided by the lessee to the lessor. IFRS 16 requires that the Company recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17. This change did not have a material effect on the Company's financial statements.

Leases

The adoption of IFRS 16 did not have an impact on net cash flows nor on retained earnings.

The Company initially applied IFRS 16 Leases from January 1, 2019. A number of other new standards are also effective from January 1, 2019 but they do not have a material effect on the Company's financial statements.

The Company applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at January 1, 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

(a) Definition of a lease

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining whether an Arrangement contains a Lease. The Company now assesses whether a contract is or contains a lease based on the definition of a lease. On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the change in definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

3. Significant Accounting Policies (continued)

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

(i) <u>**As a Lessee**</u> (continued)

Leases (continued)

(b) Transition

a. As lessee - Previously, the Company leased two properties and classified them as investment properties at fair value under IAS 40. These leases were classified as finance leases under IAS 17. For these finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 were determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

b. As Lessor - The Company leases out its investment property, including right-of-use assets. The Company has classified these leases as operating leases. The accounting policies applicable to the Company as a lessor are not different from those under IAS 17 - Leases. However, when the Company is an intermediate lessor the sub-leases are classified with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. The Company is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor.

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

  - judgements made;
  - assumptions and other estimates used; and
  - the potential impact of uncertainties that are not reflected.

  This interpretation has no material impact on the Company's financial statements.

3. Significant Accounting Policies (continued)

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

Leases (continued)

(b) Transition (continued)

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

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

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

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

This amendment has no material impact on the Company's financial statements.

- Amendments to IAS 19, *Plan Amendment, Curtailment or Settlement,* which is effective for annual reporting periods beginning on or after January 1, 2019, clarifies that:

  - on amendment, curtailment or settlement of a defined benefit plan, the Group can now use updated actuarial assumptions to determine its current service cost and net interest for the period; and
  - the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separate in other comprehensive income.

  This amendment has no material impact on the Company's financial statements.

- Annual Improvements to IFRS Standards 2015-2017 Cycle, which is effective for annual reporting periods beginning on or after January 1, 2019:

  - Amendments to IFRS 3, *Business Combinations and* IFRS 11, *Joint Arrangements*, clarifies how a company accounts for increasing its interest in a joint operation that meets the definition of a business. The amendments also provide further guidance on what constitutes the previously held interest. This is the entire previously held interest in the joint operation.

3. Significant Accounting Policies (continued)

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

(b) Transition (continued)

- Amendments to IAS 12, *Income Taxes,* clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transactions that generated the distributable profits – i.e. in profit or loss, OCI or equity.

  Amendments to IAS 23, *Borrowing Costs,* clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that are intended to specifically finance qualifying assets that are now ready for their intended use or sale – or any non-qualifying assets – are included in that general pool. The changes are to be applied prospectively to borrowing costs incurred on or after the date an entity adopts the amendments.

These improvements have no material impact on the Company's financial statements.

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

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

- Amendments to Reference to Conceptual Framework in IFRS Standards, which is effective for annual reporting periods beginning on or after January 1, 2020, is a comprehensive revision of the exiting framework. It covers all aspects of standard setting from the objective of financial reporting, to presentation and disclosures. Most of the concepts are not new, the revised framework codifies the IASB's thinking adopted in recent standards. Some areas such as the distinction between liabilities and equity have been removed from the revised Framework, and are being dealt with in separate projects.

- IFRS 17, *Insurance Contracts*, which is effective for annual reporting periods beginning on or after January 1, 2023, introduces a new measurement model for insurance contracts, the general measurement model (GMM) which are based on a fulfilment objective and uses current assumptions The standards introduces a single, revenue recognition principle to affect services provided and is modified for certain contracts.

  The Company is assessing the impact that this standard will have on its 2023 financial statements.

4. Critical Accounting Estimates and Judgments in Applying Accounting Policies

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4.2 Impairment of financial assets

IFRS 9 is a forward-looking 'expected credit loss' (ECL) model. The impairment model applies to financial assets measured at amortised cost, debt investments at FVOCI and lease receivables.

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

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

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

4.3 Valuation of financial instruments

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

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

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

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

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

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

4.3 Valuation of financial instruments (continued)

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

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

Valuation Framework

The Company has an established control framework for the measurement of fair values. This framework includes the Board Committees who reports to the Board of Directors, and has an overall responsibility for independently verifying the results of trading and investment operations and all significant fair value measurements. Specific controls include:

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

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

Significant valuation issues are reported to the Board Audit and Risk Committee.

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

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

4.3 Valuation of financial instruments (continued)

Financial instruments measured at fair value

	Notes	Level 1	Level 2	Level 3	Total
		$'000	$'000	$'000	$'000
December 31, 2019					
Investment in associates	8	17,922	-	629,337	647,259
Investment in subsidiaries	9	-	-	2,583,173	2,583,173
Investment securities	10	924,040	1,611,344	1,450	2,536,834
Assets held for sale	18	-	7,366,844	-	7,366,844
December 31, 2018					
Investment in associates	8	8,343	-	629,337	637,680
Investment in subsidiaries	9	-	-	2,583,173	2,583,173
Investment securities	10	696,597	9,103,629	1,450	9,801,676

Level 2 fair value measurements

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

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

Level 3 fair value measurements

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

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

4.3 Valuation of financial instruments (continued)

	Investment in Associates $'000	Investment in Subsidiaries $'000	Investment Securities $'000
Balance at January 1	629,337	2,583,173	1,450
(Losses) gain in profit or loss	-	-	-
Impairment	-	-	-
Balance at December 31	629,337	2,583,173	1,450

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

	Investment in Associates $'000	Investment in Subsidiaries $'000	Investment Securities $'000
2019			
Total (losses) gains recognised in profit or loss:			
Impairment (losses) gains on financial assets	-	-	-

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

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

4.3 Valuation of financial instruments (continued)

Level 3 fair value measurements (continued)

Unobservable inputs used in measuring fair value

Investments in Associates

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

Unobservable inputs to valuation

	Valuation Technique	Significant Unobservable Inputs	Range
Investment in associates	Trading comparables	-	-
Investment in associates	Precedent comparable transactions	EBITDA	13.4x-15.9x
Investment in associates	Specific industry valuation metrics	Market trading range	-

Management made no adjustment to the CLWB valuation for 2019. The CLWB value was based mainly on the value of its investments on the Trinidad and Tobago stock exchange as at December 31, 2019.

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

4.3 Valuation of financial instruments (continued)

Level 3 fair value measurements (continued)

Unobservable inputs to valuation (continued)

Investments in Subsidiaries

The Company's investments in subsidiaries are stated at fair value and categorised as Level 3 of the fair value hierarchy. The total carrying value of these assets is $2.58 billion (2018: $2.58 billion), representing 17.40% (2018: 16.85%) of total assets. The Company has not disclosed a description of the valuation techniques and the quantitative information about significant unobservable inputs used in the fair value measurements as such disclosure would bring CLICO into contempt of a Court Order, however, the information has been presented to the Company's auditor. Disclosure of the valuation techniques and the quantitative information about significant unobservable inputs used in the fair value measurement is required by IFRS 13, 'Fair Value Measurement'.

Fair Value estimation of financial instruments not measured at fair value

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

Financial instruments not measured at fair value

	Notes	Level 1	Level 2	Level 3	Total Carrying Values
		$'000	$'000	$'000	$'000
December 31, 2019					
Assets					
Loans and other receivables	12	-	-	154,858	154,848
Short-term deposits	13	-	-	505,606	505,606
Liabilities					
Investment contracts	17	-	145,485	-	145,485
Liabilities directly associated with assets held for sale – Investment contracts	18	-	1,167,832	-	1,167,832
Debt securities issued	19	-	-	3,017,977	3,017,977

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

4.3 Valuation of financial instruments (continued)

Financial instruments not measured at fair value (continued)

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

4.4 Financial asset and liability classification

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

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

5. Insurance and Financial Risk Management

Introduction and overview

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

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

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

5. Insurance and Financial Risk Management (continued)

5.1 Risk management framework

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

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

There were significant improvements with the risk management framework which included the establishment of an Enterprise Risk Management (ERM) Risk Council, the endorsement of an Enterprise Risk Management Policy by the Board of Directors and the implementation of a program for Enterprise Risk Management. The ERM, Risk Council comprises of Senior Management and are members of the risk categories - Strategic Risk, Compliance, Governance, Insurance Operations, and Safety. In 2019, Management worked on ERM, Risk Council - OSH and Compliance whereby presentations were performed at the Strategic Leadership meetings and duly reported to the Board's Audit & Risk Committee and; Board status reports, policies and procedures were identified, developed and duly approved by the Board to reduce risks exposures.

CLICO's ERM is a continuous process whereby risks will be continuously reviewed and assessed by Management. In addition, CLICO's Risk Tolerance Levels and Internal Audit Corporate Risk Assessment are also reviewed and assessed annually.

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.

5. Insurance and Financial Risk Management (continued)

5.2 Insurance risk (continued)

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 and concentration of insurance risks

(a) Objectives of risk management

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

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

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

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

	2019	
Insured benefits per life $'000	**$'000**	**%**
0-200	3,775,432	70.33
201-400	1,116,399	20.80
401-800	294,261	5.48
801-1,000	92,488	1.72
More than 1,001	89,815	1.67
Total	5,368,395	100.00

	2018	
Insured benefits per life $'000	**$'000**	**%**
0-200	4,131,144	68.65
201-400	1,246,803	20.72
401-800	421,452	7.00
801-1,000	123,034	2.04
More than 1,001	95,399	1.59
Total	6,017,832	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 and concentration of insurance risks (continued)

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

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

	2019	
Annuities payable per annum per life	**$'000**	**%**
0-20,000	97,379	55.00
21,000-40,000	35,200	20.00
41,000-80,000	24,019	14.00
81,000-100,000	3,535	2.00
More than 101,000	15,600	9.00
Total	175,733	100.00

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

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

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

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

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

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

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

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

5. Insurance and Financial Risk Management (continued)

5.2 Insurance risk (continued)

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

(c) Guaranteed annuity options

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

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

(d) Reinsurance

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

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

5. Insurance and Financial Risk Management (continued)

5.2 Insurance risk (continued)

5.2.3 Short-duration life insurance contracts

(i) Frequency and severity of claims

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

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

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

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

5.3 Financial risk

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

5.3.1 Credit risk

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

5. Insurance and Financial Risk Management (continued)

5.3 Financial risk (continued)

5.3.1 Credit risk (continued)

Management of credit risk

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

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

5. Insurance and Financial Risk Management (continued

5.3 Financial risk (continued)

5.3.1 Credit risk (continued)

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

Definition of default

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

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

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

5. Insurance and Financial Risk Management (continued)

5.3 Financial risk (continued)

5.3.1 Credit risk (continued)

Credit risk table

	Carrying Amounts		
	Exposure Default	Expected Credit Loss	Total
	$'000	$'000	$'000
As at December 31, 2019			
Other Financial Assets			
Stage 1 (Performing)	1,375,849	(1,122)	1,374,727
Stage 2 (Underperforming)	8,533,471	(4,520)	8,528,951
Stage 3 (Non-Performing)	1,223,676	(1,223,676)	-
	11,132,996	(1,229,318)	9,903,678
Due from Related Parties			
Stage 1 (Performing)	-	-	-
Stage 2 (Underperforming)	-	-	-
Stage 3 (Non-Performing)	4,596,053	(4,596,053)	-
	4,596,053	(4,596,053)	-
Loans and Other Receivables			
Stage 1 (Performing)	2,550	-	2,550
Stage 2 (Underperforming)	134,101	(9,443)	124,658
Stage 3 (Non-Performing)	422,997	(395,347)	27,650
	559,648	(404,790)	154,858
Bank and Short-term Deposits			
Stage 1 (Performing)	826,177	-	826,177
Total	17,114,874	(6,230,161)	10,884,713

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

5. Insurance and Financial Risk Management (continued)

5.3 Financial risk (continued)

5.3.1 Credit risk (continued)

Impairments

	Impairment as at December 31, 2018	ECL Impairment Gain/(Loss)	Current year Impairment (Increase)/Decrease	Impairment as at December 31, 2019
	$'000	$'000	$'000	$'000
Other financial assets	(1,169,482)	683	-	(1,168,799)
Due by Related Parties	(3,194,285)	-	-	(3,194,285)
Loans and Receivables	(420,492)	-	15,702	(404,790)
Bank and Due to related parties	(456,542)	-	-	(456,542)
	(5,240,801)	683	15,702	(5,224,416)

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

During the year, $4.2M (2018: $3.4M) was written off in loans and receivables.

5. Insurance and Financial Risk Management (continued)

5.3 Financial risk (continued)

5.3.1 Credit risk (continued)

Concentrations of credit risk

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

	Investment in associates		Investment in subsidiaries		Investment in securities		Loans and receivables	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Concentration by sector:								
Corporate	647,259	637,680	2,583,173	2,583,173	919,848	691,723	1,949	4,186
Government	-	-	-	-	1,616,986	9,109,953	130,498	144,677
Other	-	-	-	-	-	-	22,411	218,118
	647,259	637,680	2,583,173	2,583,173	2,536,834	9,801,676	154,858	366,981

5.3.2 Liquidity risk

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

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, financial assets and insurance liabilities.

Maturity analysis for non-derivative cash flows

As at December 31, 2019

Contractual undiscounted cash flows

	Within 1 Year $'000	1-5 Years $'000	Over 5 Years $'000	Total $'000	Carrying Values $'000
Financial liabilities					
Investment contracts	145,485	-	-	145,485	145,485
Liabilities directly associated with assets held for sale (Note 18)	1,167,832	-	-	1,167,832	1,167,832
Debt securities issued*	-	3,049,806	-	3,049,806	3,017,977
Due to related parties	68,956	-	-	68,956	68,956
Accounts payable*	592,404	-	-	592,404	624,233
Total financial liabilities	1,974,677	3,049,806	-	5,024,483	5,024,483
Financial assets					
Investment in associates	-	-	647,259	647,259	647,259
Investment in subsidiaries	-	2,583,173	-	2,583,173	2,583,173
Investment securities	91,810	922,608	1,522,416	2,536,834	2,536,834
Loans and other receivables	-	1,636	153,222	154,858	154,858
Assets held for sale (Note 18)	7,581,000	-	-	7,581,000	7,581,000
Cash and cash equivalents	826,177	-	-	826,177	826,177
Total financial assets	8,498,987	3,507,417	2,322,897	14,329,301	14,329,301

5. Insurance and Financial Risk Management (continued)

5.3 Financial risk (continued)

5.3.2 Liquidity risk (continued)

Maturity analysis for non-derivative cash flows (continued)

As at December 31, 2019

Expected undiscounted cash flows

	Within 1 Year $'000	1-5 Years $'000	Over 5 Years $'000	Total $'000	Carrying Values $'000
Ordinary life	933,423	-	-	933,423	607,485
FPA	4,614,118	-	-	4,614,118	3,001,808
Annuities	4,048,612	-	-	4,048,612	2,737,912
Long-term insurance	9,596,153	-	-	9,596,153	6,347,205
Short-term insurance	24,142	-	-	24,142	24,142
Claims admitted or intimated but not yet paid	187,235	-	-	187,235	187,235
Liabilities directly associated with assets held for sale (Note 18)	(6,558,582)	-	-	(6,558,582)	(6,558,582)
Total	3,248,948	-	-	3,248,948	-

As at December 31, 2018

Contractual undiscounted cash flows

	Within 1 Year $'000	1-5 Years $'000	Over 5 Years $'000	Total $'000	Carrying Values $'000
Financial liabilities					
Investment contracts	18,501	-	979,395	997,896	1,665,526
Debt securities issued*	-	4,033,975	-	4,033,975	3,973,984
Due to related parties	74,229	-	-	74,229	74,229
Accounts payable*	352,009	-	-	352,009	412,000
Total financial liabilities	444,739	4,033,975	979,395	5,458,109	6,125,739
Financial assets					
Investment in associates	-	-	637,680	637,680	637,680
Investment in subsidiaries	-	2,583,173	-	2,583,173	2,583,173
Investment securities	2,258	737,669	9,061,749	9,801,676	9,801,676
Loans and other receivables	4,799	4,036	358,146	366,981	366,981
Cash and cash equivalents	1,421,746	-	-	1,421,746	1,421,746
Total financial assets	1,428,803	3,324,878	10,057,575	14,811,256	14,811,256

5. Insurance and Financial Risk Management (continued)

5.3 Financial risk (continued)

5.3.2 Liquidity risk (continued)

Maturity analysis for non-derivative cash flows (continued)

As at December 31, 2018 (continued)

Expected undiscounted cash flows

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

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, 2019				
Financial liabilities				
Mutual Fund obligations	41,011	-	-	41,011
As at December 31, 2018				
Financial liabilities				
Mutual Fund obligations	39,470	-	-	39,470

* Included in the carrying values of accounts payable is accrued interest on debt securities issued of $31,829 (2018 - $59,991). For the purposes of disclosing the undiscounted cash flows, the accrued interest is included in the debt securities issued.

5. Insurance and Financial Risk Management (continued)

5.3 Financial risk (continued)

5.3.3 Market risk

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

Management of market risk

During 2019, the management of market risk was undertaken mainly at the management committee level. The financial impact from changes in market risk (such as interest rates, equity prices and property values) was reviewed at the reporting date. The sensitivity of capital and Company earnings to changes in economic conditions was analysed through sensitivities to investment returns and asset values at the reporting date.

- *Equity price risk*

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

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

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

- *Interest rate risk*

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

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

5. Insurance and Financial Risk Management (continued)

5.3 Financial risk (continued)

5.3.3 Market risk (continued)

Management of market risk (continued)

Interest rate risk

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

	Up to 1 Year $'000	1 to 5 Years $'000	Over 5 Years $'000	Non-Interest Bearing $'000	Total $'000
As at December 31, 2019					
Assets					
Property, plant and equipment	-	-	-	70,468	70,468
Investment properties	-	-	-	363,763	363,763
Investments in associates	-	-	-	647,259	647,259
Investments in subsidiaries	-	-	-	2,583,173	2,583,173
Investment securities	91,810	922,608	602,568	919,848	2,536,834
Loans and other receivables	-	1,636	-	153,222	154,858
Assets held for sale (Note 18)	7,688,277	-	-	-	7,688,277
Deferred tax assets	-	-	-	21,035	21,035
Cash and cash equivalents	826,177	-	-	-	826,177
Total financial assets	8,606,264	924,244	602,568	4,758,768	14,891,844
Liabilities					
Insurance contracts	-	-	-	-	-
Investment contracts	145,485	-	-	-	145,485
Liabilities directly associated with assets held for sale (Note 18)	7,726,414	-	-	-	7,726,414
Debt securities issued	-	-	3,017,977	-	3,017,977
Due to related parties	-	-	-	68,956	68,956
Mutual fund obligation	-	-	-	41,011	41,011
Accounts payable	-	-	-	624,233	624,233
Taxation	44,682	-	-	-	44,682
Total financial liabilities	7,916,581	-	3,017,977	734,200	11,668,758
Periodic GAP	**689,683**	**924,244**	**(2,415,409)**	**4,024,568**	**3,223,086**
Cumulative GAP	**689,683**	**1,613,927**	**(801,482)**	**3,223,086**	**-**
As at December 31, 2018					
Total financial assets	1,428,803	741,705	8,562,322	4,622,642	15,355,472
Total financial liabilities	233,813	79,816	7,682,945	4,686,973	12,683,547
Periodic GAP	**1,194,990**	**661,889**	**879,377**	**(64,331)**	**2,671,925**
Cumulative GAP	**1,194,990**	**1,856,879**	**2,736,256**	**2,671,925**	**-**

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

5. Insurance and Financial Risk Management (continued)

5.3 Financial risk (continued)

5.3.3 Market risk (continued)

Management of market risk (continued)

- *Currency risk*

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

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

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

	TT $'000	US $'000	Other $'000	Total $'000
As at December 31, 2019				
Assets				
Property, plant and equipment	70,468	-	-	70,468
Investment properties	363,763	-	-	363,763
Investments in associates	17,922	-	629,337	647,259
Investments in subsidiaries	-	2,583,173	-	2,583,173
Investment securities	1,622,933	911,012	2,889	2,536,834
Loans and other receivables	122,152	32,572	134	154,858
Assets held for sale (Note 18)	7,688,277	-	-	7,688,277
Deferred tax assets	21,035	-	-	21,035
Cash and cash equivalents	267,712	557,484	981	826,177
Total financial assets	10,174,262	4,084,241	633,341	14,891,844
Liabilities				
Insurance contracts	-	-	-	-
Investment contracts	145,485	-	-	145,485
Liabilities directly associated with assets held for sale (Note 18)	7,726,414	-	-	7,726,414
Debt securities issued	3,017,977	-	-	3,017,977
Due to related parties	34,211	34,745	-	68,956
Mutual fund obligation	41,011	-	-	41,011
Accounts payable	624,233	-	-	624,233
Taxation	44,682	-	-	44,682
Total financial liabilities	11,634,013	34,745	-	11,668,758
Net position	(1,459,751)	4,049,496	633,341	3,223,086

5. Insurance and Financial Risk Management (continued)

5.3 Financial risk (continued)

5.3.3 Market risk (continued)

As at December 31, 2018	TT $'000	US $'000	Other $'000	Total $'000
Total financial assets	10,445,540	4,258,454	651,478	15,355,472
Total financial liabilities	12,648,802	34,745	-	12,683,547
Net position	(2,203,262)	4,223,709	651,478	2,671,925

5.3.3.1 Market risk sensitivity analysis

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

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

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

Sensitivity factor	Description of sensitivity factor applied
Exchange rates	A 5% change in the TT$/US$ foreign exchange rate would have the following impact on net assets and net income for the period. Any changes will have an impact on the net profit of the Company as changes are recognised in profit or loss.

	5% increase in TT/US rate TT$'000 $	5% decrease in TT/US rate TT$'000 $
December 31, 2019		
Impact on profit or loss	27,766	(27,766)
Impact on equity	174,709	(174,709)

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)

	5% increase in TT/US rate TT$'000 $	5% decrease in TT/US rate TT$'000 $
December 31, 2018		
Impact on profit or loss	33,376	(33,376)
Impact on equity	177,809	(177,809)

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 a immediate change to 4% and 6%).	Effective interest rate for financial assets used was 4% whilst the rate for financial liability was 10%.
Equity	The impact of a change in equity market values by + or – 10%.	All equity movements in the financial assets at fair value through profit or loss affect income whereas available-for-sale asset revaluation affects OCI. All equity market movements affect only quoted equity stock.

5. Insurance and Financial Risk Management (continued)

5.3 Financial risk (continued)

5.3.3 Market risk (continued)

5.3.3.1 Market risk sensitivity analysis (continued)

Impact on	Interest Rates Rise 100 bps	Interest Rates Fall 100 bps	Equity Prices Rise 10%	Equity Prices Fall 10%
	$'000	$'000	$'000	$'000
Sensitivities as at December 31, 2019				
Profit or loss	(8,015)	8,015	132,696	(132,696)
Equity	8,015	(8,015)	323,043	(323,043)
Sensitivities as at December 31, 2018				
Profit or loss	28,155	(28,155)	109,952	(109,952)
Equity	(28,155)	28,155	322,085	(322,085)

5.4 Operational risk

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

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

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

5.5 Capital management

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

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

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, 2019						
Opening net book value	81,182	30,313	128	3,152	298	115,073
Additions	-	542	576	-	-	1,118
Adjustments	3,942	-	-	-	-	3,942
Revaluation	18,352	-	-	-	-	18,352
Disposals	-	-	-	(1,283)	-	(1,283)
Assets held for sale (Note 18)	(63,177)	-	-	-	-	(63,177)
Depreciation charge	(1,300)	(1,869)	(93)	-	(295)	(3,557)
Closing net book value	38,999	28,986	611	1,869	3	70,468
At December 31, 2019						
Cost or valuation	42,977	168,434	1,945	1,869	61,859	277,804
Accumulated depreciation	(3,978)	(139,448)	(1,334)	-	(61,856)	(206,616)
Closing net book value	38,999	28,986	611	1,869	3	70,468
Year ended December 31, 2018						
Opening net book value	111,227	31,421	160	3,152	767	146,727
Additions	-	1,061	-	-	-	1,061
Revaluation	(28,076)	-	-	-	-	(28,076)
Depreciation charge	(1,969)	(2,169)	(32)	-	(469)	(4,639)
Closing net book value	81,182	30,313	128	3,152	298	115,073
At December 31, 2018						
Cost or valuation	104,350	167,892	1,369	3,152	61,859	338,622
Accumulated depreciation	(23,168)	(137,579)	(1,241)	-	(61,561)	(223,549)
Closing net book value	81,182	30,313	128	3,152	298	115,073

During the year, land and buildings were valued using the income approach by G.A. Farrell & Associates Limited and Lindon Scott. The surplus of $18,352 (2018: Loss - $28,076) arising from these revaluations was credited (2018: debited) to valuation reserve.

An adjustment in the amount of $3,942,000.00 was made for the correction of accumulated depreciation for asset no longer apart of the asset portfolio.

Measurement of fair value

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

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

6. Property, Plant and Equipment (continued)

Valuation technique and significant unobservable inputs

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

Valuation Technique	Significant Unobservable Inputs	Inter-relationship between key unobservable inputs and fair value measurement.
		The estimated fair value would increase (decrease) if:
The Income Approach by direct capitalisation is based on the principle that the value of a property is indicated by the net return to the property, or what is also known as the present worth of future benefits. The future benefits of income-producing properties is net income before debt service and depreciation, derived by a projection of income and expense, along with any expected reversionary proceeds from a sale. In direct capitalization, net operating income is divided by an overall rate to indicate a value.	In most instances, vacancy levels (voids) were estimated at 10% of the gross potential income	The allowance for voids was smaller (larger)
	In instances where we estimated building expenses, 15% of gross income was used	The allowance for building expenses (outgoings) was smaller (larger)
	Capitalization rates (net all-risks yield) was estimated between 8.5%-10%	The direct capitalization rate was lower (higher)
The Investment Approach is also referred to as the Income Capitalization Approach. You arrive at the value of real estate by multiplying the rent by a factor. The logic here is that the value of real estate is determined by how much rent you can get from it. It follows therefore that the higher the rent, the higher the value.	In most instances, vacancy levels (voids) were estimated at 10% of the gross potential income	The allowance for voids was smaller (larger)
	The yield levels were estimated to be between 8-10%	The yield levels were lower (higher)
The Market Approach is a valuation method is used to find the value of a property by comparing it to other similar properties that have sold recently.	In most instances, property value were estimated at 10% - 15% of comparable properties sold	The comparatives were lower (higher)
The Residual Approach uses direct capitalization was developed in order to evaluate the highest and best use for a particular piece of land. According to this technique, if the proposed use of the property is its highest and best use, the value of the building should equal the cost of construction.	Capitalization rates (net all-risks yield) was estimated between 8.5%-10%	The direct capitalization rate was lower (higher)

7. Investment Properties

	2019 $'000	2018 $'000
At beginning of year	407,338	427,760
Gain (loss) on revaluation of investment properties	525	(19,247)
Disposals	-	(1,175)
	407,863	407,338
Assets held for sale (Note 18)	(44,100)	-
At end of year	363,763	407,338

Rental income arising from the investment properties owned by the Company amounted to $18.3 million (2018: $19.4 million).

8. Investments in Associates

	% Shareholdings 2019	% Shareholdings 2018	2019 $'000	2018 $'000
Fair value through other comprehensive income				
Quoted at fair value				
L.J. Williams Limited – Class A 3,498,956 shares of no par value	21	23	17,922	8,343
Total quoted at fair value			17,922	8,343
Unquoted at fair value				
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	40	40	629,333	629,333
IBIS Caroni (Cayman) Limited 3,675 shares of no par value	49	49	1	1
IBIS Cedar (Cayman) Limited 5,726 shares of no par value	49	49	1	1

8. Investments in Associates (continued)

	% Shareholdings 2019	% Shareholdings 2018	2019 $'000	2018 $'000
Unquoted at fair value				
IBIS Kapok (Cayman) Limited 612 shares of no par value	49	49	1	1
Total unquoted at fair value			629,337	629,337
Total investments in Associates			647,259	637,680

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

	2019 $'000	2018 $'000
Non-current assets	580,848	566,749
Current assets	60,965	64,171
Non-current liabilities		-
Current liabilities	-	(8,024)
Net assets	641,813	622,896
Company's share of net assets (40%)	256,725	261,616

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

9. Investment in Subsidiaries

	% Shareholdings 2019	% Shareholdings 2018	2019 $'000	2018 $'000
Fair value through other comprehensive income				
CL Infinity (BVI) Limited 10 shares of no par value	100	100	1	1
Methanol Holdings International Limited 5,653,700 shares of no par value	56.53	56.53	2,583,172	2,583,172
Total			2,583,173	2,583,173

10. Investment Securities

	2019 $'000	2018 $'000
Fair value through other comprehensive income		
Unquoted equity securities	1,451	1,451
Quoted equity securities	1,002,076	696,596
Government securities - Bonds	7,755,308	7,846,503
Investments in escrow	284,094	-
	9,042,929	8,544,550
Managed Funds' assets at fair value through profit or loss		
Government and corporate securities	938,787	1,257,126
	9,981,716	9,801,676
Assets held for sale (Note 18)	(7,366,844)	-
Total	2,614,872	9,801,676

Not disclosed above are debt securities comprising bonds issued by CL Financial Limited (CLF), the Parent Company, of $476 million (2018: $476 million) and a bond issued by CLICO Investment Bank Limited, a fellow subsidiary, of $346 million (2018: $346 million). These amounts are deemed to have a fair value of nil.

Investments in escrow represent restricted instruments awaiting final adjudication of a court matter where CLICO and CLF engaged RBL to serve as an escrow agent. These funds are not expected to be accessible in the short term. These investments held in escrow were subsequently released following a Court ruling (See Note 36 (c)).

10. Investment Securities (continued)

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

	Fair value through other comprehensive income $'000	Fair value through profit or loss $'000	Total $'000
At December 31, 2018	8,544,550	1,257,126	9,801,676
Purchases	4,501	-	4,501
Disposals	(339,294)	(17,500)	(356,794)
Reclassifications (a)	332,508	(332,508)	-
Fair value gains	422,626	31,669	454,295
Assets held for sale (Note 18)	(7,366,844)	-	(7,366,844)
At December 31, 2019	1,598,047	938,787	2,536,834

(a) During the year, the Company transferred investments from FVTPL to FVOCI to account for the assets that would be transferred to the trustees of the Managed Fund plan that was wound up in 2019.

(b) The investment securities at fair value through profit or loss are held in internally managed funds to match against managed funds (Note 17) of $721 million (2018: $1,039 million).

11. Due from Related Parties

	2019 $'000	2018 $'000
Parent company	1,619,398	1,619,398
Subsidiary companies	50,649	50,649
Fellow subsidiary and associates	728,733	728,733
	2,398,780	2,398,780
Provision for impairment	(2,398,780)	(2,398,780)
	-	-

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

12. Loans and Other Receivables

	2019 $'000	2018 $'000
Accrued investment income	136,651	149,241
Sundry debtors and prepayments	39,535	24,013
Promissory notes	362,732	362,732
Mortgages	20,730	32,667
Policy loans	214,156	218,820
	773,804	787,473
Provision for impairment	(404,790)	(420,492)
	369,014	366,981
Assets held for sale (Note 18)	(214,156)	-
	154,858	366,981

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

	Promissory Notes $'000	Mortgages $'000	Policy Loans $'000	Rental Income $'000	Total $'000
As at December 31, 2018	362,489	30,042	25,152	2,809	420,492
Write back	-	-	(15,709)	-	(15,709)
Write off	-	-	-	7	7
As at December 31, 2019	362,489	30,042	9,443	2,816	404,790

13. Bank and Short-term Deposits

	2019 $'000	2018 $'000
Deposits maturing more than three months	171,547	252,427
Deposits maturing less than three months	334,059	485,726
Cash at bank	320,571	683,593
	826,177	1,421,746

In 2019, $65.6 million (2018: $36.7 million) of bank and short-term deposits were pledged against Managed Funds (Note 17).

Restricted Cash

The cash at bank disclosed above includes $78 million in escrow which is held by Republic Bank Limited. This deposit is subject to regulatory restrictions and is therefore not available for general use by the company. Note 36 (c) describes the circumstances under which the funds were released subsequent to year end.

14. Share Capital

	2019 $'000	2018 $'000
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

Holders of these shares are entitled to dividends as declared from time to time. However, as a result of Central Bank intervention, and the issue of the redeemable preference shares, the Company cannot make dividend payments to ordinary shareholders until the full discharge of the obligation to repay all of the preference shares.

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

15. Valuation Reserves

	Managed Funds $'000	Marketable Securities $'000	Land and Buildings $'000	Total $'000
Year ended December 31, 2019				
Balance at December 31, 2018	179,095	1,416,797	96,471	1,692,363
Items that will not be reclassified to profit and loss				
Equity investments at FVOCI				
Net change in fair value	-	198,047	-	198,047
Items that are or may be reclassified subsequently to profit and loss				
Debt investments at FVOCI				
Net change in fair value	-	51,952	2,628	54,580
Fair value gains- Tax	-	(2,798)	-	(2,798)
Net movement in Trustee's units held in Managed Funds	-	-	-	-
Net change in fair value arising from assets held for sale	(25,522)	186,457	15,724	176,659
Balance at December 31, 2019	153,573	1,850,455	114,823	2,118,851
Year ended December 31, 2018				
Balance at December 31, 2017	185,509	3,352,318	124,547	3,662,374
Items that will not be reclassified to profit and loss				
Equity investments at FVOCI				
Net change in fair value	-	(1,932,377)	-	(1,932,377)
Items that are or may be reclassified subsequently to profit and loss				
Debt investments at FVOCI				
Net change in fair value	(28,305)	(3,144)	(28,076)	(59,525)
Net movement in Trustee's units held in Managed Funds	21,891	-	-	21,891
Balance at December 31, 2018	179,095	1,416,797	96,471	1,692,363

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

16. Insurance Contracts

	2019 $'000	2018 $'000
Long-term Insurance Contracts - Note 16.3 (a)	6,363,593	6,399,057
Short-term Insurance Contracts - Note 16.3 (b)	7,753	7,940
	6,371,346	6,406,996
Claims admitted or initiated but not yet paid	187,236	32,060
	6,558,582	6,439,057
Liabilities directly associated with assets held for sale (Note 18)	(6,558,582)	-
Total policyholders' liabilities	-	6,439,057

16.1 Actuarial valuation

The Company's Consulting Actuary, Oliver Wyman, in their report dated July 21, 2020, stated that the aggregate amount of the liabilities of the Company in relation to its long-term insurance business and investment contracts (which includes EFPA Investments, Managed Funds and Deposit Administration Contracts (Note 17)) registered in Trinidad and Tobago as at December 31, 2019 amounted to $7.871 million (2018: $8.086 million) and does not exceed the aggregate value (as provided by the Company) of the Statutory Fund assets (see Note 36).

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

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

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

(a) Process used to decide on assumptions

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

16. Insurance Contracts (continued)

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

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

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

Mortality

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

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

Lapses

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

Interest rates

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

i. Projected investment income from and market values of all assets in the Statutory Fund at December 31, 2019
ii. Margined liability cash flows at December 31, 2019
iii. Trinidad and Tobago Treasury yield curve as at December 31, 2019
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, 2019 are meant to support the policy liabilities for Ordinary Long-term Insurance Business, EFPA, GAP and GAAPP.

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

16. Insurance Contracts (continued)

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

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

Expenses

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

Morbidity assumptions

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

(b) *Change in assumptions*

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

Assumption	Change in Assumption	Reason for Assumption Change	Increase (Decrease) in Policy Liabilities	Percentage of Change (as % of total liabilities)
			($000's)	
Guaranteed Option of FPA	Updated assumptions and implement new model	Incorporate new mortality assumptions and implement new model	34,007	0.43%
Annuitant Mortality	Change in mortality multiple	Update historical mortality improvement	34,203	0.43%
Annuitant Mortality improvement	Grade mortality improvement rate between attained age group	Reflect WHO mortality improvement	(10,868)	(0.14%)
FPA Premium Persistency	Implement premium persistency vector	Updated Persistency study	(9,227)	(0.12%)
UL Premium Persistency	Update premium persistency vector	Updated Persistency study	10,767	0.14%

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**	**Percentage of Change (as % of total liabilities)**
Life mortality	Lower mortality multiple from 72% to 65%	Updated Mortality Study performed	(20,494)	(0.26%)
Per Policy Expense	-3% in unit expense	Updated expenses study performed	(5,673)	(0.07%)
Interest Rates	Decrease in interest rates for OL and annuities	Lower Observed Asset Returns, Lower C3	18,835	0.24%
FPA Lapse Rates	Registered from 1.23% to 1.09%, Unregistered from 3% to 3.21%	Updated lapse study performed	(1,506)	(0.02%)
Life (OL & UL) Lapse Rates	UL +0.2% and Trade +0.3%	Updated lapse study performed	625	0.01%
Add Multiflex commission	Reflect trailer commissions	Reflect on company experience	1,245	0.02%
Model Refinement	Bulk adjustment	Bulk adjustment	1,276	0.02%
Deferred annuity methodology change	Change in valuation method for deferred annuitant who deferred retirement	Explicit valuation of deferred annuitants	11,724	0.15%

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, 2019

Variable	Change in Variable	Increase (Decrease) in Policy Liabilities	Change
		$'000	%
Parallel shift of valuation	100 basis points	981,565	15.37
Change in per-policy maintenance expense	10%	48,557	.76
Change in rate of inflation	100 basis points	54,298	.85
Reduction in lapse rate	100 basis points	109,672	1.72
Increase in lapse rate	100 basis points	-	-
Change in mortality rate	10%	30,684	.48

As at December 31, 2018

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

16. Insurance Contracts (continued)

16.3 Movement in insurance liabilities

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

	2019 $'000	2018 $'000
At beginning of year	6,399,057	6,876,907
Impact of In force movement	(47,987)	(12,000)
Impact of Assumption change	53,192	2,150
Impact of Correction and Model Refinement	(40,669)	(468,000)
At end of year	6,363,593	6,399,057

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

	2019 $'000	2018 $'000
At beginning of year	7,940	5,294
Other movements	(187)	2,646
At end of year	7,753	7,940

17. Investment Contracts

	2019 $'000	2018 $'000
Managed Funds (Note 10)	721,075	1,066,266
Deposit administration contracts	446,757	453,424
EFPA Investment Contracts	145,485	145,836
	1,313,317	1,665,526
Liabilities directly associated with assets held for sale (Note 18)	(1,167,832)	-
	145,485	1,665,526

17. Investment Contracts (continued)

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

EFPAs

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

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

Managed Funds

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

	2019 $'000	2018 $'000
Government securities (Note 10)	938,787	1,257,126
Cash and cash equivalents	65,566	36,688
	1,004,353	1,293,814

18. Assets Held for Sale

	2019 $'000
Assets Held for Sale	
Property Plant and Equipment	63,177
Investment Properties	44,100
Government Securities - Bonds	7,366,844
Loans and receivables	214,156
	7,688,277

	2019 $'000
Liabilities directly associated with assets held for sale	
Insurance contracts	6,558,582
Investment contracts	1,167,832
	7,726,414

The major classes of assets and liabilities classified as held for sale are presented above at their respective carrying amounts as at December 31, 2019. These amounts are not reflective of what the carrying amounts would be on the effective dates that the assets are sold. Upon determination of liabilities related to the insurance and investment contracts on the effective date of sale by the appointed actuary, the Company is required to allocate assets as required to cover the entire amount of the liability.

CLICO entered into a Sale and Purchase Agreement (SPA) with Sagicor in September 2019 for the purchase of its Traditional Insurance Portfolio. The effective date of the transfer is dependent on regulatory approval from the Central Bank and the outcome of a Judicial Review (Note 36 (c)) application filed in the Supreme Court of Trinidad and Tobago. The SPA contemplates that the transfer take place within a period of two years from September 30, 2019. As at December 31, 2019, the process is at the due diligence stage with several more steps to go before regulatory approval is requested by the parties. CLICO is obligated to maintain and manage the Traditional Insurance Portfolio (in its own name and at its own risk) until the transfer takes place. The SPA allows for the parties to exit the contract by mutual agreement as well as by either party if the other party fails to fulfil stipulated terms as outlined in the SPA. CLICO remains fully committed to the sale of the portfolio and the execution of the signed SPA. Directives to sell the Asset from the Central Bank as Controller of CLICO under S.44D has not changed; and CLICO's Resolution Plan still remains in effect.

CLICO has also entered into Sale Agreements for the sale to various entities of four properties comprising three Investment Properties and one Owner Occupied Property.

18. Assets Held for Sale (continued)

	Notes	2019 $'000
Balances associated with assets held for sale disclosed in the Statement of Profit or Loss and Other Comprehensive Income		
Investment income		359,962
Loss on sale of investments and other assets	26	(13,733)
Net fair value gain on assets at fair value through profit or loss		38,072
Loss on trading managed funds units		(6,952)
Administration and asset management fees		6,584
Net results from investing activities		383,933
Expenses for administration		(3,903)
Investment contract movements	28	(35,864)
Revaluation loss on managed funds liabilities		(38,072)
Operating expenses		(77,839)
Operating profit before tax		306,094
Taxation		(1,062)
Net single line disclosure in the Statement of Profit or Loss		305,032
Net results from insurance activities		(223,305)
Other comprehensive income		156,674
Net total		238,401

18. Assets Held for Sale (continued)

	2019 $'000
Cash flows from assets held for sale	
Operating profit before taxation	306,094
Adjustments for:	
Depreciation	2,390
Bad debts	(11,492)
Investment income	(359,962)
Change in actuarial valuation	(29,107)
Gain on trading Managed Funds units	(7,435)
Shareholders' funds transferred to Managed Funds	19,985
Fair value loss gain through profit or loss	(31,669)
Operating loss before changes in working capital	(111,196)
Changes in:	
- Investment Contracts	29,875
- Loans and receivables	452
- Accounts payable	(305)
Taxes paid	(1,848)
Net cash used in from operating activities	(83,022)
CASH FLOW FROM INVESTING ACTIVITIES	
Interest received	367,142
Purchase of investing	6,371
Purchase of escrow	(78,038)
Net cash from investing activities	295,475
Cash and cash equivalents generated	212,453

	2019	2018
	$'000	$'000
19. Debt Securities Issued		
Redeemable preference shares	3,017,977	3,973,984

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

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

	2019	2018
	$'000	$'000
20. Due to Related Parties		
Current accounts with related parties are as follows:		
Affiliates	68,956	74,229

The balance due to affiliates are unsecured and interest free.

21. Mutual Fund Obligations

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

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

The Company has a mutual fund obligation liability of $41 million at the reporting date (2018: $39.5 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 2019 continues to be based on the level of acceptance 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.

No management fee was accrued for 2019 (2018: $NIL).

22. Accounts Payable

	2019 $'000	2018 $'000
Due to GORTT	31,828	59,991
Other payables	201,707	352,009
Managed Fund	390,698	-
	624,233	412,000

In 2019, one of the Managed Fund plans was wound up effective September 30, 2019 and the plan was removed from the Managed Fund. CLICO awaits final direction for the distribution of the funds from the trustees for that plan.

23. Net Insurance Premium Revenue

	2019 $'000	2018 $'000
Insurance premium revenue		
Long-term insurance contracts	146,385	142,779
Short-term insurance contracts	70,855	85,911
	217,240	228,690
Insurance premium ceded to reinsurers		
Long-term reinsurance contracts	(3,685)	(1,719)
Short-term reinsurance contracts	(3,445)	(6,603)
	(7,130)	(8,322)
Net insurance premium revenue	210,110	220,368

24. Insurance Benefits and Claims

	2019 $'000	2018 $'000
Long-term insurance contracts		
- Death, maturity and surrender benefits	70,876	38,556
- Pensions and lump sum benefits	345,968	321,138
- Other terminations	850	699
	417,694	360,393
Short-term insurance contracts		
- Health benefits	30,928	28,504
- Death claims	17,346	158,651
	48,274	187,155
Net insurance benefits and claims	465,968	547,548

25. Investment Income

	2019 $'000	2018 $'000
Net income from financial instruments designated at FVTPL		
Short-term deposits	-	52
Corporate securities	60	240
Government securities	-	20,419
Net income from financial instruments measured at FVOCI		
Short-term deposits	7,368	12,446
Government securities	68,257	431,369
Loans and advances	2,211	7,200
Income reversed on Lapse loans	(6,552)	(165)
Equities	132,887	454,843
Rental income (net)	7,609	9,819
Other income		
Bank accounts	2	2
Other income	140	159
	211,982	936,384

26. Loss on Sale of Investments and Other Assets

	2019 $'000	2018 $'000
Property, plant and equipment	-	(1,100)
Government securities	(13,733)	(12,366)
	(13,733)	(13,466)
Assets held for sale (Note 18)	13,733	-
	-	(13,466)

27. Expenses for Administration

	2019 $'000	2018 $'000
Employee costs	24,131	24,227
Marketing	27	130
Professional fees	20,270	29,701
Depreciation	2,894	4,639
Directors fees	399	480
Repairs and maintenance	3,806	4,317
Bad debts	(9,546)	41,985
Withholding tax	2,702	-
Other expenses	(25,467)	(38,824)
	19,216	66,655

Other expenses includes an amount of $44.5 million representing a write back of prior year expenses This includes Bad debts written back of $15 million for policy loans.

28. Investment Contract Movements

	2019 $'000	2018 $'000
Deposit Administration funds	10,633	10,715
Managed Funds	20,455	16,509
Movement in EFPA valuation		
- Due to policyholders not accepting GORTT offer	4,776	4,607
	35,864	31,831
Assets held for sale (Note 18)	(35,864)	-
	-	31,831

29. Finance Costs

	2019 $'000	2018 $'000
Interest on debt securities	148,006	215,610
Other finance costs, net	314	356
	148,320	215,966

30. Taxation

	2019 $'000	2018 $'000
Current tax	4,388	39,051
Prior year tax	-	913
Green Fund levy	820	2,742
	5,208	42,706
Deferred tax	(2,026)	(1,934)
Tax expense for the year	3,182	40,772

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

	2019 $'000	2018 $'000
(Loss)Profit before taxation	(178,160)	2,654,845
Tax calculated at the statutory rate of 30% (2018: 30%)	-	796,454
Tax effect of different tax rates on lines of business	279	(28,361)
Tax effect of income not subject to tax	(34,287)	(280,186)
Tax effect of expenses not deductible	6,672	16,838
Utilisation of prior year tax losses	-	(480,925)
Green Fund levy	820	2,742
Prior year tax under accruals	-	913
Other differences	29,698	13,297
Tax charge	3,182	40,772

31. Related Party Balances and Transactions

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

	2019 $'000	2018 $'000
Statement of Financial Position - Assets		
Fellow subsidiary companies		
Investment in associates	611,416	620,995
Loans and other receivables –accrued investment income	326	326
Associated companies		
Investment in associates	17,922	8,343
Subsidiary companies		
Investment in subsidiaries	2,612,006	2,612,006
Government		
Investment securities	7,760,950	7,852,827
Financial assets at fair value through profit or loss	938,786	1,257,126
Total related party assets *(carried forward)*	11,941,406	12,351,623

*Included in investment securities is $7,366,844 (2018:NIL) held for sale (see Note 18).

31. Related Party Balances and Transactions (continued)

	2019 $'000	2018 $'000
Total related party assets (brought forward)	11,941,406	12,351,623
Statement of Financial Position - Liabilities		
Government		
Debt securities issued	3,017,977	3,973,984
Accounts payable	31,828	59,991
Fellow subsidiary companies		
Due to related parties	68,958	74,229
Other related parties		
Mutual fund obligation	41,011	39,470
Total related party liabilities	3,159,774	4,147,674
Net assets with related parties	8,781,632	8,203,949
Statement of Profit or Loss and Other Comprehensive Income - Income		
Fellow subsidiary companies		
Premiums	7,531	7,515
Investment income – dividends received	106,646	381,635
Associated companies		
Investment income – dividends received	316	456
Total income from related parties (carried forward)	114,493	389,606

	2019 $'000	2018 $'000
31. Related Party Balances and Transactions (continued)		
Total income from related parties (brought forward)	114,493	389,606
Statement of Profit or Loss and Other Comprehensive Income – Expenses		
Government		
Interest on preference share - GORTT	148,063	215,610
Fellow subsidiary companies		
Insurance benefits	3,904	3,919
Medical services	99	57
Bad debt	-	28,464
Other	1,981	1,930
Associated companies		
Advertising expense	10	11
Total expenses with related parties	154,057	249,991
Net (loss) from related parties	(39,564)	139,615
Key management compensation		
Salaries and other short-term benefit	2,550	2,478

32. Contingent Liabilities and Commitments

(a) The Company guaranteed a loan from a third party to a related party in the amount of US$16.7 million. During 2015 the related party settled the outstanding principal with the third party. As at the reporting date only a portion of outstanding interest is to be settled, as discussions are ongoing between the third party and the related party to have this settled.

(b) The Company had 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.

32. Contingent Liabilities and Commitments (continued)

(c) There were a number of legal proceedings pending against the Company at the reporting date. A loss reserve of TT$90 million has been made (2018: TT$90 million). No further provision has been made as professional advice indicates that it is unlikely that any significant loss will arise.

33. Principal Associated Undertakings

Quoted	Country of Origin	Activity	Percentage Ownership* %
LJ Williams Limited	Trinidad and Tobago	Trading	21
Unquoted	**Country of Origin**	**Activity**	
CL World Brands Limited	United Kingdom	Beverage Manufacturing	40

* Percentage ownership equates to voting rights.

34. Principal Subsidiary Undertakings

Unquoted	Country of Origin	Activity	Percentage Ownership* %
Methanol Holdings International Limited	St. Kitts and Nevis	Energy – Methanol	56.53

* Percentage ownership equates to voting rights.

35. Assets Pledged

Every company registered under the Insurance Act 1980 to carry on long-term insurance business is required to establish and maintain a statutory fund in respect of that business. Policies of non-resident holders to a value of $102 million are not backed by the statutory fund.

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

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 $17 million (2018: $8 million) of investments in associated companies are pledged to the order of the Inspector of Financial Institutions in Trinidad and Tobago

(b) Approximately $694 million (2018: $2,233 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 $220 million (2018: $7 million).

(d) Approximately $9,715 million (2018: $9,846 million) of other investments securities are pledged to the order of the Inspector of Financial Institutions in Trinidad and Tobago, of which $7,367 million (2018: nil) are held for sale.

(e) Assets required to be placed in trust are to be so placed not more than one month after the end of the financial year to which the statement of financial position relates. Subsequent to December 31, 2019 a further $5.3 million (2018: $43 million) of assets were pledged to the order of the Inspector of Financial Institution in Trinidad and Tobago.

36. Events after the Reporting Date

a. In late February 2020, the World Health Organization declared the Coronavirus COVID-19 an epidemic starting within China and, later on 12th March 2020, it further escalated the virus as a global pandemic. This resulted in a halt in domestic, regional and international travel, closures of borders, and a significant reduction in economic activity, globally, by the end of March 2020.

   Added to the unusual occurrence of the COVID-19 Pandemic, the price of oil and gas fell to negative levels due to oversupply of oil and gas resources precipitated by strategic supply decisions of Saudi Arabia and Russia. Consequently, Standard & Poors rating agency downgraded T&T's long-term foreign and local currency sovereign credit ratings to 'BBB-' from 'BBB', and our short-term foreign and local currency sovereign credit ratings to 'A-3' from 'A-2'.

   CLICO saw the imperative of conducting a comprehensive assessment of the impacts of these multiple events on the organisation. The results of the exercise would enable the Company to be responsive to the needs of its stakeholders, develop solutions that protect the interest of policyholders and remain viable and sustainable.

   Each major element of CLICO's operations was assessed, namely revenue streams by product-line; returns on investments; insurance and legal claims and operational expenses; the Traditional Insurance Portfolio and its attendant assets, liabilities and obligations; the performance of subsidiaries; the recoverability of CLICO's claims against its parent-company CLF-in Liquidation; personnel and legal operations; and the resultant statement of financial position and cash flows.

   In all the scenarios assessed, CLICO is deemed to remain a going concern within 12 months after its reporting date. At October 31, 2020 the unaudited net assets position was $3.189 billion compared the position at December 31, 2019 of $3.223 billion.

b. On September 30, 2019, CLICO entered into an Agreement with SAGICOR Life INC (SAGICOR) for the Sale and Purchase of CLICO's Traditional Insurance Portfolio (SPA), subject to the regulator's approval of the Scheme of Transfer.

   Further to the SPA with SAGICOR an Application for Leave to make a claim for Judicial Review of the SPA was filed in November 2019 by Maritime Life (Caribbean) Ltd against the Central Bank.

   In April 2020 the Bank was served with a Draft Order of the Court whereby an Interim Injunction was made prohibiting the Bank from taking any steps to provide regulatory approval or to otherwise progress or finalize the transfer of the CLICO portfolio to SAGICOR pending the hearing and final determination of this matter or until further order be granted. Pending this determination progress on the SPA has ceased.

   In July 2020 the Court granted an injunction to allow for the discovery activities with respect to sale of the traditional insurance portfolio to resume.

36. Events after the Reporting Date (continued)

c. In August 2020 the Court ordered that the Declaration of Trust re. Methanol Holdings International Limited was validly executed and the shares did not form part of the assets of CL Financial available for distribution by the Joint Liquidators at the time of their appointment. The Court also ruled that CL Financial's interest in Methanol Holdings International Limited was validly transferred to CLICO by virtue of the Declaration of Trust. Hence the Restricted Cash (see Note 13) as well as the other financial assets (see Note 10) in escrow held by Republic Bank Limited for the purpose of this escrow have since been released and are available for general use by CLICO.