



2019 ANNUAL REPORT

Our Vision

To become a performance driven and respected regional player in the insurance industry with strong brand recognition in all the territories we serve.

Mission

To provide our employees and customers with a life-transforming experience that will help them achieve their goals and recover from setbacks through the compassionate delivery of our services.



Core Values

An informal but disciplined environment, fair to all stakeholders, promotes business flexibility, encourages innovation and where promises are kept.

Brand Promise

We promise to pay.
Authentic :: Responsive :: Transparent

BEACON'S COLLECTIVE COMPASS

Beacon's Collective Compass guides us through every decision, ensuring we are always pointed true north, ever moving toward our vision.

It represents how our leaders and employees think, why we exist and what we hope to accomplish.

It is the essence of our brand – our purpose, our values and our promise.



2019 ANNUAL REPORT





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CHAIRMAN'S REMARKS



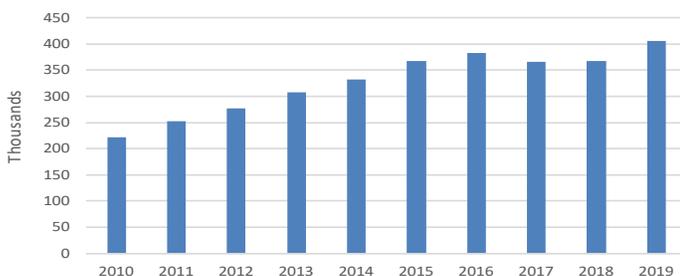
RICHARD LEWIS

Whilst the Beacon territories experienced a fairly inactive hurricane season, there were new challenges that presented themselves during this financial period; the 6.9 earthquake that impacted Trinidad in August 2018, along with the unusual floodings that also occurred in Trinidad in October 2018. Despite these events, we are pleased to report an improved performance for the financial period ended 30 June 2019.

Revenue

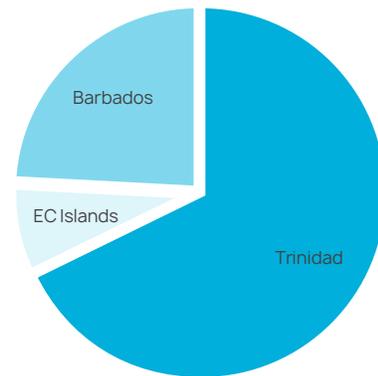
Gross written premium (GWP) increased by 13% over the prior period to \$417m mainly due to growth in territories outside of Trinidad and Tobago. Although markets continue to be increasingly competitive, enhanced customer experiences, especially in the aftermath of Hurricane Maria, have resulted in increased retention rates over the prior year. This was confirmed by an increase in our policy count of 4.3% over the prior year.

Gross Written Premium



Trinidad continues to be our leader in the generation of premium, with growth noted in Barbados as well as in the EC territories post Hurricane Maria.

GWP by Territory



Claims

Loss ratio of 56.7% reported for the financial period is a decline from the 62.3% in the prior period as a result of the passage of Hurricane Maria. This loss ratio is higher than expected due to the earthquake and flood claims in the Trinidad territory.

Net Comprehensive Income

The Company reported consolidated profit attributable to the shareholders for the financial year ending 30th June 2019 of \$9.6m compared to \$3.3m for 2018.

Investment income for the financial period was adversely affected by the restructuring of the Government of Barbados debt which resulted in reduced interest rates from 6.5% to 1%. Despite this, and the continuing low level of interest rates, the Company was able to achieve a return on its investment portfolio of 3.47%, a marginal increase from the prior period.

Whilst expenses increased to \$263m from \$254m in the prior period, we saw a reduction in the combined ratio from 101% to 93%.

Financial Position

Beacon continues to report a healthy financial position, with total assets increasing by 0.9% from the prior year to \$605m. Based on the annual review from regional rating

agency CariCRIS, Beacon's financial rating was reaffirmed at A- in June 2019. This rating takes into consideration the improving financial performance, strong reinsurance programme and well diversified investment portfolio.

Shareholders equity declined from \$141m to \$123m due to the dividend declared at the end of the financial period.

General comments

Investor interest continues in the local insurance market as evidenced by Beacon's new shareholder, the Bermuda-based Life insurance giant, CGI Limited. This partnership will allow both companies to expand their suite of products and services in health insurance and introduce new and innovative products related to life and pension services.

Scotiabank TT Ltd and Sagicor Financial Corporation Ltd announced a 20-year distribution agreement in 2018, offering an enhanced suite of market-leading insurance products and solutions to Scotiabank customers in Trinidad and Tobago. As part of this partnership, Scotiabank TT agreed to sell its insurance subsidiary, ScotiaLife TT Ltd to Sagicor, who will be underwriting the new business.

Sagicor will itself be acquired by Canadian special purpose company Alignvest Acquisition II Corporation. This acquisition will facilitate it being listed on the Canadian stock exchange. Last but not least, Jamaican-based NCB Financial Group Limited (NCB) successfully closed its offer for a takeover of Guardian Holdings Limited of Trinidad (GHL) in May 2019.

More significant developments in the insurance landscape include adoption of the Insurance Act 2018 on June 4, 2018, by the Government of Trinidad and Tobago. This new Act repealed and replaced the Insurance Act 1980, reforming the law regulating the insurance industry in Trinidad and Tobago. It is intended to significantly strengthen the regulatory and monitoring powers of the Central Bank, with the ultimate goal being the prevention of another collapse

within the financial sector. Not only does this Act affect insurers but it also speaks to Insurance brokers being held to a higher standard, so that the industry as a whole is held to a higher level of accountability in order to protect the interests of the insured public.

These changes will open the gateway to a new level of competitive activity and standard of operation within an industry that has, up to this point, been slow to evolve in the Caribbean. Companies will now be forced to innovate and re-configure traditional business operations in order to remain relevant to constant and rapidly evolving customer needs.

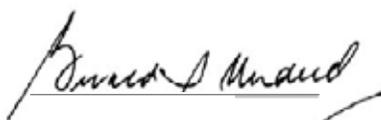
Other major obstacles faced by the industry include an increase in the incidence of insurance fraud, unsustainably low rates in the face of the rising cost of claims and the availability of foreign exchange to adequately service reinsurance payments, making it a particularly challenging business to be in at this time.

Amidst these challenges however, Beacon continues to make positive strides in the delivery of our products and services. From strategic alliances to technological innovation to superior customer service, we continue to keep our fingers on the pulse of the market and respond to the evolving needs of our constantly shifting markets. Our mission to enhance the customer experience has led to some interesting business solutions which are expected to be rolled out within the next six to twelve months and we're excited to see how those changes will be received by the market.

On behalf of the Board of Directors of Beacon, we would like to take this opportunity to thank our Management team and staff for their continued support and valuable contributions. We remain always grateful, firstly to our customers without whom we could not succeed and to our business partners for providing the necessary support to allow us to present the best version of ourselves to the people who need us the most.



RICHARD LEWIS
Chairman



GERALD HADEED
Chief Executive Officer

CORPORATE PROFILE

Who We Are

The Beacon Insurance Company Limited is ranked as the fourth largest insurer in Trinidad and Tobago. Our roots go back to 1972 when Mr Aziz Hadeed founded The Caribbean Insurance Company, passing the proverbial baton to his son, Gerald Hadeed, who sits at the helm today. The company was rebranded as The Beacon Insurance Company in 1996. The early years of the company were characterised by direct personal relationships between Aziz and his clients, rather than through Brokers and after 45 years of cumulative growth, Beacon is now a regional player with Branch Offices and an Agency network that spans Trinidad & Tobago, Barbados, Grenada, St Lucia, St Vincent & The Grenadines, St Kitts & Nevis, and Dominica. Beacon therefore enjoys a reputation as an emerging giant in the regional insurance industry.

What We Do

Our Purpose at Beacon is to “help our customers achieve their goals and to recover from setbacks through the compassionate delivery of our services.”

The exceptional skills of our team of 200+ financial, technical, administrative, and relationship-building experts make this a daily reality for customers who depend on our understanding and compassion. Led by an experienced and qualified management team, we underwrite all major lines of general insurance for both individual and institutional clients, including:

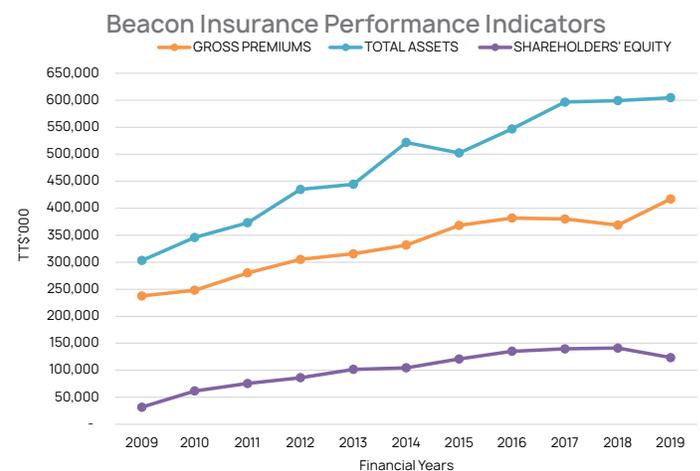
- Motor (Private and Commercial)
- Property (Private and Commercial)
- Group Health and Employee Benefits
- Accident and Casualty
- Marine Cargo and Hull
- Engineering
- Bonds

Our Financial Strength

CariCRIS, the regional ratings agency (and a subsidiary of Standard & Poor), has reaffirmed Beacon’s a CariA- rating, and identified our strengths as:

- Good financial asset credit quality and a well-diversified investment policy
- Prudent risk management practises evidenced by healthy capitalisation and solvency ratios
- Conservative risk-retention policies
- Improved financial performance supported by good geographic and product diversity

This rating is a world-class testimonial to our level of creditworthiness and our ability to meet ongoing insurance obligations. Our high financial-asset credit quality and good diversification of our investment portfolio are likely to cushion the impact of unexpected shocks to any single country or security in the seven (7) countries throughout the Caribbean Region in which we operate.



Our conservative risk-retention and solvency ratios in all these territories are above the minimum regional regulatory requirement. Beacon’s capital strength is also enhanced through its Reinsurance Program.

Our current providers include 2 of the world’s largest reinsurers, **Hannover Re** and **Munich Re**. Their collective expertise, financial strength and risk management capabilities are invaluable to us, and add a superior level of stability to the Company’s operations. Beacon focuses

on achieving growth and profitability through effective risk management, intensified marketing, and customer retention. This improved brand awareness has translated into the overall premium growth we enjoy, particularly in the T&T market.

The company reported consolidated Total comprehensive income for the financial year ending 30th June 2019 of \$10.3m with a return on equity of 8%. Gross premiums amounted to \$417m with a loss ratio of 56.7% and a combined ratio of 93%. The Company achieved a return on its investment portfolio of 3.47%. On the Consolidated financial position as at year-end, Total assets as at 30th June 2019 amounted to \$605m, growth of 0.9% from last year. Our total liabilities including our policyholder reserves amounted to \$481m. Overall, the financial results for the current year ending 30th June 2019 are commendable as we continue to maintain our market share albeit within declining market rates and reduced insured's cover.

Our Claims Record

Over the last 10 years, Beacon has paid out over 150 million US dollars in claims regionally, not including catastrophic events such as Hurricane Ivan and the more recent and violently destructive, Hurricane Maria which accounted for some 30 million US dollars in 2017. Our clients understand that we consider it our duty to pay legitimate claims - and pay them quickly - which is why accessibility is a key feature of our operation. Beacon's spread of branches, agencies and even online facilities are carefully planned to ensure that our customers can find us easily when they need to, allowing us to enjoy above-average customer renewals and genuine word-of-mouth referrals from customers who are happy with their Beacon experience.

Operational Design

Beacon's operations have been designed around the company's promise to deliver a convenient and caring customer experience. We continually monitor and measure the delivery of our services to our customers and re-calibrate our processes to ensure an optimal customer experience. We are now considered leading players in the digital marketplace as we strive to serve and support our customers in their transition to an online

journey and continue to invest heavily in the delivery of our promise of convenience. Beacon can now include in our portfolio of achievements:

- A modernized Policy Administration System which allows complete visibility and control of both documents and work-in-progress as they pass through different divisions within the Company.
- Mobile and online services, including an app and the only customizable and regional online quoting system for private motor insurance.
- Constant measurement of our service levels at a transactional level using customer feedback.
- Accident management services provided to our clients aimed at simplifying and expediting the Claims process. Only 3 insurers regionally have signed up for this service, Beacon being one of them and also the main driver of its implementation in the TT market.
- 24-hour Roadside assistance services made available to all motor policyholders
- Premium financing capability, allowing customers a 12-month period over which their premiums can be paid.

We're Still a Family

Growth has not taken away the family atmosphere at Beacon. A friendly and caring attitude toward others is in the DNA of the Company culture. This is why we have families who've been insuring directly with us for over 45 years. Grandparents began with Aziz in the 1970's and the third generation are still insuring with **Beacon**. They know first-hand that our business model is built on a promise to pay legitimate claims quickly, so that our valued Customers can recover from setbacks through the compassionate delivery of our services.

DIRECTORS



RICHARD LEWIS

NON-EXECUTIVE CHAIRMAN

Mr. Lewis received his HBA in 1974 from the Richard Ivy School of Business, University of Western Ontario and is a graduate of Newcastle Institute of Technology (1969) and St Mary's College, Port of Spain (1968).

His experience started in 1974 at T. Geddes Grant Limited, Fire & Security (1982) and Label House Group Limited in 1986. He is currently Executive Chairman at LH Group Limited and Prestige Business Publications Limited.

Mr Lewis is a board member of Republic Securities Limited, Republic Wealth & Asset Management Limited, Republic Bank (Guyana) Limited, Republic Bank (Grenada) Limited, Ceramic (Trinidad) Limited, Stuart Brothers (W.I.) Limited, Seven Seas Water (Trinidad) Unlimited and GISCAD Limited.

He is a past President of the Trinidad & Tobago's Manufacturer's Association, Trinidad and Tobago Gymnastic Association; and past Chairman of Cabinet Appointed Committees, Printing & Packaging Industries Council and the Council for Competitiveness & Innovation.

During the past 20 years, Richard has successfully supported several local as well as international companies in defining and implementing their business strategies in the Caribbean, particularly Trinidad & Tobago and Jamaica.



CHRISTIAN HADEED

NON-EXECUTIVE DIRECTOR

Mr. Christian Hadeed is a Trinidadian businessman who emerges from an insurance background having worked with the Beacon Insurance Company Limited for almost 20 years. He held several positions within the company including Claims Executive and Licensed Loss Adjuster, and eventually joined the Board of Directors in 2010, serving as Chairman from 2013-2015. Christian has been an active member of Beacon's Executive Management Team as well as the Claims, Re-insurance, and Investment committees and now holds a position as a Non-Executive Director of Beacon.

Christian is a Co-Founder and Director of the recently refurbished St. Christopher's Service Station and Quick Shoppe Plus located on Wrightson Road in Port of Spain. He is also a Director of One Yoga Trinidad & Tobago and Float Trinidad. He is currently employed with WiPay, a newly launched FinTech company that promises to revolutionize online payments in the Caribbean. He holds a Bachelor's Degree in Business Administration (International Business Major) from Chapman University, California.



CHRISTOPHER WOODHAMS

EXECUTIVE DIRECTOR

Chris's career in Information Technology began after he had obtained his BSc in Computer Science from Nottingham University in the UK and landed a job with the large conglomerate, Vanity Fair. During the three years that he worked there he developed and honed his skill in systems programming and project management on IBM products.

He returned to Trinidad and joined Fujitsu Caribbean as a Systems Consultant. Chris's IBM experience in the UK was highly prized by Fujitsu since it gave the company an opportunity to provide additional services to its existing customers and attract new ones. Consequently he worked in a wide cross-section of industries including finance which gave him the exposure that would be needed when he eventually came to Beacon almost four years later.

Chris was hired by Beacon with a mandate to develop strategic technology plans to ensure Beacon is known as a leader in technology utilization. He quickly realized that to achieve the vision of the new CEO he had to build a whole new infrastructure from the ground up. He proceeded, in collaboration with the management team and board of directors, to source and lead the implementation of core business software applications and establish local and regional networks, management accounting systems and IT Disaster Recovery Plans. In July 2011, he was made Chief Information Officer and appointed to the Board of Directors. In 2015, Chris was promoted to the position that he holds today, Chief Operating Officer at Beacon, continuing to ensure that the company's mandate is achieved.



DAVID HACKETT

INDEPENDENT DIRECTOR

Mr. David Hackett is a career banker with more than 30 years' experience in banking and finance, having held senior positions in local, regional and international banks.

Over the years, Mr. Hackett has held several leadership positions at RBC/RBTT in the fields of Commercial Banking and Corporate Banking, including General Manager – Personal and Commercial Banking; General Manager – Corporate and International Group; Director, Corporate, Personal and Commercial Banking, Head of Barbados, Suriname and EC Region and Head, Personal and Business Banking. In each of these roles, he was responsible for leading and setting strategy across RBC's Caribbean operations to drive a high level of performance and sustainable value creation for RBC's shareholders.

At a senior governance level, he is a former Chairman of the Board of Directors of RBC Royal Bank Barbados Limited, Royal Bank Suriname, N.V., RBC Royal Bank N.V., RBC Royal Bank International N.V., Royal Bank Aruba N.V., RBTT Grenada Limited and RBTT Caribbean Limited. He is also a former board member of RBC Royal Bank (Trinidad) Limited, RBC Royal Bank (Jamaica) Limited, Petroleum Company of Trinidad & Tobago (Petrotrin), Trinmar Ltd and Trinidad & Tobago Oil Company Limited (TRINTOC).

Mr. Hackett holds a B.Sc. degree in Economics from the University of the West Indies and a wealth of knowledge in the financial services industry and has since exited the world of corporate business in favor of imparting his expertise as a Director on Beacon's board since 2016.



DAVID SMALL

INDEPENDENT DIRECTOR

With more than two decades of energy policy and strategic experience, Mr. David Small plays a key Executive role at an emergent energy firm in Trinidad and Tobago.

In his role as a member of the Board of Directors of Beacon, Mr. Small's broad-based strategic experience and extensive market knowledge have been directed towards developing a strategic roadmap for both the long-term future and real-time support of critical company initiatives.

Mr. Small has served as an Independent Senator until November 2018 and in several senior positions in the Government of Trinidad and Tobago, including Director of Policy and Performance at the Ministry of Energy. He served on the Board of Directors of the National Gas Company of Trinidad and Tobago (NGC) for nine years (2002-2010) where he was the Chairman of the Board's Finance Committee overseeing the company's capital expenditure decisions. From 2008 to 2010, Mr. Small was also Chairman of the Board of the two special purpose subsidiaries of the NGC that held the company's shareholdings in the Atlantic LNG complex and from 2008 to 2010 was a Director on the board of Phoenix Park Gas Processors Limited.

Apart from his activities in the public sector, Mr. Small has considerable experience in private enterprise as a consultant, providing energy-centric strategic advisory and business development services to clients in the USA and Europe.

Mr. Small holds an MBA from Middlesex University in London, a Post-Graduate Diploma in Natural Gas Economics and Management from the College of Petroleum and Energy Studies in Oxford (now Oxford-Princeton) and a Diploma in Public Administration from the University of the West Indies (St. Augustine).



GERALD HADEED

EXECUTIVE DIRECTOR

Mr. Hadeed began his insurance career over four decades ago in the family business. Today, Caribbean Insurance Company Ltd has grown into The Beacon Insurance Company Ltd., a company that can boast of being one of the largest family-owned insurance companies in the Caribbean, reporting increased premium growth over the last eight years.

His two-year stint in Government, first as Minister of Communications and then as Minister of Tourism, is testament to his widely recognized business acumen and patriotism. Prior to his time in politics, Gerry served on the boards of many institutions in several capacities ranging from Director to Chairman, including the Airport Authority of Trinidad & Tobago, CGH Limited, Trinidad Energy Investments Limited, T&T Unit Trust Corporation, NGC, Phoenix Park Gas Processors Limited and WiPay just to name a few. His extensive experience in insurance in Trinidad and Tobago has also allowed him to make insightful, meaningful contributions to the regulations governing the industry.

In 2015, Gerry re-assumed the position of Chief Executive Officer at The Beacon Insurance Company Ltd., and in this capacity has propelled the growth of the company and industry. Mr. Hadeed is also the Chairman and a shareholder of Fintech startup WiPay whose focus is financial inclusion of the underbanked and un-carded throughout the Caribbean.

Visionaries are those who base their leadership on an inspirational, positive picture of the future as well as a clear sense of direction as to how to get there. From his entrepreneurship in insurance, energy, health-care, real-estate, payment solutions and the telecommunications sectors, Mr. Hadeed continues to exemplify that he is a true visionary.



PATRICIA R. BRYAN

EXECUTIVE DIRECTOR

Patricia R. Bryan has been a Director at Beacon from its inception in 1996. Prior to being appointed to Director of Beacon, she was also a director at Beacon Holdings Ltd, Northwest Premium Finance Ltd, The Beacon Asset Management Ltd, Beacon Finance Ltd and Beacon Technology Ltd.

Mrs Bryan's career began in 1980 with Caribbean Insurance Company Ltd and it is this wealth of experience that has afforded her the ability to function effectively on the above-mentioned boards. She also serves as a member of the Group's Audit and Risk Committee. Prior to entering the insurance industry, Mrs Bryan was employed in the commercial banking sector with the Bank of Nova Scotia in Trinidad, Canada and the Bahamas. She has also worked with the Roy West Banking Group of Companies in the Bahamas.



DR. THE HON. E. GRAHAM (GRANT) GIBBONS, JP

NON-EXECUTIVE DIRECTOR

Grant Gibbons is the Chairman of the Colonial Group International (CGI) Board of Directors and the CGI Compensation Committee and a member of the CGI Audit Committee, the CGI Risk Oversight Committee and the CGI Nomination and Governance Committee. Grant is a former Director of International Licensing, Bristol Myers Squibb; former Managing Director, Gibbons Company Ltd.; former Managing Director, Peniston Brown; former Minister of Finance (Bermuda); former Minister of Economic Development (Bermuda) and former Member of Parliament (Bermuda). Grant holds a Bachelor of Science Degree in Chemistry from Brown University, a Master of Arts Degree in Philosophy, Politics and Economics from Oxford University (Rhodes Scholar) and a Ph.D. in Organic Chemistry from Harvard University.



J. DAVID GIBBONS, O.B.E., E.D., JP

NON-EXECUTIVE DIRECTOR

David Gibbons is the Deputy Chairman of the Colonial Group International (CGI) Board of Directors; Chairman of the CGI Nomination and Governance Committee and a member of the CGI Risk Oversight Committee, the CGI Compensation Committee and the CGI Audit Committee. David is a former Commanding Officer, Bermuda Regiment; former Aide-de-Camp to the Governor of Bermuda; and former Director, Clarien Bank Limited. David attended Harrow School (UK) and Dartmouth College (USA). Currently David is a director of Gibbons Company Ltd., Bermuda Motors Ltd., Burrows Lightbourne Ltd. and Gibbons Management Services Ltd.



S. NAZ FARROW

NON-EXECUTIVE DIRECTOR

Naz Farrow is an Executive Director of Colonial Group International (CGI), a member of the CGI Investment Committee and the Group CEO. Prior to being appointed Group CEO, Naz was the COO of the Group's health insurance business - which included oversight of CMIC and AMI. Naz has been responsible for managing and operating the Group's health insurance business since 1998 and has over 20 years of business experience, having worked for insurance and financial organizations both locally and in the UK. Naz holds graduate and post graduate qualifications from UK universities.



W. MARTIN KENNY

NON-EXECUTIVE DIRECTOR

Martin Kenny is an Executive Director of Colonial Group International (CGI), a member of the CGI Investment Committee and the Group Financial Controller. Martin is a former Financial Controller for Clipper Oil Limited (Bermuda); former Group Financial Controller for the Bank of Bermuda; and former Analytics Manager HSBC Bermuda. Martin attended Franciscan College, Ireland and is a qualified Chartered Accountant.

CORPORATE INFORMATION

EXECUTIVE MANAGEMENT TEAM



Adlyne Griffith
MBA
Head of Training and Development



Anouk Lee Wo-Mollenthil
BBA, CAMS
Head of Compliance, Corporate Secretary



Camille Pereira
BBA, MBA
Vice President, Sales & Business Development



Christopher Woodhams
B.Sc, HND
Chief Operating Officer



Deborah Ann Modeste-Clarke
LOMA, FLMI
Regional Manager, Group Services



Kimberley Contant
FCCA, CA
Chief Financial Officer



Michelle Fuller
MCSE, HR Generalist
Senior Manager, Human Resources



Nisa Dass
B.Sc, MBA
Senior Manager, Corporate Services



Renato Lezama
ARM, AIS
Vice President, Insurance Operations (P&C)



Nazra Ali
B.A, MBA
General Manager, North West Premium Finance Ltd



Robert M. Boopsingh
BSc
Chief Information Officer Information Systems Dept.

REGIONAL MANAGEMENT

Brian Hennis
General Manager, Barbados

Anthony Joseph ACC. DIR
Agency Manager, Dominica

Molly Roberts
Branch Manager, Grenada

Gary Da Silva
Agency Manager, St Kitts & Nevis

Joralia St. Louis BSC. DIP. INS
Branch Manager, St Lucia

Carl Dickson Diploma, General Management
Agency Manager, St Vincent

REINSURANCE BROKERS

AHJ

PRIMARY INSURERS

Hannover Rückversicherung Aktien Gesellschaft
Münchener Rückversicherungs Gesellschaft

AUDITOR

BDO

BANKERS

Barbados
CIBC First Caribbean International Bank
Republic Bank Limited

Dominica
Boslil Bank Limited
RBC Bank Limited
National Bank of Dominica Limited
Scotia Bank Limited

Grenada
Republic Bank Limited
RBC Bank Limited
Grenada Co-operative Bank Limited
Scotia Bank Limited

St. Lucia
RBC Bank Limited
Scotia Bank Limited

St. Vincent
Bank of St. Vincent and the Grenadines
RBTT Bank Limited
Scotia Bank Limited

St. Kitts
RBC Bank Limited
Scotia Bank Limited

Suriname
Republic Bank Limited

Trinidad & Tobago
First Citizens Bank Limited
Republic Bank Limited
RBC Bank Limited
Scotia Bank Limited

BEACON IN THE COMMUNITY



International Women's Day



Beacon Business conference on Insurance

Beacon continues to demonstrate our commitment to the communities within which we operate by engaging them in activities that have a positive impact. These activities have contributed not only to the welfare and strength of the people we serve, but to the company's pursuit of its larger purpose as well.

In Trinidad, we kicked off our year by recognizing the contribution of women in today's world on International Women's Day, centred around the theme "Think Equal, Build

Smart and Innovate for Change". This theme puts innovation by women and girls for women and girls, at the heart of efforts to achieve gender equality.

Overseas, we undertook an educational program with brokers and corporate clients alike, to provide insights into and guidance on the type and value of insurance that should be considered in the Business community. These sessions were driven by the large amount of underinsured losses observed after previous catastrophic events, and we felt



Be a Beacon project, St. Lucia



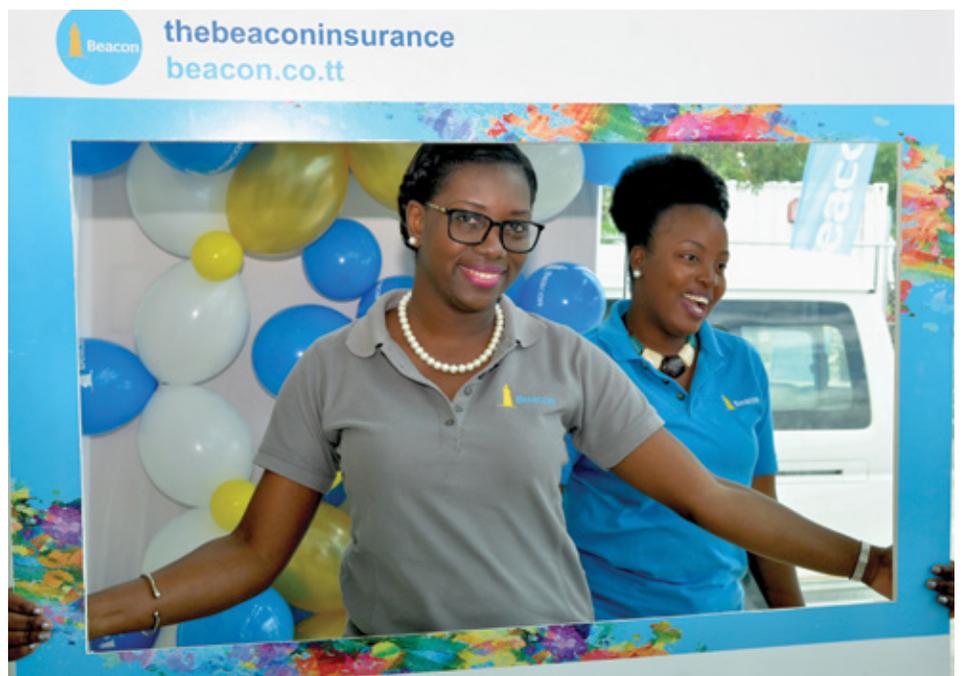
Christmas in St. Lucia

that it was in the best interest of our clients and communities to engage them on these topics.

Staying in the overseas markets but moving out of the Corporate arena, our Be A Beacon CSR program was introduced into two primary schools in St. Lucia, where our focus was to create a more comfortable learning environment for the students through educational activities, "green" projects and engaging the students on life skills as well as classroom learning.

Not forgetting our customers, Customer Appreciation events were held regionally per our tradition as without their loyalty and support, Beacon would be nowhere close to the formidable insurance presence that it is today.

And finally, our signature annual Cycling on the Avenue event represents a convergence of some of the world's renowned riders, competing alongside our very own athletes. Staff, customers and sport enthusiasts alike came together to celebrate this festival of speed with the cyclists.





Cycling on the Avenue

Commitment to Good Governance

Beacon is committed to achieving and maintaining the highest standards of corporate governance and in so doing voluntarily complies with the Trinidad and Tobago Corporate Governance Code (TTCGC). The code is principally for listed companies, and as such, Beacon is not obliged to or in some respects able to adopt completely.

Beacon is committed to adopting best practice governance processes and therefore chooses to apply the code to its operations as far as it is applicable and appropriate, for a professional body incorporated by the Companies Act of T&T and as a financial institution regulated under the Insurance Act Chapter 84:01.

Beacon continues to review annually its corporate governance framework to ensure that the structures, systems and processes, culture and values are aligned to the achievement of its strategic objectives. Our compliance with and application of the TTCGC is disclosed in our Application and CG Disclosure Summary Report located on our website.

Beacon's corporate governance framework is articulated in a formal Board Charter (reviewable every two years). The Charter is designed to be used in conjunction with other policies and procedures documented by the Company. It is based on the following key elements:

- Role and responsibility of the Board.
- Role and responsibility of Board committees.
- Director term limits.
- Commitment to ethics.
- Board composition.
- Conflicts of interest and disclosure.
- Compensation of the Board.
- Decision making within the Board.
- Board performance and effectiveness.

Beacon recognizes its fiduciary duty to all stakeholders and is committed to its core values which include promoting business flexibility, innovation, fairness and keeping its promises.

Ethical Conduct

The Board commits itself and its members to ethical, businesslike, and lawful conduct, including proper use of authority and appropriate decorum.

Directors have a statutory duty to avoid actual or potential conflicts of interest. When a Director becomes aware of a situation which does or could create a conflict of interest, or has an interest in an existing or proposed transaction in which the Company also has an interest, then that Director is required to notify the Board in writing of the situational or transactional conflict as soon as possible and, in any event, prior to any conflicted transaction being conducted.

In instances where a conflict of interest exists, the Director or Officer is required to recuse themselves from decision making in writing to the Corporate Secretary.

Directors have a continuing duty to update the Board on any changes to their external appointments which, by way of further check, are reviewed by the Board on an annual basis. The interests of new Directors are reviewed during the recruitment process.

All Directors and Officers of the Company are subject to the Connected Party Policy which requires disclosure of conflicts of interest and includes provisions for management of any such disclosed conflicts. Oversight of the policy and its processes reside with the Group Audit & Risk Committee. Compliance with the policy is monitored by the Compliance Unit.

Members of the Board and all employees are subject to the Code of Ethics and Professional Conduct as well as the Conflict of Interest policy.

Whistleblowing

The Whistleblowing Policy sets out the Company's written, formal whistle-blowing policy, consisting of responsible and effective procedures for disclosure or reporting of misconduct and impropriety so that appropriate remedial action can be taken if concerns are legitimate.

Objectives include:

- Provide avenues for employees to raise concerns and report same.
- Provide a means for reporting through a discreet and confidential channel.
- Reassure employees that they will be protected from punishment or unfair treatment for disclosing concerns in good faith in accordance with this procedure.
- Ensure appropriate oversight by the Board's Group Audit & Risk Committee, Board of Directors
- Promote, build and strengthen a culture of transparency, integrity and trust within the organization.

As part of the Policy, the Company provides an independent third-party whistleblowing helpline, which allows employees and other stakeholders to report concerns about any suspected wrongdoing or unethical behavior occurring within the business or about the behavior of individuals without fear of harassment, intimidation, victimization or reprisal. Communication in any form of medium are treated confidentially and anonymously.

Risk Management and Internal Control

The Board is responsible for the alignment of strategy and risk, and for ensuring the company maintains a sound system of risk management and internal controls. We continue to drive improvements to our risk management processes and systems, which are designed to effectively manage, rather than eliminate, the risk of failure to achieve business objectives. Beacon has a robust governance and internal control framework.

Board of Directors

The Board of Directors has oversight and accountability for the long-term success of Beacon. The overarching aim is to create sustainable value for the benefit of its stakeholders. Responsibilities include:

- Reviewing and guiding corporate strategy, major plans of action, annual budget and business plans.
- Ensuring the company has the appropriate organizational structure in place to achieve its strategic objectives.
- Selecting, compensating, monitoring and, where necessary, replacing key executives and overseeing succession planning.
- Ensuring the integrity of the Company's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards.
- Overseeing material commitments, including capital expenditures.
- Overseeing the process of disclosure and communications with shareholders.
- Setting the tone at the top for the company.
- Promoting a culture of integrity, ethical behavior and corporate values in keeping with the Company's Code of Conduct.
- Ensuring the adoption of appropriate corporate governance practices, monitoring its effectiveness and making changes as needed.

It is led by a non-executive Chairman, who is appointed by the shareholders subject to the approval of the Central Bank of Trinidad & Tobago (CBTT). The Chairman of the Board is responsible for:

- Providing leadership to the Board and maintaining a professional environment that supports open communication.
- Ensuring board members, when appointed, participate in an induction program and, as needed, ensure additional education or training programs.
- Ensuring that Board meetings and the Annual General Meeting are conducted in an efficient and effective manner.

- Ensuring board members receive all information necessary for them to perform their duties and there is sufficient time for consultation and decision-making.
- Championing of the strategic agenda at Board deliberations.
- Setting the agenda for Board meetings in conjunction with the Executive Director.
- Working with the Chief Executive to develop targets and performance metrics against which his or her performance is assessed.
- Ensuring the Board satisfies its duties.
- Ensuring the Board has meaningful and regular contact with the Executive Committee.
- Consulting with external advisors appointed by the Board.

The Company maintains a Directors' & Officers' liability insurance policy in respect of certain liabilities and defense costs.

Board Structure and Composition

Colonial Group International Limited registered in Bermuda, acquired a minority interest in Beacon after receiving regulatory approval¹. As a result, the Board now has eleven members: the Chairman, two independent Non-executive Directors, five Non-executive Directors and three Executive Directors. The names of the Directors serving at the end of the year and their biographical details are set out on pages 8 to 13. All Directors listed served throughout the year, save for Dr. Edmund Graham (Grant) Gibbons III, John David Gibbons, Shaista Naz Farrow and William Martin Kenny (Non-Executive Directors)².

Induction

Beacon has a formal induction programme tailored to suit the individual's background and experience. This includes:

- Meeting with the Chairman.
- A comprehensive induction pack with background information about Beacon, in addition to a number of other governance-related issues.
- A briefing with the Corporate Secretary who is responsible for facilitating the induction of new Directors as to their roles and responsibilities.
- Meetings with the Chief Executive and with relevant

senior executives to be briefed on the Group strategy and each individual business portfolio.

- Company visits; and external training where appropriate, particularly on matters relating to the role of a Director and the role and responsibilities of Board committees.

For the period under review, Colonial Group International Limited became a minority shareholder and Beacon welcomed four (4) new directors in June 2019. As part of the terms of the Shareholder's Agreement, these directors were privy to the information that forms part of Beacon's Induction Programme. Formal Appointment Letters setting out the terms of the appointment were presented.

Balance and Director Independence

Beacon is committed to ensuring that the Board and its Committees have an appropriate composition and blend of backgrounds, skills, experience and personal attributes to discharge their duties effectively. No one individual dominates decision-making.

The Board keeps its membership, and that of its Committees, under regular review to ensure an acceptable balance is maintained. It is satisfied that all Directors have sufficient time to devote to their roles and that undue reliance is not placed on any individual.

Beacon recognizes the importance of having independent directors on the Board. For the reporting period, two directors were classified as "independent". In keeping with the Trinidad and Tobago Corporate Governance Code, the Board recognizes the need to regularly review its Profile and Composition in 2020 to align with governance best practice.³

These Directors do not participate in performance based incentive plans. The Chairman and independent directors are paid fees that are determined by benchmarking against organizations of similar size and nature of business.

The Board and its Committees are supplied with regular, comprehensive and timely information in a form and quality that enables them to discharge their duties effectively. All Directors are able to make further enquiries of the Executive

³ In determining directors' independence, Beacon subscribes to the definition of directors' independence as articulated in the CBTT Corporate Governance Guidelines (2007) and the Trinidad and Tobago Corporate Governance Code (2013).

¹ Central Bank of Trinidad & Tobago – May 1, 2019

² Appointed to the Board on June 6, 2019

Directors or management whenever necessary, and have access to the services of the Corporate Secretary.

The Directors ensure that at Board meetings, they have access to the best possible insurance, management and financial advice during their deliberations. If necessary, Directors may seek independent professional advice at the Company's expense.

Board Effectiveness Reviews

The Board believes that the effectiveness review process provides a valuable opportunity for improving effectiveness and gives the Board a mechanism for constructive group feedback to help Directors improve their ability to contribute to the work of the Board. The Board undertook an internal review in FY2017 and continues its work on the developmental areas identified. An externally facilitated effectiveness review is expected to be undertaken in FY 2020.

Succession Planning

The Board is ultimately responsible for succession planning for directorships and during the year the company's focus was on key executive management roles. The Board is continuing to allocate significant time to succession planning and talent development at the executive level.

(Re)appointment of directors

At the 2018 AGM, Directors' Richard Lewis, Patricia Bryan, Christian Hadeed, Christopher Woodhams and David Small, retired by rotation, and were re-elected for a term expiring at the close of the third annual meeting following this meeting.

Meeting of Directors

For the financial year, the Board met on five occasions to deal with routine business. Additional meetings were convened as necessary for special business or specific matters such as major transactions.

Attendance at Board meetings during each Director's period of service in FY2019 is set out in the table below:

Directors	Sep 19, 2018	Dec 18, 2018	Mar 13, 2019	May 23, 2019	Jun 27, 2019
R. Lewis	✓	✓	✓	✓	✓
G. Hadeed	✓	✓	✓	✓	✓
C. Hadeed	✓	✓	✓	✓	✓
P. Bryan	✓	✓	✓	✓	✓
D. Small	abs	✓	✓	✓	✓
D. Hackett	✓	✓	abs	✓	✓
C. Woodhams	✓	✓	✓	✓	✓
E. Gibbons	n/a	n/a	n/a	n/a	✓
D. Gibbons	n/a	n/a	n/a	n/a	abs
S. Farrow	n/a	n/a	n/a	n/a	✓
W. Kenny	n/a	n/a	n/a	n/a	abs

When a Director is unable to participate in a meeting, either in person or remotely, the Chairman solicits his views on key items of business ahead of time, in order that these can be presented at the meeting and contribute to the debate.

At each meeting the following standing items (inter alia) are reviewed and discussed:

- Strategic matters.
- Management accounts and financial commentary.
- Operational reports from each division.
- Legal, company secretarial and regulatory matters.
- Board committee matters.
- Investment portfolio management.
- Corporate affairs.
- Treasury matters.

Review of:

- Minutes of previous meetings.
- Implementation of actions agreed at previous meetings.

Board Committees

In line with the Code, the Board delegated certain responsibilities to Board committees, to assist the Board in carrying out its functions and ensure that there is independent oversight of internal control, risk management and executive remuneration. All Board committees are supported by the Corporate Secretary.

The following are the established Board committees:

- Group Audit and Risk Committee (GARC).
- Compensation and Human Resources Committee (CHRC).

Each committee is governed by a formal Charter, approved by the Board, outlining its objectives, remit and powers. These are reviewed at least annually. Minutes of all meetings of the Committees are made available to all Directors and feedback from each of the Committees is provided to the Board by the respective Committee Chairs at Board meetings.

Group Audit and Risk Committee (GARC)

The Committee consists of four members and is led by an Independent Director.

The responsibility of the Committee, including oversight of its subsidiary operations, is to:

- Monitor the integrity of the financial reporting process.

- Review the Group's internal control and risk management systems.
- Review the effectiveness of the external and internal audit process.
- Oversight of senior management's activities in managing credit, market, liquidity, operational, legal and other risks.
- Review of investments and transactions that could adversely affect the company.
- Monitor management and staff compliance with laws, regulations and guidelines.

Quarterly meetings are scheduled to review the financial reporting process, the system of internal control, the audit process and the Company's process for monitoring compliance with laws, regulatory directives and guidelines. Six meetings were held for the financial year.

All meetings of the Committee are attended by the Chief Financial Officer, Senior Internal Auditor, Head of Compliance and Corporate Secretary. The Chief Operations Officer, normally attend all meetings by invitation. The external auditors attend Committee meetings as necessary and a private meeting is routinely held with the internal and external auditors to afford them the opportunity of discussion without the presence of management.

Attendance to committee meetings during each Director's period of service in FY2019 is set out in the table below:

Directors	Sep 12, 2018	Oct 25 2018	Dec 6, 2018	Feb 12, 2019	May 14, 2019	Jun 24, 2019
D. Small (Independent Committee Chairman)	✓	✓	abs	✓	✓	✓
R. Lewis	✓	✓	✓	✓	abs	✓
D. Hackett	✓	✓	✓	✓	✓	✓
P. Bryan	✓	✓	✓	✓	✓	✓

The Committee Chairman recommends to the Board the Committee's reasonable satisfaction that internal controls are functioning properly in the areas reviewed by Internal Audit and that the risk corrective actions identified for implementation by management have been addressed.

The financial statements and activities were audited by external and independent Auditors BDO Trinidad & Tobago Ltd. The fees paid to the auditors are reflected in

the financial statements. BDO also provides tax advisory services to the Company. No other work was performed by the Auditors for the Company and the Board is satisfied that they have performed their duties in a transparent and objective manner.

Compensation & Human Resource Committee (CHRC)

The committee consists of four members and is led by an Independent Director. The responsibility of the Committee is to assist and advise the Board on its oversight responsibilities, including subsidiary operations, in relation to the:

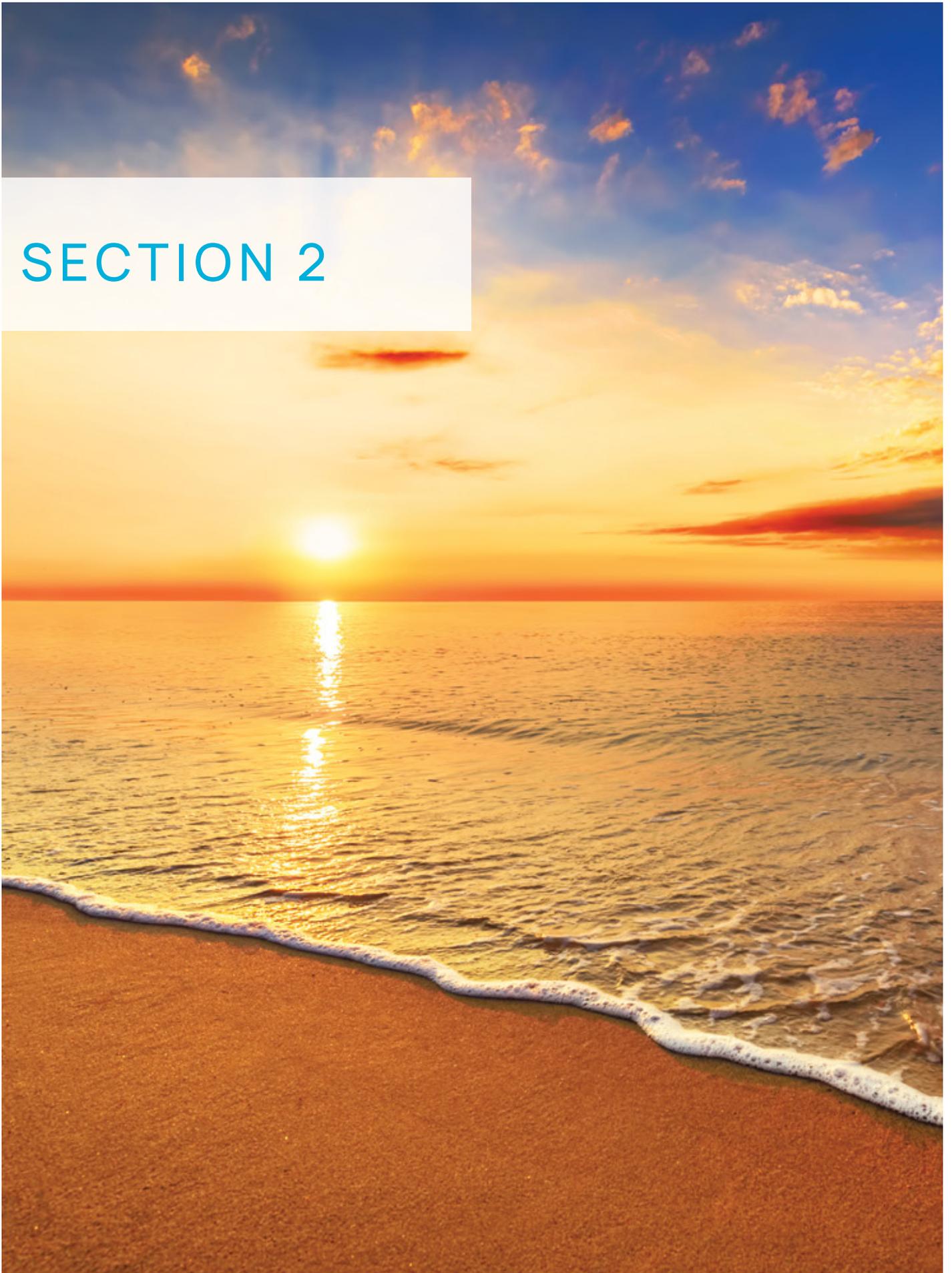
- Planning for the succession of directors.
- Compensation of the Chief Executive Officer, executive directors and other senior management.
- Fees to be paid to Independent Directors.
- Organizational structure in line with BICL Group strategic objectives.
- Selection and retention of senior management.
- Planning for the succession of senior management.
- Professional development for senior management.
- Incentive compensation plans and equity-based plans.

- Human resource strategies.
- The management of pension plans for employees;
- Any additional matters delegated to Compensation and Human Resources Committee by the Board.

Four meetings were held for the financial year. Attendance to committee meetings during each Director's period of service in FY2019 is set out in the table below:

Directors	Sep 19, 2018	Dec 18, 2018	Mar 13, 2019	May 23, 2019
D. Hackett (Independent Committee Chairman)	✓	✓	abs	✓
R. Lewis	✓	✓	✓	✓
D. Small	abs	✓	✓	✓

SECTION 2



THE BEACON INSURANCE COMPANY LIMITED
AND ITS SUBSIDIARY

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

- 01 STATEMENT OF MANAGEMENT'S RESPONSIBILITY
- 02 INDEPENDENT AUDITOR'S REPORT
- 04 CONSOLIDATED STATEMENT OF FINANCIAL POSITION
- 05 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
- 06 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
- 07 CONSOLIDATED STATEMENT OF CASH FLOWS
- 08 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Statement of Management's Responsibility

Year ended June 30, 2019

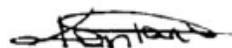
Management, is responsible for the following:

- Preparing and fairly presenting the accompanying financial statements of The Beacon Insurance Company Limited and its Subsidiary (the "Group") which comprise the consolidated statement of financial position as at June 30, 2019, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information;
- Ensuring that the Group 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 the security of the Group's assets, detection/prevention of fraud, and the achievement of Group operational efficiencies;
- Ensuring that the system of internal control operated effectively during the reporting period;
- Producing reliable financial reporting that comply with laws and regulations; and
- Using reasonable and prudent judgement in the determination of estimates.

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

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

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



Chief Financial Officer
October 25, 2019



Chief Executive Officer
October 25, 2019



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Fax: +1 (868) 627-6515 122-124 Frederick
www.bdo.com Street
Port-of-Spain
Trinidad and Tobago

Independent Auditor's Report

To the Shareholders of
The Beacon Insurance Company Limited and its Subsidiary

Opinion

We have audited the consolidated financial statements of The Beacon Insurance Company Limited and its Subsidiary (the "Group"), which comprise the consolidated statement of financial position as at June 30, 2019, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at June 30, 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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



Independent Auditor's Report (continued)

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.



October 25, 2019

Port of Spain,
Trinidad and Tobago

Consolidated Statement of Financial Position

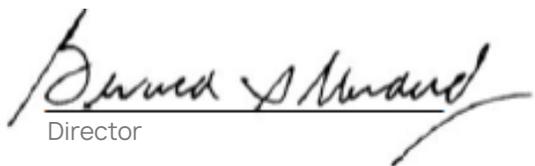
As at June 30, 2019

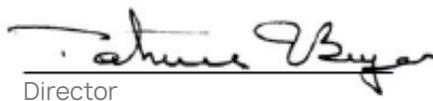
(Expressed in Trinidad and Tobago Dollars)

	Notes	2019	2018
Assets			
Property, plant and equipment	5	23,786,158	49,970,586
Retirement benefit asset	6	1,034,957	2,311,616
Financial assets – available for sale	7	102,832,940	76,820,014
– loans and receivables	8	120,053,799	84,043,700
Reinsurance assets	9	164,283,529	184,599,579
Deferred tax assets	10	7,363,456	8,215,629
Other assets		12,953,432	7,114,713
Taxation recoverable		3,830,178	4,132,092
Short term deposits	11	50,768,787	52,034,385
Cash and cash equivalents		117,727,424	130,080,825
Total assets		<u>\$604,634,660</u>	<u>\$599,323,139</u>
Shareholders' equity			
Stated capital	12	39,000,000	39,000,000
Statutory reserve	13	24,330,675	24,363,698
Fair value reserve		3,091,489	1,071,954
Foreign currency reserve		4,968,519	4,968,519
Retained earnings		52,009,605	71,605,509
Total shareholder's equity		<u>123,400,288</u>	<u>141,009,680</u>
Liabilities			
Insurance liabilities	14	339,588,931	359,814,025
Due to related party		3,744,057	
Reinsurance payable		97,717,228	64,001,284
Trade and other payables	15	33,091,652	29,165,269
Deferred tax liabilities	10	2,820,884	2,106,459
Taxation payable		4,271,620	3,226,422
Total liabilities		<u>481,234,372</u>	<u>458,313,459</u>
Total shareholder's equity and liabilities		<u>\$604,634,660</u>	<u>\$599,323,139</u>

See accompanying notes to the consolidated financial statements.

On October 25, 2019, the Board of Directors of The Beacon Insurance Company Limited authorised these consolidated financial statements for issue.


Director


Director

Consolidated Statement of Comprehensive Income

Year ended June 30, 2019

(Expressed in Trinidad and Tobago Dollars)

	Notes	2019	2018
Insurance premium revenue		417,291,276	368,824,920
Insurance premium ceded to reinsurers		<u>(198,078,826)</u>	<u>(177,066,328)</u>
Net premium written		219,212,450	191,758,592
Change in gross unearned premium reserves		(8,933,689)	1,044,854
Change in unearned premium reserves due to reinsurers		<u>4,925,514</u>	<u>877,478</u>
Net insurance premium revenue		215,204,275	193,680,924
Investment income		9,858,403	9,311,764
Commissions received on reinsurance contracts		58,826,040	55,763,424
Net realised gains on financial assets	7	64,799	1,571,803
Foreign exchange (loss)/gain		<u>(4,324,061)</u>	<u>832,000</u>
Net income		<u>279,629,456</u>	<u>261,159,915</u>
Insurance benefits on long term contracts		(321,141)	524,773
Insurance benefits on long term contracts recovered from reinsurers		(3,657)	(50,274)
Insurance claims and loss adjustment expenses	17	(175,401,552)	(364,990,469)
Insurance claims and loss adjustment expenses recovered from reinsurers	17	<u>53,680,278</u>	<u>243,906,469</u>
Net insurance benefits and claims		(122,046,072)	(120,609,501)
Expenses for the acquisition of insurance contracts		(49,255,042)	(41,077,734)
Other operating and administrative expense	18	<u>(91,894,895)</u>	<u>(92,265,116)</u>
Expenses		<u>(263,196,009)</u>	<u>(253,952,351)</u>
Profit before taxation		16,433,447	7,207,564
Taxation	20	<u>(6,841,690)</u>	<u>(3,875,656)</u>
Profit for the year attributable to shareholders		<u>9,591,757</u>	<u>3,331,908</u>
Other comprehensive income/ (loss):			
Items that may be reclassified to profit or loss			
Net change in fair value on available for sale financial assets, net of tax		2,019,535	(2,026,629)
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit pension plan, net of tax		122,102	(14,900)
Effect of asset ceiling		<u>(1,442,786)</u>	-
Total other comprehensive income/ (loss) for the year, net of taxation		<u>698,851</u>	<u>(2,041,529)</u>
Total comprehensive income for the year attributable to shareholders		<u>\$10,290,608</u>	<u>\$1,290,379</u>

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Changes in Equity

Year ended June 30, 2019

(Expressed in Trinidad and Tobago Dollars)

	Notes	Stated Capital	Statutory Reserve	Fair Value Reserve	Foreign Currency Reserve	Retained Earnings	Total
Year ended June 30, 2019							
Balance as at July 1, 2018		39,000,000	24,363,698	1,071,954	4,968,519	71,605,509	141,009,680
Comprehensive income for the year		-	-	-	-	-	-
Profit for the year attributable to shareholders		-	-	-	-	9,591,757	9,591,757
Net change in fair value on available for sale financial assets		-	-	2,019,535	-	-	2,019,535
Remeasurements of defined benefit pension plan		-	-	-	-	(1,320,684)	(1,320,684)
Total comprehensive income		-	-	2,019,535	-	8,271,073	10,290,608
Transactions with owners							
Dividends paid		-	-	-	-	(27,900,000)	(27,900,000)
Total transactions with owners		-	-	-	-	(27,900,000)	(27,900,000)
Transfer to statutory reserve	13		(33,023)			33,023	-
Balance as at June 30, 2019		\$39,000,000	\$24,330,675	\$3,091,489	\$4,968,519	\$52,009,605	\$123,400,288
Year ended June 30, 2018							
Balance as at July 1, 2017		39,000,000	23,042,895	3,098,583	4,968,519	69,609,304	139,719,301
Comprehensive income for the year							
Profit for the year attributable to shareholders		-	-	-	-	3,331,908	3,331,908
Net change in fair value on available for sale financial assets		-	(2,026,629)		-	-	(2,026,629)
Remeasurements of defined benefit pension plan		-	-	-	-	(14,900)	(14,900)
Total comprehensive (loss)/ income		-	(2,026,629)		-	3,317,008	1,290,379
Transfer to statutory reserve	13		1,320,803			(1,320,803)	-
Balance as at June 30, 2018		\$39,000,000	\$24,363,698	\$1,071,954	\$4,968,519	\$71,605,509	\$141,009,680

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Cash Flows

Year ended June 30, 2019

(Expressed in Trinidad and Tobago Dollars)

	2019	2018
Cash flows from operating activities		
Profit before taxation	16,433,447	7,207,564
Adjustments for:		
Depreciation	3,664,597	3,556,298
Change in retirement benefit asset	(44,025)	(67,093)
(Gain)/loss on disposal of property, plant and equipment	(1,776,627)	202,207
Dividend income	(449,352)	(662,193)
Interest income	(5,253,053)	(4,602,352)
Interest expense	203,970	-
Foreign exchange loss/(gain)	4,324,061	(832,000)
Gain on disposal of financial assets	(64,799)	(1,571,803)
	17,038,219	3,230,628
Net (increase)/decrease in loans and receivables	(36,010,099)	5,250,869
Net decrease/(increase) in reinsurance assets	20,316,050	(5,139,501)
Net increase in other assets	(5,378,735)	(1,811,842)
Net decrease in short term deposits	1,265,598	9,319,399
Net decrease in insurance liabilities	(20,225,094)	(1,963,386)
Increase in due to related party	4,944,057	-
Net increase in reinsurance payable	28,191,883	1,976,448
Net increase in trade and other payables	3,926,383	1,823,316
Taxes paid	(4,601,158)	(5,825,797)
Net cash provided by operating activities	9,467,104	6,860,134
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,802,791)	(2,043,477)
Proceeds from disposal of property, plant and equipment	199,249	183,096
Dividends received	449,352	662,193
Interest received	4,793,069	4,688,818
Interest paid	(203,970)	-
Purchase of available for sale financial assets	(52,584,977)	(10,154,714)
Proceeds from disposal of available for sale financial assets	29,329,563	14,643,649
Net cash (used in)/provided by investing activities	(21,820,505)	7,979,565
(Decrease)/increase in cash and cash equivalents	(12,353,401)	14,839,699
Cash and cash equivalents at beginning of year	130,080,825	115,241,126
Cash and cash equivalents at end of year	\$117,727,424	\$130,080,825

See accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

Year ended June 30, 2019

(Expressed in Trinidad and Tobago Dollars)

1. General information

The Beacon Insurance Company Limited (the "Company") was incorporated in the Republic of Trinidad and Tobago on April 6, 1995, and was continued under the Companies Act, 1995 on September 15, 1998. The Company is engaged in the underwriting of all classes of general insurance business, annuities and term life insurance. Its registered office is located at 13 Stanmore Avenue, Port of Spain, Trinidad. The Company also operates branches and agencies in Barbados, Dominica, Grenada, St. Vincent, St. Kitts and St. Lucia. The Company is a subsidiary of CGH Limited, which is also incorporated in the Republic of Trinidad and Tobago and Colonial Group International Limited, which is incorporated in Bermuda.

The Company has a 100% owned subsidiary, North West Premium Finance Limited (the "Subsidiary"), with registered office located at 13 Stanmore Avenue, Port of Spain, Trinidad. The Subsidiary is primarily engaged in the provision of financing to policyholders for insurance premiums underwritten by the Company in Trinidad and Tobago.

The Company and its Subsidiary are together referred to as the "Group".

2. Summary of significant accounting policies

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

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS" or "Standards"). These consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of available for sale financial assets.

- (i) The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

Standards, amendments and interpretations to existing Standards applicable to the Group in the current year which were adopted by the Group.

- (ii) There were no new IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after July 1, 2018, that were adopted and had a material impact on the Group.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following new standards, interpretations and amendments, which have not been applied in these financial statements, will or may have an effect on the Group's future consolidated financial statements in the period of initial application. In all cases, the entity intends to apply these standards from application date as indicated in the note below.

Notes to the Consolidated Financial Statements

Year ended June 30, 2019

(Expressed in Trinidad and Tobago Dollars)

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

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

IFRS 9 Financial instruments – This new standard introduces new requirements for the classification, measurement and recognition of financial assets and financial liabilities and replaces parts of IAS 39. The standard is effective for annual periods beginning on after January 1, 2018, with early adoption permitted. However, IFRS 4 – Insurance Contracts has been amended to permit entities whose predominant activities are connected with insurance to defer the application of IFRS 9 until January 1, 2021. IFRS 9 is required to be applied retrospectively. IFRS 9 uses business model and contractual cash flow characteristics to determine whether a financial asset is measured at amortized cost or fair value, replacing the four-category classification in IAS 39. The determination is made at initial recognition. The approach is also based on how an entity manages its financial instruments (it's business model) and the contractual cash flow characteristics of the financial assets. IFRS 9 uses an impairment model that is more 'forward-looking' in that a credit event no longer has to occur before credit losses are recognised. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 on or after January 1, 2021. The subsidiary has adopted IFRS 9 from July 1, 2018. However, the impact is not significant to the Group's financial statements.

IFRS 16 Leases supersedes IAS 17 Leases and its related interpretations. IFRS 16 eliminates the classification by a lessee of leases as either operating or finance. Instead, all leases are treated in a similar way to finance leases in accordance with IAS 17. Under IFRS 16, leases are recorded on the statement of financial position by recognising a liability for the present value of its obligation to make future lease payments with an asset (comprised of the amount of the lease liability plus certain other amounts) either being disclosed separately in the consolidated statement of financial position (within right-of-use assets) or together with property, plant and equipment. The most significant effect of the new requirements will be an increase in recognised lease assets and financial liabilities. However, IFRS 16 exempts a lessee to recognise assets and liabilities for short term leases and leases of low-value assets. IFRS 16 clarifies that a lessee separates lease components and service components of a contract and applies the lease accounting requirements only to the lease components. IFRS 16 applies to annual periods commencing on or after January 1, 2019.

IFRS 17 Insurance Contracts sets out the requirements that an entity should apply in reporting information about insurance contracts it issues and reinsurance contracts it holds. IFRS 17 is effective from January 1, 2021, and replaces an interim Standard—IFRS 4 Insurance Contracts. IFRS 17: (a) provides updated information about the obligations, risks and performance of insurance contracts; (b) increases transparency in financial information reported by insurance companies, which will give investors and analysts more confidence in understanding the insurance industry; and (c) introduces consistent accounting for all insurance contracts based on a current measurement model. The Company has not yet assessed the impact of adopting this new standard.

Other standards, amendments and interpretation to existing standards in issue but not yet effective are not considered to be relevant to the Company and have not been disclosed.

- (iii) Standards, amendments and interpretations to existing standards early adopted by the Group
The Group did not early adopt any new revised or amended standards.

Notes to the Consolidated Financial Statements

Year ended June 30, 2019

(Expressed in Trinidad and Tobago Dollars)

2. Summary of significant accounting policies (continued)

2.2 Foreign currency translation

(i) Functional and presentation currency

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the Group operates (the "functional currency"). The consolidated financial statements are presented in Trinidad and Tobago Dollars, which is the Group's functional and presentation currency.

(ii) 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 consolidated statement of comprehensive income. Changes in the fair value of monetary securities denominated in a foreign currency classified as available for sale financial assets are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss; other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial instruments such as equities classified as available for sale financial assets are included in other comprehensive income.

(iii) Foreign Branch operations

The results and financial position of all the branches (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the date of the consolidated statement of financial position;
- (b) income and expenses for each consolidated statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (c) all resulting exchange differences are recognised in other comprehensive income.

2.3 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of items.

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 Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

Notes to the Consolidated Financial Statements

Year ended June 30, 2019

(Expressed in Trinidad and Tobago Dollars)

2. Summary of significant accounting policies (continued)

2.3 Property, plant and equipment (continued)

The 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 lives as follows:

	Method	Rate
Leasehold and freehold properties	Straight line	2%
Furniture and fittings	Reducing balance	12 ½%
Office equipment	Reducing balance	20%
Vehicles	Reducing balance	25%
Computer equipment	Reducing balance	25%

Leasehold buildings are depreciated over the shorter of the lease term and the asset's useful economic life. The assets' residual values and useful lives are reviewed at each consolidated statement of financial position date and adjusted if appropriate.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amounts and are taken into account in determining profit or loss for the year.

2.4 Employee benefits

The Group operates a defined benefit and a defined contribution plan for its Barbados and Trinidad operations respectively.

Defined Benefit Plan

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

The assets of the defined benefit plan are held in a separate trustee-administered fund. The pension plan is funded by payments from employees and by the Group, taking account of the recommendations of independent qualified actuaries.

The asset recognised in the consolidated statement of financial position in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs.

The pension accounting costs are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to the consolidated statement of comprehensive income so as to spread the regular cost over the service lives of employees in accordance with the advice of qualified actuaries who carry out an independent valuation of the plan every year. A full valuation is done on the pension plan every three years. The pension obligation is measured as the present value of the estimated future cash outflows using interest rates of government securities which have terms to maturity approximating the terms of the related liability.

Remeasurements of the net defined obligation are recognised directly within equity. The remeasurements include:

- Actuarial gains and losses
- Return on plan assets (interest exclusive)
- Any asset ceiling effects (interest exclusive)

Service costs are recognised in profit or loss and include current and past service costs as well as gains and losses on curtailments.

Notes to the Consolidated Financial Statements

Year ended June 30, 2019

(Expressed in Trinidad and Tobago Dollars)

2. Summary of significant accounting policies (continued)

2.4 Employee benefits (continued)

Defined Benefit Plan (continued)

Net interest expense (income) is recognised in profit or loss and is calculated by applying the discount rate used to measure the defined benefit obligation (asset) at the beginning of the annual period to the balance of the net defined benefit obligation (asset), considering the effects of contributions and benefit payments during the period.

Gains or losses arising from changes to the pension plan benefits or the pension plan curtailment are recognised immediately in profit or loss.

Settlements of defined benefit plans are recognised in the period in which the settlement occurs.

Defined Contribution Plan

A defined contribution plan is a pension plan under which the Group pays a fixed contribution. The Group's contributions are charged in the consolidated statement of comprehensive income for the year. The Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Group's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.5 Investment in subsidiary

Subsidiaries are all entities (including Special Purpose Entities) over which the Group directly or indirectly, has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

2.6 Financial assets

The Group classifies its financial assets into the following categories: loans and receivables and available for sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at the initial recognition and re-evaluates this at every reporting date.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Group has designated as available for sale. Loans and receivables are recognised initially at fair value and are subsequently carried at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of loans and receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to their original terms. (See Note 2.7 (b) for the accounting policy on impairment). Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables. (See Note 2.7 (b) for receivables from insurance contracts).

Notes to the Consolidated Financial Statements

Year ended June 30, 2019

(Expressed in Trinidad and Tobago Dollars)

2. Summary of significant accounting policies (continued)

2.6 Financial assets (continued)

(b) Available for sale financial assets

Available for sale financial assets are investments that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices or that are not classified as loans and receivables.

Available for sale financial assets are initially recognised at fair value plus transactions cost that is directly attributable to their acquisition. These assets are also subsequently carried at fair value.

Unrealised gains and losses arising from changes in the fair value of securities classified as available for sale are recognised in other comprehensive income. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments are included in the consolidated statement of comprehensive income as net realised gains/losses on financial assets.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available for sale are analysed between transaction differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss while translation differences on non-monetary securities are recognised in other comprehensive income. Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

Interest on available for sale financial assets, calculated using the effective interest method is recognised in the consolidated statement of comprehensive income. Dividends on the available for sale equity instruments are recognised in the consolidated statement of comprehensive income when the Group's right to receive payment is established. Both are included in the investment income line.

Purchases and sales of investments are recognised on the trade date – the date on which the Group commits to purchase or sell the asset.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are included in the consolidated statement of comprehensive income as 'net realised gains or losses on financial assets'.

Financial assets are derecognised when the right to received cash flows from them have expired or where they have been transferred and the Group has also transferred substantially all risk and rewards of ownership.

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer broker, industry group, pricing services or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive.

The fair value of quoted investments is based on last traded prices. If the market for a financial asset is not active, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models.

Notes to the Consolidated Financial Statements

Year ended June 30, 2019

(Expressed in Trinidad and Tobago Dollars)

2. Summary of significant accounting policies (continued)

2.7 Impairment of assets

(a) Assets classified as available for sale

The Group assesses at each date of the consolidated statement of financial position whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is an objective evidence of impairment resulting in the recognition of an impairment loss. In this respect, a decline of 20% or more is regarded as significant, and a period of 12 months or longer is considered to be prolonged. If any such quantitative evidence exists for available for sale financial assets, the asset is considered for impairment, taking qualitative evidence into account. The cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from other comprehensive income and recognised in the profit or loss. Impairment losses recognised in the consolidated statement of comprehensive income on equity instruments are not reversed through the consolidated statement of comprehensive income. If in a subsequent period the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated statement of comprehensive income.

(b) Financial assets carried at amortised cost

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

- (i) the significant financial difficulty of the issuer or debtor;
- (ii) a breach of contract, such as a default or delinquency in payments;
- (iii) it becoming probable that the issuer or debtor will enter bankruptcy or other financial re-organisation;
- (iv) the disappearance of an active market for that financial asset because of financial difficulties; or
- (v) observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
 - adverse changes in the payment status of issuers or debtors in the group; or
 - national or local economic conditions that correlate with defaults on the assets in the group.

Notes to the Consolidated Financial Statements

Year ended June 30, 2019

(Expressed in Trinidad and Tobago Dollars)

2. Summary of significant accounting policies (continued)

2.7 Impairment of assets (continued)

(b) Financial assets carried at amortised cost (continued)

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred on financial assets carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the consolidated statement of comprehensive income. As a practical expedient, the Group may measure impairment on the basis of an asset's fair value using an observable market price.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (that is, on the basis of the Group's grading process that considers asset type, industry, geographical location, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the issuer's ability to pay all amounts due under the contractual terms of the debt instrument being evaluated.

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

(c) Impairment of other non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or change in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

2.8 Short term deposits

Fixed deposits of one (1) year or less and Government Short-Term treasury bills with a duration between 91 days and one (1) year are classified as short-term deposits. Short term deposits are recognised at cost.

2.9 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less. Bank overdrafts are reflected as financial liabilities.

2.10 Insurance contracts

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

Notes to the Consolidated Financial Statements

Year ended June 30, 2019

(Expressed in Trinidad and Tobago Dollars)

2. Summary of significant accounting policies (continued)

2.10 Insurance contracts (continued)

Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. The Group defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that is at least 10% 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.

(a) Recognition and measurement

The insurance contracts issued by the Group comprise short-term and long-term insurance contracts. Short-term contracts consist of property and casualty insurance contracts and short-term life insurance contracts. The long-term insurance contracts mainly relate to term life assurance and annuity contracts.

Property and casualty insurance contracts

Casualty insurance contracts protect the Group's customers against the risk of causing harm to third parties as a result of their legitimate activities. Damages covered include both contractual and non-contractual events. The typical protection offered is designed for employers who become legally liable to pay compensation to injured employees (employer's liability) and for individual and business customers who become liable to pay compensation to a third party for bodily harm or property damage (public liability).

Motor Vehicle Insurance legislation makes provision for the protection of third parties against risks arising out of the use of motor vehicles. Motor insurance contracts indemnify the Group's clients against negligence in the event of an accident which causes property damage and/or personal injury to third parties. The policy provides for specified limits of liabilities in accordance with the legislation.

The Group also issues comprehensive policies which cover "own damage" to the insured's property.

Property insurance contracts mainly compensate customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover).

Premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. The proportion of premiums received on in-force contracts that relate to unexpired risks at the consolidated statement of financial position date is reported as the unearned premiums liability. Premiums are shown before the deduction of commission.

Provisions for unearned premiums represent the proportions of the premiums written in the year less reinsurances thereon which relate to periods of insurance subsequent to the year-end and are computed using 100% of the 24ths method for all business except bonding and other classes where the period of the risk exceeds one year. For bonding, the group reserves 100% of premiums for the year until the expiry of the risk and, for other classes where the period of risk exceeds one year, premiums are amortised on the straight-line basis.

Notes to the Consolidated Financial Statements

Year ended June 30, 2019

(Expressed in Trinidad and Tobago Dollars)

2. Summary of significant accounting policies (continued)

2.10 Insurance contracts (continued)

(a) Recognition and measurement (continued)

Property and casualty insurance contracts (continued)

Claims and loss adjustment expenses are charged to the consolidated statement of comprehensive income as incurred based on the estimated liability for compensation owed to contract holders or third parties for bodily harm or property damage by the contract holders. They include direct and indirect settlement costs arising from events that have occurred up to the consolidated statement of financial position date even if they have not yet been reported to the Group. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Group and statistical analyses for the claims incurred but not reported. Legal opinion and precedent are used to estimate the expected ultimate cost of more complex claims involving litigation.

Short-term life insurance contracts

These contracts are short-duration life insurance contracts which consist of group life and group credit life contracts that are issued against the consequences of death or disability. Group life contracts issued are annually renewable. Guaranteed benefits paid on the occurrence of the specified insurance event are either fixed or linked to the extent of the economic loss suffered by the policyholder. There is no maturity or surrender benefits.

Short-term life insurance premiums are accounted for in the consolidated statement of comprehensive income on the accruals basis. Premiums are shown before deduction of commission.

Benefits are recorded as an expense when they are incurred. Liabilities for incurred but not reported (IBNR) on group credit life policies are estimated as a percentage of the outstanding claims liability. This approximation is checked for reasonableness against the claims and expense experience.

Provisions for unearned premiums represent the proportions of short-term insurance premiums written in the year, which relates to periods of insurance subsequent to the consolidated statement of financial position date and is computed on a pro-rata basis.

Long-term insurance contracts

These contracts insure events associated with human life (for example death, or survival) over a long duration. Premiums are recognised as revenue when they become payable by the contract holder. Premiums are shown before deduction of commission. Benefits are recorded as an expense when they are incurred. A liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognised. The liability is determined as the sum of the expected discounted value of the benefit payments that are directly related to the contract, less the expected discounted value of the theoretical premiums that would be required to meet the benefits based on the valuation assumptions used (the valuation premiums). The expected discounted value is based on assumptions as to mortality and future interest rates that are established at the consolidated statement of financial position date. Long term insurance contracts include the following:

Term life contracts

These contracts are generally issued for fixed terms and provide payment of a known sum in the event of the death of the policyholder. The main risk is the premature death of the policyholder.

Notes to the Consolidated Financial Statements

Year ended June 30, 2019

(Expressed in Trinidad and Tobago Dollars)

2. Summary of significant accounting policies (continued)

2.10 Insurance contracts (continued)

(a) Recognition and measurement (continued)

Annuity contracts

These are deferred annuity contracts. These contracts provide for payment of a regular income upon maturity of the contract.

(b) Liability adequacy test

At the reporting date, liability adequacy tests were performed to ensure the adequacy of the contract liabilities. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses are used. Any deficiency is immediately charged to profit or loss by establishing a provision for losses arising from liability adequacy tests.

(c) Receivables and payables related to insurance contracts

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

If there is objective evidence that the insurance receivable is impaired, the Group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the consolidated statement of comprehensive income. The Group 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 financial assets as described in Note 2.7 (b).

(d) Reinsurance contracts held

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group and that meet the classification requirements for insurance contracts are classified as reinsurance assets. Contracts that do not meet these classification requirements are classified as financial assets.

The benefits to which the Group 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.

In certain cases, a reinsurance contract is entered into retrospectively to reinsure a notified claim under the Group's property or casualty insurance contracts. Where the premium due to the reinsurer differs from the liability established by the Group for the related claim, the difference is amortised over the estimated remaining settlement period.

The Group assesses its reinsurance assets for impairment annually. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the statement of comprehensive income. The Group gathers objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is also calculated following the same method used for these financial assets as described in Note 2.7 (b).

Notes to the Consolidated Financial Statements

Year ended June 30, 2019

(Expressed in Trinidad and Tobago Dollars)

2. Summary of significant accounting policies (continued)

2.10 Insurance contracts (continued)

(e) Salvage and subrogation reimbursements

Some insurance contracts permit the Group to sell (usually damaged) property acquired in settling a claim (i.e. salvage). The Group may also have the right to pursue third parties for payment of some or all costs (i.e. subrogation). These are recorded when received.

2.11 Other assets

Other assets are generally measured at amortised cost.

2.12 Stated capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax. Transfers to stated capital for which shares have not yet been issued are reflected as contributed capital.

2.13 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 the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

2.14 Current and deferred income taxes

The tax expense for the year comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income. In this case, the tax charge is calculated on the basis of the tax laws enacted at the year-end.

Deferred tax is recognised, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax is not accounted for if it arises from the 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.

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

The principal temporary differences arise from depreciation on property, plant and equipment, fair value gains on available for sale financial assets, unused tax losses, impairment provisions and the retirement benefit asset.

Corporation tax on short-term insurance business is charged at varying rates between 25% and 33% applicable on the respective profit for the year arising in each of the countries in which the Group operates.

Notes to the Consolidated Financial Statements

Year ended June 30, 2019

(Expressed in Trinidad and Tobago Dollars)

2. Summary of significant accounting policies (continued)

2.15 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are not recognised for future operating losses. When there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

2.16 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.17 Revenue recognition

(i) Premium income

Revenue from premium income is recognised in accordance with Note 2.10.

(ii) Commission income

Commission income relates to commissions received on reinsurance contracts. This is calculated by a combination of a flat brokerage fee or a percentage of business ceded. These amounts are recognised on the accruals basis.

(iii) Interest income

Interest income is recognised in the consolidated statement of comprehensive income using the effective interest method.

(iv) Dividend income

Dividend income from equities is recognised when the right to receive payment is established.

2.18 Dividend distribution

Dividend distribution to the Group's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Board of Directors of the Group.

2.19 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property, plant and equipment and the present value of the minimum lease payments.

Notes to the Consolidated Financial Statements

Year ended June 30, 2019

(Expressed in Trinidad and Tobago Dollars)

2. Summary of significant accounting policies (continued)

2.19 Leases (continued)

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the consolidated statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

Prepaid lease rentals are amortised over the lease term on a straight-line basis.

2.20 Offsetting financial instruments

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

2.21 Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.22 Commissions paid

The Group pays commissions to its agents or brokers based on rates agreed with the respective party. These are reflected as 'expenses for the acquisition of insurance contracts' in the consolidated statement of comprehensive income.

2.23 Operating and administrative expenses

Operating and administrative expenses are generally recognised on an accrual basis.

3. Critical accounting estimates and judgments in applying accounting policies

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within 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.

3.1 Estimates arising from insurance liabilities

(a) Claims reported and loss adjustment expenses under short-term insurance contracts

The estimation of the liability arising from claims made under insurance contracts is one of the Group's accounting estimates. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Group will ultimately pay for such claims. In estimating the liability for the outstanding claims, the Group considers any information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods. If this reserve was to increase by 5%, this would result in an increase in the insurance liabilities of \$6,200,551 (2018: \$7,489,352) and a fall in profit before tax of \$2,598,064 (2018: \$2,770,310).

Notes to the Consolidated Financial Statements

Year ended June 30, 2019

(Expressed in Trinidad and Tobago Dollars)

3. Critical accounting estimates and judgments in applying accounting policies (continued)

3.1 Estimates arising from insurance liabilities (continued)

- (b) Estimate of future benefit payments and premiums arising from long term insurance contracts
The liabilities under long-term insurance contracts are determined using the policy premium method. The liabilities are calculated as the expected present value of future benefit payments less future valuation premiums. The mortality rates are based on the 1986-92 Canadian Institute of Actuaries mortality tables and interest rate assumptions are based on the past performance of the Company. If this reserve was to increase by 5%, this would result in an increase in the insurance liabilities of \$168,248 (2018: \$152,191) and a fall in profit before tax of \$166,983 (2018: \$150,743).
- (c) Claims incurred but not reported
In estimating the ultimate liability arising from insurance contracts, the Group makes certain assumptions regarding claims arising during the current year which have not been reported as at the year-end. These estimates are based on historical experience as well as statistical analyses. If the value of claims reported after the year-end which related to the current year was to increase by 5% compared to managements estimate, this would result in an increase in the liabilities due under insurance contracts of \$2,010,774 (2018: \$2,195,970) and a fall in profit before tax of \$1,558,549 (2018: \$1,598,404).
- (d) Unearned premiums
The Group estimates at the end of each financial year the value of premium income billed during the year which has not been earned by the Group as at the year-end. These estimates are based on the inception dates of the policies as well as the types of policies being issued. If this reserve were to increase by 5%, this would result in an increase in the insurance liabilities of \$8,125,744 (2018: \$7,673,407) and a fall in profit before tax of \$4,119,980 (2018: \$3,923,348).

3.2 Impairment of loans and receivables

The Group assesses at the year-end whether its loans and receivables are impaired. Management reviews the ageing of these receivables as well as the creditworthiness of the debtors in estimating these impairment provisions. If the value of doubtful debts was to increase by 5% from management's estimate, this would result in an increase in the provision for doubtful debts and a fall in profit before tax by \$532,686 (2018: \$503,521).

3.3 Estimation of fair values for available for sale financial assets

In estimating the fair values of available for sale financial assets, management utilizes various assumptions and valuation techniques such as discounted cash flow analyses and reference to recent prices of similar financial instruments for the valuation of its unquoted instruments. If the fair value were to increase by 5%, this would result in a movement in other comprehensive income of \$4,350,844 (2018: \$3,146,224).

Notes to the Consolidated Financial Statements

Year ended June 30, 2019

(Expressed in Trinidad and Tobago Dollars)

3. Critical accounting estimates and judgments in applying accounting policies (continued)

3.4 Pension and post-retirement benefits

The cost of these benefits and the present value of the pension liability depend on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net periodic cost (income) for pension and post-retirement benefits include the expected long-term rate of return on the relevant plan assets, the discount rate and, in the case of the post-employment medical benefits, the expected rate of increase in medical costs. Any changes in these assumptions will impact the net periodic cost (income) recorded for pension and post-retirement benefits and may affect planned funding of the pension plans. The expected return on plan assets assumption is determined on a uniform basis, considering long-term historical returns, asset allocation and future estimates of long-term investment returns. The Group determines the appropriate discount rate at the end of each year, which represents the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension and post-retirement benefit obligations. In determining the appropriate discount rate, the Group considered interest rates of high-quality corporate bonds and in their absence government bonds that have terms to maturity approximating the terms of the related pension liability. If the pension obligation were to increase by 5%, this would result in a movement in other comprehensive income \$107,886 (2018: \$123,089).

4. Management of insurance and financial risk

4.1 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 Group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Group 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.

Insurance risk arises from:

- Fluctuations in the timing, frequency and severity of claims and claim settlements relative to expectations.
- Unexpected claims arising from a single source.
- Inaccurate pricing of risk when underwritten.
- Inadequate reinsurance protection or other risk transfer techniques
- Inadequate reserving for claim liabilities

Notes to the Consolidated Financial Statements

Year ended June 30, 2019

(Expressed in Trinidad and Tobago Dollars)

4. Management of insurance and financial risk (continued)

4.1 Insurance risk (continued)

4.1.1 Motor, casualty and property insurance risks

i) Frequency and severity of claims

The frequency and severity of casualty claims can be affected by several factors. The most significant incidents of casualty claims are monetary awards granted for bodily injury suffered by employees (for employer's liability/workmen's compensation coverage) or members of the public (for public liability coverage).

The frequency and severity of property claims can also be affected by several factors. Climatic changes give rise to more frequent losses (for example, windstorms/hurricane, flooding, subsidence/landslip and earthquakes). The greatest likelihood of significant losses on these contracts arises from earthquake, windstorm or flood damage.

The Group manages the risks on motor, casualty and property insurance through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling. The underwriting strategy is agreed by an executive committee and communicated by specific policy statements and guidelines. Policies and procedures exist for underwriting, claims management, reinsurance and reserving and operate within the company's risk management framework.

Mechanisms are in place in each of the business units to identify, quantify and manage accumulated exposures within the limits of the Group's risk appetite. Reinsurance is used to assist in reducing the financial impact of a catastrophe and to reduce the volatility of earnings. Reinsurance purchases are reviewed annually to check that the levels of protection being purchased match developments in exposure. Reinsurance arrangements are only placed with providers who meet the Group's counterparty credit risk standards.

The adequacy of the general insurance reserves is ultimately approved by the executive committee who maintains a general insurance reserving policy and regularly monitors its adequacy.

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.

The Group manages the concentration of insurance risk using geographical segregation as follows:

Sum insured as at June 30, 2019 (all amounts in Trinidad and Tobago dollar)

	Motor and Casualty	Property	Total	%
Trinidad	5,359,569,509	20,240,464,514	25,600,034,023	77%
Barbados	161,018,688	866,663,180	1,027,681,868	3%
Dominica	82,822,947	1,443,410,701	1,526,233,648	5%
Grenada	293,032,793	1,654,829,165	1,947,861,958	6%
St. Lucia	264,428,577	1,329,665,160	1,594,093,737	5%
St. Vincent	95,912,014	769,430,874	865,342,888	3%
St. Kitts	13,226,686	188,200,739	201,427,425	1%
Total	\$6,270,011,214	\$26,492,664,333	\$32,762,675,547	100%

The sums insured noted above do not include third party coverage.

Notes to the Consolidated Financial Statements

Year ended June 30, 2019

(Expressed in Trinidad and Tobago Dollars)

4. Management of insurance and financial risk (continued)

4.1 Insurance risk (continued)

4.1.1 Motor, casualty and property insurance risks

i) Frequency and severity of claims (continued)

Sum insured as at June 30, 2018 (all amounts in Trinidad and Tobago dollar)

	Motor and Casualty	Property	Total	%
Trinidad	5,359,569,509	20,240,464,514	25,600,034,023	77%
Barbados	161,018,688	866,663,180	1,027,681,868	3%
Dominica	82,822,947	1,443,410,701	1,526,233,648	5%
Grenada	293,032,793	1,654,829,165	1,947,861,958	6%
St. Lucia	264,428,577	1,329,665,160	1,594,093,737	5%
St. Vincent	95,912,014	769,430,874	865,342,888	3%
St. Kitts	13,226,686	188,200,739	201,427,425	1%
Total	\$6,270,011,214	\$26,492,664,333	\$32,762,675,547	100%

The sums insured noted above do not include third party coverage.

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

Claims on motor and casualty contracts are payable on a claims-occurrence basis. The compensation paid on these contracts is the monetary awards granted for bodily injury suffered by employees or members of the public. There are several variables that affect the amount and timing of cash flows from these contracts. These mainly relate to the inherent risk of the business activities carried out by individual contract holders and the risk management procedures they adopted. Liability limits on policies are subject to legislation limits and the Group reduces its exposure through a motor and casualty reinsurance treaty. All claims under litigation are separately monitored by the executive management team and subject to periodical reviews with legal representatives.

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

An increase of 5% in the cost of settling motor and casualty claims would increase the liabilities due under these insurance contracts for the year by \$4,403,793 (2018: \$4,774,166).

The estimated cost of claims includes direct expenses to be incurred in settling claims. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The liabilities for these contracts comprise a provision for claims incurred but not reported (IBNR).

Claim cases are continuously re-evaluated based on new information and developments.

Property claims have a shorter settlement period. As a result, claim estimation is based on loss ratio trends and the prevailing economic climate the Group operates in.

An increase of 5% in the cost of settling property claims would increase the liabilities due under these insurance contracts for the year by \$2,628,813 (2018: \$3,716,144).

Note 14 presents the development of the estimate of ultimate claim cost for claims notified in a given year.

Notes to the Consolidated Financial Statements

Year ended June 30, 2019

(Expressed in Trinidad and Tobago Dollars)

4. Management of insurance and financial risk (continued)

4.2 Financial risk

The Group is exposed to financial risk mainly through its financial assets, financial liabilities and reinsurance assets. In particular, the key financial risk is that the proceeds from the Group's financial assets are not sufficient to fund the obligations arising from its financial liabilities and insurance contracts. The most important components of financial risk are market risk, credit risk and liquidity risk.

4.2.1 Credit risk

The Group has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Group is exposed to credit risk are:

- reinsurers' share of insurance liabilities;
- amounts due from reinsurers in respect of claims already paid;
- amounts due from insurance contract holders;
- amounts due from insurance intermediaries;
- amounts due on available for sale financial assets; and
- amounts due on its cash holdings and short-term deposits.

The Group structures the levels of the credit risk it accepts by placing limits on its exposure to a single counterparty. Such risks are subject to an annual or more frequent review. Impairment provisions are established for losses that have been incurred at the year-end.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Group's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Group remains liable for the payment to the policyholder. The Group mainly utilizes international reinsurers with an A+ or higher rating (AM Best or Standard and Poor's). The reinsurers' ratings are reviewed periodically and annually prior to renewal of reinsurance treaty arrangements.

Loans and receivables comprise primarily amounts due from insurance contracts holders and intermediaries, mortgage loans and amounts due from reinsurers. For policyholders, credit is restricted and regulated in accordance with corporate credit policy. Through a process of internal audit and management reviews of ageing analysis on a monthly basis, creditworthiness is monitored, and the Group reserves its right to effect cancellation on the unexpired portion of the risks. All loans are subject to individual credit assessment.

Debt securities comprise primarily Government or Government-backed bonds and corporate bonds with reputable financial institutions.

Short term deposits and cash and cash equivalents include cash, short term fixed deposits of one (1) year or less, mutual funds placed with reputable leading regional financial institutions and Government Short-Term treasury bills with a duration between 91 and 181 days.

There were no changes from the prior year in the Group's objectives, policies or procedures for managing credit risk.

Notes to the Consolidated Financial Statements

Year ended June 30, 2019

(Expressed in Trinidad and Tobago Dollars)

4. Management of insurance and financial risk (continued)

4.2 Financial risk (continued)

4.2.1 Credit risk (continued)

(i) Assets bearing credit risk

Below is an analysis of assets bearing credit risk:

As at June 30, 2019

	Neither past due nor impaired	Past due but not impaired	Impaired	Total
Financial assets				
- debt securities	87,016,888	-	-	87,016,888
- gross loans and receivables	56,709,866	63,343,933	10,517,645	130,571,444
Less provision for doubtful debts	-	-	(10,517,645)	(10,517,645)
Reinsurance assets	164,283,529	-	-	164,283,529
Other assets	672,341	12,281,091	136,084	13,089,516
Less provision for doubtful debts	-	-	(136,084)	(136,084)
Short term deposits	50,768,787	-	-	50,768,787
Cash and cash equivalents	117,727,424	-	-	117,727,424
Total	\$477,178,835	\$75,625,024	\$-	\$552,803,859

As at June 30, 2018

	Neither past due nor impaired	Past due but not impaired	Impaired	Total
Financial assets				
- debt securities	62,924,477	-	-	62,924,477
- gross loans and receivables	53,175,555	30,868,145	9,724,650	93,768,350
Less provision for doubtful debts	-	-	(9,724,650)	(9,724,650)
Reinsurance assets	184,599,579	-	-	184,599,579
Other assets	399,160	6,715,553	345,759	7,460,472
Less provision for doubtful debts	-	-	(345,759)	(345,759)
Short term deposits	52,034,385	-	-	52,034,385
Cash and cash equivalents	130,080,825	-	-	130,080,825
Total	\$483,213,981	\$37,583,698	\$-	\$520,797,679

The Company currently holds no collateral (2018: \$nil) as security for its mortgage loans issued.

(ii) Financial assets past due but not impaired

Financial assets that are past due but not impaired were assessed for impairment based on the creditworthiness of the debtor, historical payment patterns and the amounts received subsequent to the year-end and were considered not to be impaired.

Notes to the Consolidated Financial Statements

Year ended June 30, 2019

(Expressed in Trinidad and Tobago Dollars)

4. Management of insurance and financial risk (continued)

4.2 Financial risk (continued)

4.2.1 Credit risk (continued)

(ii) Financial assets past due but not impaired (continued)

As at June 30, 2019

	0 - 30 days	30 - 60 days	Between 60 - 90 days	Over 90 days	Total
Financial assets					
- loans and receivables	3,797,010	35,779,284	13,005,542	10,762,097	63,343,933
Other assets	-	12,281,091	-	-	12,281,091
Total	\$3,797,010	\$48,060,375	\$13,005,542	\$10,762,097	\$75,625,024

As at June 30, 2018

	0 - 30 days	30 - 60 days	Between 60 - 90 days	Over 90 days	Total
Financial assets					
- loans and receivables	-	10,110,826	10,902,224	9,855,095	30,868,145
Other assets	-	6,715,553	-	-	6,715,553
Total	\$-	\$16,826,379	\$10,902,224	\$9,855,095	\$37,583,698

(iii) Impaired financial assets and movement in provision for doubtful debts

	2019	2018
As at beginning of year	10,070,409	7,720,114
Increase in provision for the year	630,898	2,374,004
Recoveries during the year	43,756	77,689
Receivable written off during the year as uncollectable	(91,334)	(101,398)
As at end of year	\$10,653,729	\$10,070,409

The above balances are reflected within the other assets and loans and receivables balances as at the year-end.

(iv) Concentration of credit risk

The Group analyses its concentration of credit risk by geographical location as follows:

As at June 30, 2019

	Trinidad and Tobago	Barbados	Eastern Caribbean	Non- Regional	Total
Financial assets					
- debt securities	52,507,821	2,164,500	12,342,845	20,001,722	87,016,888
- loans and receivables	69,643,720	2,242,452	23,741,373	24,426,254	120,053,799
Reinsurance assets	-	-	-	164,283,529	164,283,529
Other assets	2,653,391	5,801,639	4,498,402	-	12,953,432
Short term deposits	12,500,000	3,933,802	34,334,985	-	50,768,787
Cash and cash equivalents	64,145,410	8,725,040	44,856,974	-	117,727,424
Total	\$201,450,342	\$22,867,433	\$119,774,579	\$208,711,505	\$552,803,859

Notes to the Consolidated Financial Statements

Year ended June 30, 2019

(Expressed in Trinidad and Tobago Dollars)

4. Management of insurance and financial risk (continued)

4.2 Financial risk (continued)

4.2.1 Credit risk (continued)

(iv) Concentration of credit risk (continued)

As at June 30, 2018

	Trinidad and Tobago	Barbados	Eastern Caribbean	Non- Regional	Total
Financial assets					
- debt securities	42,745,311	2,164,248	12,559,820	5,455,098	62,924,477
- loans and receivables	64,220,955	2,058,797	17,763,948	-	84,043,700
Reinsurance assets	-	-	-	184,599,579	184,599,579
Other assets	4,303,369	632,460	2,178,884	-	7,114,713
Short term deposits	12,000,000	8,237,401	31,796,984	-	52,034,385
Cash and cash equivalents	88,796,878	366,050	40,917,897	-	130,080,825
Total	\$212,066,513	\$13,458,956	\$105,217,533	\$190,054,677	\$520,797,679

(v) Credit quality of financial assets

The credit quality of financial assets is measured on a group basis. Banks and financial institutions with an independent external minimum rating of 'BBB' are accepted as well as reinsurers with a minimum rating of 'A'. Where customers bearing credit risk are independently rated, these ratings are used. In instances where there is no independent rating, the credit quality of the customer is assessed by taking into account their financial position, past experience and other factors.

As at June 30, 2019

	A	BBB	BB or below	No ratings assigned	Total
Financial assets					
- debt securities	37,507,221	43,955,913	5,411,972	141,782	87,016,888
- loans and receivables	24,426,254	-	-	95,627,545	120,053,799
Reinsurance assets	164,283,529	-	-	-	164,283,529
Other assets	-	-	-	12,953,432	12,953,432
Short term deposits	7,981,600	22,119,834	-	20,667,353	50,768,787
Cash and cash equivalents	78,625,230	11,934,021	1,587,980	25,580,193	117,727,424
Total	\$312,823,834	\$78,009,768	\$6,999,952	\$154,970,305	\$552,803,859

As at June 30, 2018

	A	BBB	BB or below	No ratings assigned	Total
Financial assets					
- debt securities	22,854,653	24,327,988	9,176,056	6,565,780	62,924,477
- loans and receivables	-	-	-	84,043,700	84,043,700
Reinsurance assets	184,599,579	-	-	-	184,599,579
Other assets	-	-	-	7,114,713	7,114,713
Short term deposits	7,923,598	12,000,000	7,635,834	24,474,953	52,034,385
Cash and cash equivalents	64,555,655	20,423,478	1,488,000	43,613,692	130,080,825
Total	\$279,933,485	\$56,751,466	\$18,299,890	\$165,812,838	\$520,797,679

Notes to the Consolidated Financial Statements

Year ended June 30, 2019

(Expressed in Trinidad and Tobago Dollars)

4. Management of insurance and financial risk (continued)

4.2 Financial risk (continued)

4.2.1 Liquidity risk

The Group is exposed to regular demands on its available cash resources. Liquidity risk is the risk that the Group may not be able to pay obligations when they fall due. The Group employs various asset/liability techniques to manage its liquidity risks. These include matching the maturity profile of its assets and liabilities and maintaining short term assets to meet its funding requirements at any point in time. The techniques used vary with market conditions.

The following table analyses financial assets and liabilities into relevant maturity groupings based on the remaining period at the consolidated statement of financial position date to the contractual maturity date.

The analysis below shows the maturity profile of financial assets based on contractual discounted cashflows; the maturity profile of financial liabilities using contractual undiscounted cash flows; and the maturity profile of insurance liabilities using expected discounted cashflows.

As at June 30, 2019

	Up to one year	One to five years	Over five years	Total
Assets				
Financial assets				
- available for sale	27,817,169	41,268,575	36,253,707	105,339,451
- loans and receivables	114,721,030	5,332,769	-	120,053,799
Reinsurance assets	163,090,284	1,193,245	-	164,283,529
Other assets	12,953,432	-	-	12,953,432
Short term deposits	50,768,787	-	-	50,768,787
Cash and cash equivalents	117,727,424	-	-	117,727,424
Total	487,078,126	47,794,589	36,253,707	571,126,422
Liabilities				
Insurance liabilities	330,581,884	9,007,047	-	339,588,931
Due to related party	3,744,057	-	-	3,744,057
Reinsurance payable	97,717,228	-	-	97,717,228
Trade and other payables	33,091,652	-	-	33,091,652
Total	465,134,821	9,007,047	-	474,141,868
Net liquidity risk	\$21,943,305	\$38,787,542	\$36,253,707	\$96,984,554

Notes to the Consolidated Financial Statements

Year ended June 30, 2019

(Expressed in Trinidad and Tobago Dollars)

4. Management of insurance and financial risk (continued)

4.2 Financial risk (continued)

4.2.2 Liquidity risk (continued)

As at June 30, 2018

	Up to one year	One to five years	Over five years	Total
Assets				
Financial assets				
- available for sale	33,088,125	21,549,073	17,710,582	72,347,780
- loans and receivables	80,406,822	2,967,319	669,559	84,043,700
Reinsurance assets	183,951,769	647,810	-	184,599,579
Other assets	7,114,713	-	-	7,114,713
Short term deposits	52,034,385	-	-	52,034,385
Cash and cash equivalents	130,080,825	-	-	130,080,825
Total	486,676,639	25,164,202	18,380,141	530,220,982
Liabilities				
Insurance liabilities	351,756,472	8,057,553	-	359,814,025
Reinsurance payable	64,001,284	-	-	64,001,284
Trade and other payables	29,165,269	-	-	29,165,269
Total	444,923,025	8,057,553	-	452,980,578
Net liquidity risk	\$41,753,614	\$17,106,649	\$18,380,141	\$77,240,404

There were no changes in the objectives, policies or procedures for managing liquidity risk from the prior year.

4.2.3 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk.

a) Fair value and cash flow interest rate risk

The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position, financial performance and future cash flows. Fair value interest rate risk is the risk that the fair values of a financial instrument will fluctuate because of changes in the market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's interest rate risk arises from its available for sale financial assets and its short-term deposits and cash and cash equivalents. The Group has no significant borrowing and interest servicing debts and therefore is not subject to significant interest rate risk on its financial liabilities.

The Group employs various asset/liability techniques to manage interest rate risks. These techniques include managing the composition of the portfolio between fixed and floating rate instruments and regularly reviewing the market values of its available for sale financial assets. The Group's treasury management strategy is focused towards short-term investment instruments including fixed deposit, government short-term treasury bills and mutual funds with maturity terms of 1 year or less. For investments with maturities exceeding one (1) year, opportunities for variable interest rate instruments are sourced as a preferred investment.

Notes to the Consolidated Financial Statements

Year ended June 30, 2019

(Expressed in Trinidad and Tobago Dollars)

4. Management of insurance and financial risk (continued)

4.2 Financial risk (continued)

4.2.3 Market risk (continued)

a) Fair value and cash flow interest rate risk (continued)

There were no changes in the objectives, policies or procedures for managing interest rate risk from the prior year.

(i) Cash flow interest rate risk

The table below summarises the Group's exposure to cash flow interest rate risk.

As at June 30, 2019

	Carrying value	1% movement in interest rates
Short term deposits	\$50,768,787	\$507,688
Cash and cash equivalents	\$117,727,424	\$1,177,274

As at June 30, 2018

	Carrying value	1% movement in interest rates
Short term deposits	\$52,034,385	\$520,344
Cash and cash equivalents	\$130,080,825	\$1,300,808

(ii) Fair value interest rate risk

The table below summarises the Group's exposure to fair value interest rate risk.

As at June 30, 2019

	Carrying value	Fair value
Available for sale financial assets	\$102,832,940	\$102,832,940
Mortgage and other loans	\$18,087,100	\$18,087,100

As at June 30, 2018

	Carrying value	Fair value
Available for sale financial assets	\$76,820,014	\$76,820,014
Mortgage and other loans	\$19,101,538	\$19,101,538

b) Currency risk

The Group takes on exposure due to the effects of fluctuations in the prevailing foreign exchange rates on its financial positions, financial performance and cash flows. The strategy for dealing with currency risks is to match foreign currency liabilities with assets denominated in the same currency.

Notes to the Consolidated Financial Statements

Year ended June 30, 2019

(Expressed in Trinidad and Tobago Dollars)

4. Management of insurance and financial risk (continued)

4.2 Financial risk (continued)

4.2.3 Market risk (continued)

b) Currency risk (continued)

The table below summarises the Group's significant currency positions for currency other than Trinidad and Tobago dollars (expressed in Trinidad and Tobago dollars):

As at June 30, 2019

	Eastern Caribbean Dollar	Barbados Dollar	United States Dollar	Other	Total
Assets					
Financial assets					
- available for sale	12,342,845	2,164,500	24,919,512	1,790,833	41,217,690
- loans and receivables	23,741,373	2,242,452	24,426,254	-	50,410,079
Reinsurance assets	-	-	164,283,529	-	164,283,529
Other assets	4,498,402	5,801,639	-	-	10,300,041
Short term deposits	36,070,987	2,197,800	-	-	38,268,787
Cash and cash equivalents	44,856,971	8,725,040	11,093,130	-	64,675,141
Total assets	121,510,578	21,131,431	224,722,425	1,790,833	369,155,267
Liabilities					
Insurance liabilities	119,965,115	16,842,601	-	-	136,807,716
Reinsurance payable	-	-	97,717,228	-	97,717,228
Trade and other payables	6,177,676	2,013,356	-	-	8,191,032
Total liabilities	126,142,791	18,855,957	97,717,228	-	242,715,976
Net currency gap	(4,632,213)	2,275,474	127,005,197	1,790,833	126,439,291
Effect of 1% change in exchange rates on consolidated statement of comprehensive income	\$(46,322)	\$22,755	\$1,270,052	\$17,908	\$1,264,393

Notes to the Consolidated Financial Statements

Year ended June 30, 2019

(Expressed in Trinidad and Tobago Dollars)

4. Management of Insurance and Financial Risk (continued)

4.2 Financial risk (continued)

4.2.3 Market risk (continued)

b) Currency risk (continued)

As at June 30, 2018

	Eastern Caribbean Dollar	Barbados Dollar	United States Dollar	Other	Total
Assets					
Financial assets					
- available for sale	5,784,277	2,164,248	16,778,019	1,906,775	26,633,319
- loans and receivables	17,763,944	2,058,798	-	-	19,822,742
Reinsurance assets	-	-	184,599,579	-	184,599,579
Other assets	2,178,884	632,460	-	-	2,811,344
Short term deposits	34,772,985	5,261,400	-	-	40,034,385
Cash and cash equivalents	40,917,894	366,052	25,282,432	948,465	67,514,843
Total assets	101,417,984	10,482,958	226,660,030	2,855,240	341,416,212
Liabilities					
Insurance liabilities	134,815,215	19,805,292	-	-	154,620,507
Reinsurance payable	-	-	64,001,284	-	64,001,284
Trade and other payables	5,815,242	2,639,747	-	-	8,454,989
Total liabilities	140,630,457	22,445,039	64,001,284	-	227,076,780
Net currency gap	(39,212,473)	(11,962,081)	162,658,746	2,855,240	114,339,432
Effect of 1% change in exchange rates on consolidated statement of comprehensive income	\$(392,125)	\$(119,621)	\$1,626,587	\$28,552	\$1,143,393

Included in the 'Other' category are assets held in Great British Pounds and Canadian Dollars.

Management believes a 1% deviation to be reasonable given the current and expected economic conditions in the locations in which the Group operates. There was no change in the objectives, policies or procedures for managing currency risk from the prior year.

c) Other price risk

The table below summarises the Group's exposure to other price risk.

As at June 30, 2019

	Carrying value	Effect on equity of a 5% change
Equities		
Listed	12,426,402	621,320
Unlisted	3,389,650	169,483
	\$15,816,052	\$790,803

Notes to the Consolidated Financial Statements

Year ended June 30, 2019

(Expressed in Trinidad and Tobago Dollars)

4. Management of Insurance and Financial Risk (continued)

4.2 Financial risk (continued)

4.2.3 Market risk (continued)

c) Other price risk (continued)

As at June 30, 2018

	Carrying value	Effect on equity of a 5% change
Equities		
Listed	10,505,887	525,294
Unlisted	3,389,650	169,483
	\$13,895,537	\$694,777

Management believes a 5% deviation to be reasonable given the current and expected economic conditions in the locations in which the Group operates. There were no changes in the objectives, policies or procedures for managing other price risk from the prior year.

4.2.4 Financial instruments by category

The table below summarizes the carrying value of the Group's financial instruments and their fair values as at the year-end.

As at June 30, 2019

Financial Instrument	Carrying value	Fair value
Financial Assets		
Available for sale		
Debt securities	87,016,888	87,016,888
Equities	15,816,052	15,816,052
	\$102,832,940	\$102,832,940
Loans and receivables		
Loans and receivables	120,053,799	120,053,799
Reinsurance assets	164,283,529	164,283,529
Other assets	12,953,432	12,953,432
Short term deposits	50,768,787	50,768,787
Cash and cash equivalents	117,727,424	117,727,424
	\$465,786,971	\$465,786,971
Financial Liabilities		
Financial liabilities at amortised cost		
Insurance liabilities	339,588,931	339,588,931
Due to related party	3,744,057	3,744,057
Reinsurance payable	97,717,228	97,717,228
Trade and other payables	33,091,652	33,091,652
	\$474,141,868	\$474,141,868

Notes to the Consolidated Financial Statements

Year ended June 30, 2019

(Expressed in Trinidad and Tobago Dollars)

4. Management of insurance and financial risk (continued)

4.2 Financial risk (continued)

4.2.4 Financial instruments by category (continued)

As at June 30, 2018

Financial Instrument	Carrying value	Fair value
Financial Assets		
Available for sale		
Debt securities	62,924,477	62,924,477
Equities	13,895,537	13,895,537
	\$76,820,014	\$76,820,014
Loans and receivables		
Loans and receivables	84,043,700	84,043,700
Reinsurance assets	184,599,579	184,599,579
Other assets	7,114,713	7,114,713
Short term deposits	52,034,385	52,034,385
Cash and cash equivalents	130,080,825	130,080,825
	\$457,873,202	\$457,873,202
Financial Liabilities		
Financial liabilities at amortised cost		
Insurance liabilities	359,814,025	359,814,025
Reinsurance payable	64,001,284	64,001,284
Trade and other payables	29,165,269	29,165,269
	\$452,980,578	\$452,980,578

The fair value of financial instruments is determined as follows:

a) Debt securities and equities

The fair values of quoted investments are based on the last traded prices. If the market for a financial asset is not active, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis.

b) Loans and receivables

The fair value was determined based on the present value of future cash flows using current market interest rates.

c) Reinsurance assets

The carrying value on these reinsurance assets is a close approximation to the fair value of these assets as these amounts represent the reinsurance assets on the related undiscounted insurance liabilities for which the settlement date is uncertain.

d) Other financial assets and liabilities

These balances are short term and as a result, carrying value is a close approximation to fair value.

Notes to the Consolidated Financial Statements

Year ended June 30, 2019

(Expressed in Trinidad and Tobago Dollars)

4. Management of insurance and financial risk (continued)

4.2 Financial risk (continued)

4.2.5 Fair value hierarchy

IFRS13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible. There were no transfers between the levels during the year ended June 30, 2019 (2018: nil).

As at June 30, 2019

	Level 1	Level 2	Level 3	Total
Assets				
Financial Assets				
- Available for sale	\$32,428,121	\$64,850,665	\$5,554,154	\$102,832,940

As at June 30, 2018

	Level 1	Level 2	Level 3	Total
Assets				
Financial Assets				
- Available for sale	\$15,960,985	\$55,305,131	\$5,553,898	\$76,820,014

4.2.6 Capital management

The Group manages its shareholders' equity of \$123,400,288 (2018: \$141,009,680) as capital.

The Group's objectives when managing capital are:

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

Notes to the Consolidated Financial Statements

Year ended June 30, 2019

(Expressed in Trinidad and Tobago Dollars)

4. Management of insurance and financial risk (continued)

4.2 Financial risk (continued)

4.2.6 Capital management (continued)

In each country in which the Group operates, the local insurance regulator specifies the minimum amount and type of capital that must be held in relation to their insurance liabilities. The minimum required capital must be maintained at all times throughout the year. The Group is subject to insurance solvency regulations in all the territories in which it issues insurance contracts. These solvency regulations require the Group and its individual branches in each territory to maintain a surplus of assets over liabilities greater than a specific percentage of its net premium income. The percentage differs in each territory. The Group has embedded in its compliance framework the necessary tests to ensure continuous and full compliance with such regulations.

In the current year, the Group met its objectives for managing capital. There were no changes in the objectives, capital base or policies for capital management from the prior year.

Notes to the Consolidated Financial Statements

Year ended June 30, 2019

(Expressed in Trinidad and Tobago Dollars)

5. Property, plant and equipment

	Leasehold property	Freehold properties	Furniture and fittings	Office equipment	Vehicles	Computer equipment	Total
Year ended June 30, 2019							
Cost							
Balance as at July 1, 2018	29,937,812	14,189,572	6,788,955	4,876,270	3,858,524	36,460,916	96,112,049
Additions	-	40,809	9,275	55,845	638,335	3,058,527	3,802,791
Disposals	(29,937,812)	(410,938)	(23,503)	(52,898)	(533,984)	-	(30,959,135)
Balance as at June 30, 2019	-	13,819,443	6,774,727	4,879,217	3,962,875	39,519,443	68,955,705
Accumulated depreciation							
Balance as at July 1, 2018	(3,166,628)	(2,147,403)	(4,595,682)	(3,952,345)	(2,434,195)	(29,845,210)	(46,141,463)
Charge on disposals	3,484,567	677,546	22,730	52,075	399,595	-	4,636,513
Depreciation charge	(317,939)	(375,692)	(272,182)	(201,363)	(454,860)	(2,042,561)	(3,664,597)
Balance as at June 30, 2019	-	(1,845,549)	(4,845,134)	(4,101,633)	(2,489,460)	(31,887,771)	(45,169,547)
Net book value as at June 30, 2019	\$-	\$11,973,894	\$1,929,593	\$777,584	\$1,473,415	\$7,631,672	\$23,786,158
Year ended June 30, 2018							
Cost							
Balance as at July 1, 2017	29,937,812	14,189,572	6,715,251	5,286,669	3,893,014	35,203,183	95,225,501
Additions	-	-	79,835	46,082	642,604	1,274,956	2,043,477
Disposals	-	-	(2,298)	(456,157)	(677,094)	(15,985)	(1,151,534)
Exchange rate difference	-	-	(3,833)	(324)	-	(1,238)	(5,395)
Balance as at June 30, 2018	29,937,812	14,189,572	6,788,955	4,876,270	3,858,524	36,460,916	96,112,049
Accumulated depreciation							
Balance as at July 1, 2017	(2,848,690)	(1,772,391)	(4,300,657)	(4,000,749)	(2,482,048)	(27,952,256)	(43,356,791)
Charge on disposals	-	-	1,541	304,334	457,471	12,262	775,608
Depreciation charge	(317,938)	(359,913)	(306,765)	(258,670)	(408,755)	(1,904,257)	(3,556,298)
Exchange rate difference	-	(15,099)	10,199	2,740	(863)	(959)	(3,982)
Balance as at June 30, 2018	(3,166,628)	(2,147,403)	(4,595,682)	(3,952,345)	(2,434,195)	(29,845,210)	(46,141,463)
Net book value as at June 30, 2018	\$26,771,184	\$12,042,169	\$2,193,273	\$923,925	\$1,424,329	\$6,615,706	\$49,970,586

Notes to the Consolidated Financial Statements

Year ended June 30, 2019

(Expressed in Trinidad and Tobago Dollars)

6. Retirement benefit asset

	2019	2018
Retirement benefit asset	\$1,034,957	\$2,311,616
Amounts recognised in the statement of financial position are as follows:		
Fair value of plan assets	4,635,457	4,773,398
Present value of funded obligations	(2,157,714)	(2,461,782)
	2,477,743	2,311,616
Effect of asset ceiling	(1,442,786)	-
Retirement benefit asset	\$1,034,957	\$2,311,616
Movement in the retirement benefit asset recognised over the year is as follows:		
As at beginning of year	2,311,616	2,264,390
Net pension expense	166,127	47,226
Effect of asset ceiling	(1,442,786)	-
As at end of year	\$1,034,957	\$2,311,616
Movement in the present value of funded obligation for the year is as follows:		
As at beginning of year	2,461,782	2,341,952
Interest cost	189,024	181,452
Current service cost	180,623	129,004
Benefit payments	(244,152)	(103,187)
Actuarial gains	(429,563)	(87,439)
As at end of year	\$2,157,714	\$2,461,782
Movement in the fair value of plan assets for the year is as follows:		
As at beginning of year	4,773,398	4,606,342
Expected return on plan assets	82,961	235,601
Employee contributions	23,250	34,642
Benefit payments	(244,152)	(103,187)
As at end of year	\$4,635,457	\$4,773,398
Amounts recognised in the statement of comprehensive income:		
Profit or loss		
Current service cost	157,372	94,362
Interest cost	(160,696)	(161,455)
	(3,324)	(67,093)
Other comprehensive income/(loss)		
Expected return on plan assets	266,760	107,306
Net actuarial gains	(429,563)	(87,439)
	(162,803)	19,867
Net pension benefit	\$(166,127)	\$(47,226)
Actual return on plan assets	\$82,960	\$235,601

Notes to the Consolidated Financial Statements

Year ended June 30, 2019

(Expressed in Trinidad and Tobago Dollars)

6. Retirement benefit asset (continued)

	2019	2018
The principal assumptions used in the actuarial valuation are as follows:		
Discount rate at end of year	7.5%	7.5%
Expected return on plan assets at end of year	7.5%	7.5%
Future salary increases	6.5%	6.5%
Future pension increases	3.0%	3.0%
NIS ceiling increases	3.5%	3.5%
Mortality – US Mortality tables	GAM94	GAM94
The plan assets are invested in a segregated equity fund and bond fund managed by Sagicor Life Inc.	\$4,635,457	\$4,773,398

The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

The expected return on plan assets is calculated using an average of the assets at the start and end of the year multiplied by the expected percentage rate of return.

There are no expected contributions to post-employment benefit plans for the year ending June 30, 2020.

The assets of the defined benefit plan are disaggregated into the following quoted and unquoted securities.

	% of Portfolio	
	2019	2018
Equities	55%	50%
Real estate	7%	7%
Bonds	24%	26%
Mortgages	8%	7%
Deposits/Cash	6%	10%

Sensitivity analysis

If the main assumptions were changed the present value of the obligation would be as follows:

	Present value of obligation	
	+ 0.50%	0.50%
Discount rate	\$2,284,706	\$2,663,108
Salary increase and NIS increase	\$2,550,740	\$2,379,625

7. Financial assets – available for sale

	2019	2018
Equities	21,170,225	19,249,710
Government bonds	36,242,717	33,582,810
Corporate bonds	50,774,171	29,341,667
Provision for impairment	(5,354,173)	(5,354,173)
	\$102,832,940	\$76,820,014

Notes to the Consolidated Financial Statements

Year ended June 30, 2019

(Expressed in Trinidad and Tobago Dollars)

7. Financial assets – available for sale (continued)

The movement in available for sale financial assets is summarised as follows:

	2019	2018
As at beginning of year	76,820,014	82,439,318
Additions	52,584,977	10,154,714
Disposals/maturities	(29,329,563)	(14,643,649)
Net realised gain on financial assets	64,799	1,571,803
Net fair value change for the year	2,692,713	(2,702,172)
As at end of year	\$102,832,940	\$76,820,014

8. Financial assets – loans and receivables

	2019	2018
Amounts due from brokers	67,571,249	62,822,748
Due from reinsurers	24,876,261	-
Mortgage and other loans	18,087,100	19,101,538
Amounts due from policyholders	9,519,189	2,119,414
	\$120,053,799	\$84,043,700
Current portion	114,721,030	80,406,822
Non-current portion	5,332,769	3,636,878
	\$120,053,799	\$84,043,700

9. Reinsurance assets

	2019	2018
Current	163,090,284	183,951,769
Non-current	1,193,245	647,810
Total assets arising from reinsurance contracts (Note 14)	\$164,283,529	\$184,599,579

10. Deferred taxes

Deferred taxes are calculated on all temporary differences under the liability method using tax rates applicable in the respective territories.

The movement in the deferred tax account is as follows:

	2019	2018
As at beginning of year	(6,109,170)	(3,932,686)
Charge/(credit) to profit or loss (Note 20)	852,719	(1,495,979)
Charge/(credit) to other comprehensive income	713,879	(680,505)
As at end of year	\$(4,542,572)	\$(6,109,170)

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Year ended June 30, 2019

(Expressed in Trinidad and Tobago Dollars)

10. Deferred taxes (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to the same entity. The following amounts are shown on the consolidated statement of financial position:

	2019	2018
Deferred tax assets	(7,363,456)	(8,215,629)
Deferred tax liabilities	2,820,884	2,106,459
	<u>\$(4,542,572)</u>	<u>\$(6,109,170)</u>

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable.

Deferred tax assets and liabilities and the deferred income tax charge in the consolidated statement of comprehensive income and other comprehensive income are attributable to the following items:

	Balance as at July 1, 2018	Charge/(credit) to profit or loss	Charge to other comprehensive income	Balance as at June 30, 2019
Deferred tax liabilities:				
Fair value gains on available for sale financial assets	372,280	-	673,178	1,045,458
Retirement benefit asset	564,897	-	40,701	605,598
Accelerated tax depreciation	1,169,282	546	-	1,169,828
	<u>2,106,459</u>	<u>546</u>	<u>713,879</u>	<u>2,820,884</u>
Deferred tax assets:				
Impairment provision	(1,149,090)	(197,612)	-	(1,346,702)
Tax losses carried forward	(7,066,539)	1,049,785	-	(6,016,754)
	<u>(8,215,629)</u>	<u>852,173</u>	<u>-</u>	<u>(7,363,456)</u>
Net deferred tax asset	<u>\$(6,109,170)</u>	<u>\$852,719</u>	<u>\$713,879</u>	<u>\$(4,542,572)</u>
	Balance as at July 1, 2017	Charge/(credit) to profit or loss	Credit to other comprehensive income	Balance as at June 30, 2018
Deferred tax liabilities:				
Fair value gains on available for sale financial assets	1,047,823	-	(675,543)	372,280
Retirement benefit asset	569,859	-	(4,962)	564,897
Accelerated tax depreciation	1,002,696	166,586	-	1,169,282
	<u>2,620,378</u>	<u>166,586</u>	<u>(680,505)</u>	<u>2,106,459</u>
Deferred tax assets:				
Impairment provision	(1,149,090)	-	-	(1,149,090)
Tax losses carried forward	(5,403,974)	(1,662,565)	-	(7,066,539)
	<u>(6,553,064)</u>	<u>(1,662,565)</u>	<u>-</u>	<u>(8,215,629)</u>
Net deferred tax asset	<u>\$(3,932,686)</u>	<u>\$(1,495,979)</u>	<u>\$(680,505)</u>	<u>\$(6,109,170)</u>

Notes to the Consolidated Financial Statements

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(Expressed in Trinidad and Tobago Dollars)

10. Deferred taxes (continued)

	2019	2018
Deferred tax liabilities:		
- to be realised after more than 12 months	2,766,256	1,941,170
- to be realised within 12 months	54,628	165,289
	\$2,820,884	\$2,106,459
Deferred tax assets:		
- to be realised after more than 12 months	(5,940,464)	(6,762,095)
- to be realised within 12 months	(1,422,992)	(1,453,534)
	\$(7,363,456)	\$(8,215,629)

11. Short term deposits

	2019	2018
(i) Treasury bills	28,340,000	19,840,000
(ii) At banks	11,981,600	14,987,199
(iii) Supervisor of Insurance	6,231,185	6,231,185
(iv) Financial Institutions	4,216,002	10,976,001
	\$50,768,787	\$52,034,385

The amounts included in (iv) above represent cash deposits with the various Supervisors of Insurance held towards the Group's statutory deposits requirements. These deposits have an average effective interest rate of 2.09% (2018: 2.09%).

12. Stated capital

	2019	2018
Authorised		
Unlimited ordinary shares of no par value		
Issued and fully paid		
34,666,667 ordinary shares of no par value	\$39,000,000	\$39,000,000

13. Statutory reserve

	2019	2018
Balance as at beginning of year	24,363,698	23,042,895
Transfer from statement of comprehensive income	(33,023)	1,320,803
Balance as at end of year	\$24,330,675	\$24,363,698

As required by section 171 of the Insurance Act 1980 of Trinidad and Tobago, at least 25% of the Company's profit for the year on its general insurance business is to be appropriated towards a reserve until such reserve equals or exceeds the liability in respect of outstanding unexpired policies.

Notes to the Consolidated Financial Statements

Year ended June 30, 2019

(Expressed in Trinidad and Tobago Dollars)

14. Insurance liabilities and reinsurance assets

	2019	2018
Insurance liabilities – gross		
Short-term insurance contracts		
Claims reported and loss adjustment expenses	124,011,025	149,787,031
Claims incurred but not reported	40,215,476	43,919,395
Total insurance claims liability	<u>164,226,501</u>	<u>193,706,426</u>
Unearned premiums	162,514,874	153,468,137
Unexpired risks provision	9,482,600	9,595,647
Total unearned premiums and unexpired risk liability	<u>171,997,474</u>	<u>163,063,784</u>
Long-term insurance contracts		
- Annuities	3,085,210	2,791,082
- Term life	279,746	252,733
Total long-term insurance contracts	<u>3,364,956</u>	<u>3,043,815</u>
Total insurance liabilities - gross	<u>\$339,588,931</u>	<u>\$359,814,025</u>
Recoverable from reinsurers		
Short-term insurance contracts		
Claims reported and loss adjustment expenses	72,049,737	94,380,835
Claims incurred but not reported	9,044,500	11,951,309
Total insurance claims recoverable	<u>81,094,237</u>	<u>106,332,144</u>
Unearned premiums	80,115,274	75,001,178
Unexpired risks provision	3,048,728	3,237,310
Long-term insurance contracts	25,290	28,947
Total reinsurers' share of insurance liabilities	<u>\$164,283,529</u>	<u>\$184,599,579</u>
Insurance liabilities – net		
Short-term insurance contracts		
Claims reported and loss adjustment expenses	51,961,288	55,406,196
Claims incurred but not reported	31,170,976	31,968,086
Total insurance claims liability	<u>83,132,264</u>	<u>87,374,282</u>
Unearned premiums	82,399,600	78,466,959
Unexpired risks provision	6,433,872	6,358,337
Total unearned premiums and unexpired risk	<u>88,833,472</u>	<u>84,825,296</u>
Long-term insurance contracts		
- Annuities	3,085,210	2,791,082
- Term life	254,456	223,786
Total long-term insurance contracts	<u>3,339,666</u>	<u>3,014,868</u>
Total insurance liabilities - net	<u>\$175,305,402</u>	<u>\$175,214,446</u>

Notes to the Consolidated Financial Statements

Year ended June 30, 2019

(Expressed in Trinidad and Tobago Dollars)

14. Insurance liabilities and reinsurance assets (continued)

	2019	2018
Current	167,491,600	167,804,701
Non-current	7,813,802	7,409,745
Total insurance liabilities - net	\$175,305,402	\$175,214,446

Notes to the Consolidated Financial Statements

Year ended June 30, 2019

(Expressed in Trinidad and Tobago Dollars)

14. Insurance liabilities and reinsurance assets (continued)

14.1 Assumptions, change in assumptions and sensitivity

(a) Development of claims

The development of insurance liabilities provides a measure of the Group's ability to estimate the ultimate value of claims. The top half of each table below illustrates how the Group's estimate of outstanding claims relating to short term insurance contracts (excluding group health business) for each accident year has changed at successive year ends. The bottom half of the table reconciles the cumulative claims to the amount appearing in the consolidated statement of financial position. An accident year basis is considered to be most appropriate for the business written by the Group.

Accident year	2014	2015	2016	2017	2018	2019	Total
Insurance claims – gross							
- at end of accident year	86,951,132	97,761,859	123,459,284	119,353,110	340,529,504	115,210,750	
- one year later	80,003,410	83,102,178	112,985,237	98,868,151	323,283,663	-	
- two years later	75,676,785	81,488,707	106,234,571	92,897,548	-	-	
- three years later	75,324,399	80,785,203	103,564,707	-	-	-	
- four years later	70,933,727	78,344,984	-	-	-	-	
- five years later	69,184,586	-	-	-	-	-	
Current estimate of cumulative claims	69,184,586	78,344,984	103,564,707	92,897,548	323,283,663	115,210,750	782,486,238
Cumulative payments to date	(66,758,250)	(72,194,144)	(91,750,434)	(79,806,464)	(306,342,311)	(70,532,489)	(687,384,092)
	2,426,336	6,150,840	11,814,273	13,091,084	16,941,352	44,678,261	95,102,146
Liabilities in respect of years prior to 2014 (short term excluding group health)							52,210,340
Total insurance claims liability – group health and long-term business							16,914,015
Total insurance claims liability – gross							\$164,226,501

Notes to the Consolidated Financial Statements

Year ended June 30, 2019

(Expressed in Trinidad and Tobago Dollars)

14. Insurance liabilities and reinsurance assets (continued)

14.1 Assumptions, change in assumptions and sensitivity (continued)

(a) Development of claims (continued)

Accident year	2014	2015	2016	2017	2018	2019	Total
Insurance claims – net							
- at end of accident year	38,935,217	46,282,280	66,810,406	63,529,004	60,524,695	63,509,302	
- one year later	38,697,273	42,360,647	66,015,150	56,109,652	131,366,863	-	
- two years later	36,825,513	41,539,846	62,661,946	52,805,299	-	-	
- three years later	36,773,323	42,190,411	61,684,027	-	-	-	
- four years later	35,005,947	40,983,587	-	-	-	-	
- five years later	34,630,798	-	-	-	-	-	
Current estimate of cumulative claims	34,630,798	40,983,587	61,684,027	52,805,299	131,366,863	63,509,302	384,979,876
Cumulative payments to date	(32,738,499)	(37,259,918)	(53,261,325)	(44,116,514)	(119,291,543)	(37,759,433)	(324,427,232)
	1,892,299	3,723,669	8,422,702	8,688,785	12,075,320	25,749,869	60,552,644
Liabilities in respect of years prior to 2014 (short term excluding group health)							8,468,212
Total insurance claims liability – group health and long-term business							14,111,408
Total insurance claims liability – net							\$83,132,264

Notes to the Consolidated Financial Statements

Year ended June 30, 2019

(Expressed in Trinidad and Tobago Dollars)

14. Insurance liabilities and reinsurance assets (continued)

14.1 Assumptions, change in assumptions and sensitivity (continued)

(b) Process used to decide on assumptions

Short-term Insurance Contracts

The risks associated with these insurance contracts and in particular, with casualty insurance contracts are complex and subject to a number of variables that complicate quantitative sensitivity analysis. The Group uses historical data for trending and estimating the ultimate cost of claims. The basic technique involves the analysis of historical claims development factors and the selection of estimated development factors based on this historical pattern. These factors are then applied to cumulative claims data to develop the estimated total claims for the ensuing year.

The Group reserves for property and casualty insurance claims immediately on the receipt of a claim incident report. The Group's policy is to establish realistic reserves based on available information and cost estimates. The policy is to ensure that the majority of claims are adequately reserved in the same accounting month in which they are reported and no later than thirty (30) days after the first report of loss.

Outstanding claim reserves are continuously re-evaluated based on new information and developments and the reserves are adjusted for accordingly. The Group reassesses its provision for incurred but not reported claims (IBNR) on an annual basis.

Long-term Insurance Contracts

Annuities

These reserves are determined based on the fund balances for the contracts at the statement of financial position date.

Term Life

These reserves are valued using the gross premium valuation method which utilises assumptions regarding the rate of return on these contracts as well as mortality assumptions.

See Note 3 for details on the sensitivity of these reserves.

14.2 Movement in insurance liabilities and reinsurance assets

(a) Claims and loss adjustment expenses

Year ended June 30, 2019

	Gross	Reinsurance	Net
Notified claims	149,787,031	(94,380,835)	55,406,196
Incurred but not reported	43,919,395	(11,951,309)	31,968,086
Total as at beginning of year	193,706,426	(106,332,144)	87,374,282
Cash paid for claims settled in year	(204,881,477)	78,918,185	(125,963,292)
Increase/(decrease) in liabilities			
- arising from current year claims	193,639,151	(62,078,224)	131,560,927
- arising from prior year claims	(18,237,599)	8,397,946	(9,839,653)
Total as at end of year	\$164,226,501	\$(81,094,237)	\$83,132,264
Notified claims	124,011,025	(72,049,737)	51,961,288
Incurred but not reported	40,215,476	(9,044,500)	31,170,976
Total as at end of year	\$164,226,501	\$(81,094,237)	\$83,132,264

Notes to the Consolidated Financial Statements

Year ended June 30, 2019

(Expressed in Trinidad and Tobago Dollars)

14. Insurance liabilities and reinsurance assets (continued)

14.2 Movement in insurance liabilities and reinsurance assets

(a) Claims and loss adjustment expenses

Year ended June 30, 2018

	Gross	Reinsurance	Net
Notified claims	136,442,791	(72,954,685)	63,488,106
Incurred but not reported	57,657,394	(29,065,162)	28,592,232
Total as at beginning of year	194,100,185	(102,019,847)	92,080,338
Cash paid for claims settled in year	(365,384,228)	239,594,172	(125,790,056)
Increase/(decrease) in liabilities			
- arising from current year claims	412,462,019	(289,061,754)	123,400,265
- arising from prior year claims	(47,471,550)	45,155,285	(2,316,265)
Total as at end of year	\$193,706,426	\$(106,332,144)	\$87,374,282
Notified claims	149,787,031	(94,380,835)	55,406,196
Incurred but not reported	43,919,395	(11,951,309)	31,968,086
Total as at end of year	\$193,706,426	\$(106,332,144)	\$87,374,282

(b) Provisions for unearned premiums and unexpired short-term risks

Year ended June 30, 2019

	Gross	Reinsurance	Net
Unearned premium provision			
As at beginning of year	153,468,137	(75,001,178)	78,466,959
Increase in the year	162,514,874	(80,115,274)	82,399,600
Release in the year	(153,468,137)	75,001,178	(78,466,959)
As at end of year	\$162,514,874	\$(80,115,274)	\$82,399,600
Unexpired risk provision			
As at beginning of year	9,595,647	(3,237,310)	6,358,337
Increase in the year	9,482,600	(3,048,728)	6,433,872
Release in the year	(9,595,647)	3,237,310	(6,358,337)
As at end of year	\$9,482,600	\$(3,048,728)	\$6,433,872

Notes to the Consolidated Financial Statements

Year ended June 30, 2019

(Expressed in Trinidad and Tobago Dollars)

14. Insurance liabilities and reinsurance assets (continued)

14.2 Movement in insurance liabilities and reinsurance assets

(b) Provisions for unearned premiums and unexpired short-term risks (continued)

Year ended June 30, 2018

	Gross	Reinsurance	Net
Unearned premium provision			
As at beginning of year	157,706,048	(77,361,010)	80,345,038
Increase in the year	153,468,137	(75,001,178)	78,466,959
Release in the year	(157,706,048)	77,361,010	(80,345,038)
As at end of year	\$153,468,137	\$(75,001,178)	\$78,466,959
Unexpired risk provision			
As at beginning of year	6,402,590	-	6,402,590
Increase in the year	9,595,647	(3,237,310)	6,358,337
Release in the year	(6,402,590)	-	(6,402,590)
As at end of year	\$9,595,647	\$(3,237,310)	\$6,358,337

15. Trade and other payables

	2019	2018
Stale dated cheques	5,926,598	6,785,971
Sundry creditors	5,568,466	4,264,889
Payable to broker	4,549,235	-
Premium taxes payable	4,323,609	4,583,656
Accruals	3,160,242	3,137,656
Collateral payable	3,062,169	3,702,641
Interest income deferred	2,186,477	2,254,792
Statutory deposit outstanding	1,240,000	1,240,000
Provision for agent's commission	683,211	216,341
Bond security deposit	-	989,500
Other payables and accruals	2,391,645	1,989,823
	\$33,091,652	\$29,165,269

16. Bank borrowing facilities

The Group's borrowing facilities comprise the following:

	2019	2018
Undrawn overdraft facility	-	1,000,000
Letter of Credit	4,960,000	4,960,000
	\$4,960,000	\$5,960,000

Notes to the Consolidated Financial Statements

Year ended June 30, 2019

(Expressed in Trinidad and Tobago Dollars)

17. Insurance claims and loss adjustment expenses

Year ended June 30, 2019

	Gross	Reinsurance	Net
Current year claims and loss adjustment expenses	193,639,151	(62,078,224)	131,560,927
Prior year claims and loss adjustment expenses	(18,237,599)	8,397,946	(9,839,653)
	\$175,401,552	\$(53,680,278)	\$121,721,274

Year ended June 30, 2018

	Gross	Reinsurance	Net
Current year claims and loss adjustment expenses	412,462,019	(289,061,754)	123,400,265
Prior year claims and loss adjustment expenses	(47,471,550)	45,155,285	(2,316,265)
	\$364,990,469	\$(243,906,469)	\$121,084,000

18. Other operating and administrative expenses

	2019	2018
Staff costs (See Note 19)	42,625,120	44,596,758
Rent and utilities	8,765,919	9,075,559
Advertising	6,368,174	6,738,568
Professional fees	5,129,896	3,891,979
Roadside assistance expenses	5,016,695	4,797,190
Staff welfare	4,534,235	4,334,846
Depreciation	3,664,597	3,556,298
Repairs and maintenance	3,106,621	3,318,113
Operating lease rentals	2,489,400	2,454,525
Bad debt expense, net of recoveries	2,425,480	116,966
Security	1,774,307	1,669,978
Bank charges	1,674,179	1,242,192
Office expenses	1,421,074	2,186,693
Travelling expenses	1,079,839	1,379,724
Regulator and license fees	914,304	-
Subscriptions	813,225	462,570
Customer relations	612,814	579,497
(Gain)/loss on disposal of property, plant and equipment	(1,776,628)	202,090
Other miscellaneous expenses	1,255,644	1,661,570
	\$91,894,895	\$92,265,116

Notes to the Consolidated Financial Statements

Year ended June 30, 2019

(Expressed in Trinidad and Tobago Dollars)

19. Staff costs

	2019	2018
Wages and salaries	40,242,458	39,458,425
Severance	16,580	2,756,011
National insurance	2,269,301	2,357,756
Net pension expense - defined benefit plan	96,781	24,566
	\$42,625,120	\$44,596,758
Number of persons employed by the Group	250	255

20. Taxation

	2019	2018
Current tax	6,777,373	5,371,635
Deferred income tax (Note 10)	852,719	(1,495,979)
Prior year over accrual	(788,402)	-
	\$6,841,690	\$3,875,656

The Group's effective tax rate varies from the statutory rate as a result of the differences shown below.

	2019	2018
Profit before taxation	\$16,433,447	\$7,207,564
Tax calculated at the statutory tax rate	4,930,034	2,162,269
Effect of different tax rates in other countries	615,643	1,307,319
Income not subject to tax	(610,281)	(370,991)
Expenses not deductible for tax purposes	1,190,479	235,402
Loss relief carried forward	(1,387,170)	-
Tax losses utilised	9,451	-
Business levy	716,997	1,210,248
Green fund levy	525,812	827,337
Deferred income tax (Note 10)	852,719	(1,495,979)
Prior year (over)/under provision	(1,994)	51
Tax charge	\$6,841,690	\$3,875,656

21. Related party balances and transactions

The Group's structure is as follows:

	2019	2018
Shareholding of controlling entities:		
CGH Limited	46%	76%
Colonial Group International Limited	40%	-
Individual shareholder	14%	24%
	100%	100%
Shareholding in subsidiary:		
North West Premium Finance Limited	100%	100%

Notes to the Consolidated Financial Statements

Year ended June 30, 2019

(Expressed in Trinidad and Tobago Dollars)

21. Related party balances and transactions (continued)

The following transactions and balances were carried out with related parties:

	2019	2018
i) Leasing of equipment and properties	\$2,430,600	\$2,454,525
ii) Amounts due from related parties	\$193,934	\$5,942,519
iii) Provision for doubtful related party receivable balances	\$-	\$68,854
iv) Loan to related party and key management personnel	\$5,457,879	\$5,776,410
v) Due to related party	\$3,744,057	\$-
vi) Key management compensation		

The compensation paid or payable to key management for employee services is shown below:

Salaries and other short-term employee benefits	\$8,534,350	\$8,242,239
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22. Commitments

	2019	2018
(a) Capital commitments		
The following were the capital commitments of the Group:		
Systems upgrade project	\$2,233,425	1,439,400
	\$2,233,425	\$1,439,400
(b) Operating lease commitments – where the Group is the lessee		
The Group leases car parks, vehicles and information technology systems under operating leases with varying terms, escalating clauses and renewal rights.		
The future aggregate minimum lease payments are as follows:		
No later than one year	1,465,562	3,743,866
Later than one year and no later than five years	788,481	1,574,542
	\$2,254,043	\$5,318,408

23. Contingent liabilities

The Group has several legal matters pending relating to claims made on its insurance portfolio for which the ultimate cost of settling may be uncertain. These have been adequately provided for as insurance liabilities in the consolidated financial statements. The Group is also subject to other legal actions, the final outcome of which is uncertain. Based on legal advice received, management has concluded that no significant unrecognised liabilities are expected to crystallise.

24. Subsequent events

Management has evaluated the possibility of subsequent events existing in the Group's consolidated financial statements from July 1, 2019, through October 25, 2019, the date the consolidated financial statements were available to be issued. Management has determined that there are no material events that would require adjustment to or disclosure in the Group's consolidated financial statements other than the matter disclosed below.

On July 31, 2019, the Group issued 5,324,724 new shares valued at \$26,309,195.

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