Beacon

2020 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

2020 ANNUAL REPORT

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CHAIRMAN'S REMARKS

RICHARD LEWIS

Financial Synopsis – year ended 30th June 2020

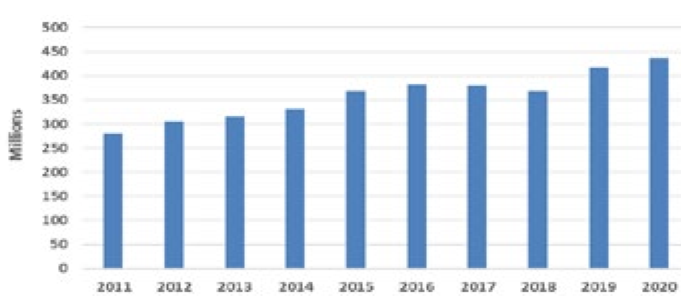
Our financial year, and the calendar year 2020 is one that will forever be written in our history. The COVID-19 global pandemic has fundamentally changed not only our global and regional economies, but also our individual lives and livelihoods.

Despite the challenges brought on by the pandemic, Beacon was able to efficiently and effectively deploy all its non-customer facing staff to work from home. This was only possible though our past and present investments in technology, facilitating a seamless transition from site operations to successful work-from-home arrangements.

Revenue

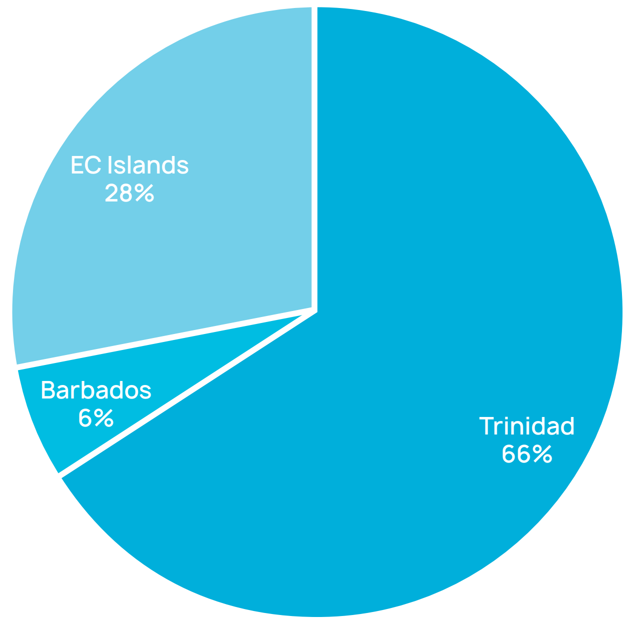
Gross written premium (GWP) increased by 5% over the prior period to $437m with both Trinidad and Overseas territories showing growth. Although markets continue

Gross Written Premium



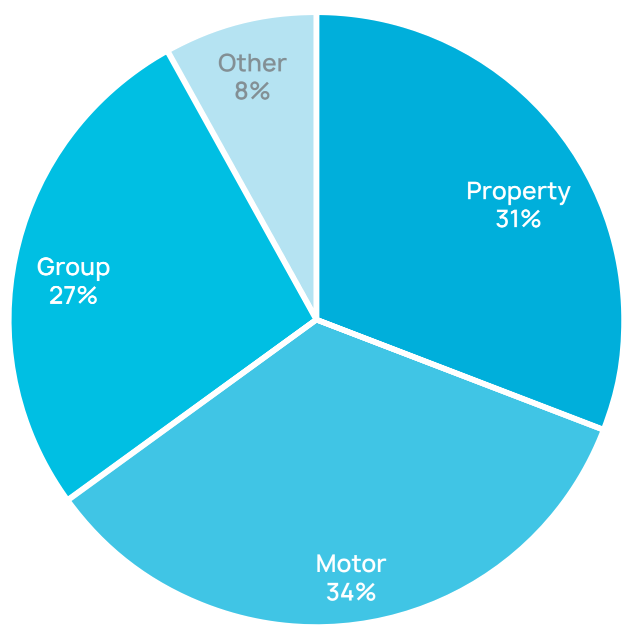
to be increasingly competitive, enhanced customer experiences and retention initiatives especially during the unprecedented times experienced because of the COVID-19 pandemic.

GWP by Territory



The territories in which we operate continue to be fiercely competitive, however Trinidad continues to be the leader in revenue generation.

GWP by Line of Business



By line of business, Motor continues to be the largest contributor to the GWP at 34%, followed closely by Property at 31% and then Group at 27%. Property as a contributor has increased from the prior period due mainly to the regional territories where rate increases were implemented after the passage of Hurricane Maria.

Claims

The overall loss ratio recorded for the financial year 2020 was 55%, a decline from the prior financial period of 56.7%. These positive results were due to the reduced overall local and regional activity because of governmental measures imposed due to the COVID-19 pandemic.

Expenses

Total expenses remained consistent year on year at $263m. On 1st July, 2019, the Company adopted IFRS 16 –Leases, which effectively changed the way operating leases are accounted for. These types of leases are now accounted for like finance leases, with a Right of Use asset that is depreciated, and a corresponding Lease Liability adjusted by an incremental rate of borrowing. This adoption of IFRS 16 is reflected in the statement of comprehensive income via an increase in the depreciation expense for the Right of Use assets and a corresponding decrease in the operating lease rentals.

Net Comprehensive Income

The Company reported consolidated profit for the year attributable to the shareholders for the financial year ending 30th June, 2020 of $16.8m, an increase from the $9.6m reported in 2019.

A return of 2.86% was earned on the investment portfolio over the current financial period, which is a decrease from 3.47% earned in the prior period. This is directly attributable to the volatility experienced in the equities market during the pandemic. Whilst, some rebound was noted in the international markets, the local and regional markets experienced further decline.

A slight reduction in the combined ratio from 93% to 92.1% was reported mainly as a result of the positive movement in the claims ratio.

Financial Position

Beacon continues to report a healthy financial position, with total assets increasing by 7.9% from the prior year to $652m.

During the financial period, regional rating agency CariCRIS performed their annual review on the Company and reaffirmed the financial rating at A-. This rating is supported by strong and improving financial performance, healthy capitalization, strong reinsurance programme and well diversified investment portfolio.

Shareholder's equity increased from $123m to $164m due to an injection of share capital and increased profitability over the period.

We are pleased with the financial results of the Company as well as its overall operational response during these unprecedented times. On behalf of the Board of Directors of Beacon Insurance, we would like to thank our Management team and Staff for their continued support and contributions. We remain always grateful to our customers and business partners for allowing us to serve you in the best way possible.

RICHARD LEWIS
Chairman

CHIEF EXECUTIVE OFFICER'S REPORT

GERALD HADEED

In a most unexpected demonstration of evolutionary theory, 2020 brought the world to its knees with the longest and most challenging game of "survival of the fittest" in this lifetime.

With the world focused on politics, hunger, natural disasters, destruction of the environment and a host of other "normal" phenomena, the COVID-19 virus came out of the shadows and stole the spotlight, shutting the world down through closed borders, global lockdowns, and widespread uncertainty about everything.

The result of this pandemic was the deepest global recession in decades, despite the extraordinary efforts of governments to counter it with fiscal and monetary policy support. The economic challenges triggered by the pandemic are expected to persist through decreased investment, an erosion of human capital through lost work and schooling, and fragmentation of global trade and supply linkages.

Another noted feature of the current landscape, particularly for us in Trinidad & Tobago, is the historic collapse in oil demand and oil prices. Even with some recovery of the demand, it is likely that the adverse impacts on energy exporters could outweigh any benefits to activity in energy importers. Coupled with the almost complete cessation of all Tourism-related activities in the Caribbean and the increased debt to deal with the effects of the pandemic, it is likely that it will be a very long, slow and bumpy road to recovery.

The outcome, which we are still experiencing, has been interesting to say the least. While the Entertainment industry for example, has taken a severe and unrelenting hit, others seem to have flourished. Anything and everything related to a digital experience is in high demand, hygiene product sales have skyrocketed worldwide, and a virtual classroom experience has replaced the regular brick-and-mortar educational institution, all leading to what is possibly the most dramatic culture shift of our lifetime.

And as the world pivoted, so did Beacon.

No industry or business can say they were unaffected by the abrupt and dramatic change in the status quo. In the space of 48 hours, all operations in our markets were mandated to move to a work-from-home operating model with only the essential employees being brought out to work, if at all. For many, this would have been a challenge at best, but for Beacon, it was almost business-as-usual. Having invested over 100 million dollars in digital assets and solutions over the years, the company was able to comfortably transition through to the "new normal" with little to no disruption in any of our business operations, maintaining our customer experience at pre-COVID-19 levels, as much as local restrictions would allow.

Beacon's continued business growth through a most difficult year, is testament to our drive to focus on and continually improve our technology, automate processes, and seek digital solutions. It is no longer the future but very much our present and the smaller the world gets through e-commerce, social media and shared virtual spaces, the greater is the need for everyone to get on the proverbial digital platform. Economically we may still be categorized as First and Third World markets but when it comes to delivering a relevant customer experience, we either deliver or become irrelevant, there is no longer any in-between.

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 two 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 2020 of $14.2m with a return on equity of 10%. Gross premiums amounted to $438m with a loss ratio of 55% and a combined ratio of 92%. The Company achieved a return on its investment portfolio of 2.86%. On the Consolidated financial position as at year-end, Total assets as at 30th June 2020 amounted to $652m, growth of 7.9% from last year. Our total liabilities including our policyholder reserves amounted to $488m. Overall, the financial results for the current year ending 30th June 2020 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 (1986). He is currently Executive Chairman at Label House Group Ltd and Prestige Business Publications.

Mr Lewis is a Board Member of Ceramic (Trinidad) Limited, Par3 Investments, Restaurant Holdings Limited, Republic Bank (Grenada) Limited , Republic Bank (Guyana) Limited, Republic Securities Limited, Republic Wealth & Asset Management, Seven Seas Water (Trinidad) Unlimited and Stuart Brothers (W.I.) Limited.

He is a Past President of Trinidad & Tobago Manufacturers' Association, Past Chairman of Cabinet Appointed Committee – Printing & Packaging Industries Council, Past Chairman of Cabinet Appointed Committee – Council for Competitiveness & Innovation, Past President Trinidad and Tobago Gymnastic Association, Past Director & Chairman Carreras Ltd and Past Director West Indian Tobacco Company (WITCO).

During the last 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, Guyana 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 Chief Operating Officer at Beacon and in 2020, to the position of Deputy Chief Executive Officer, the position which he holds today..

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). He currently holds a position as Director on the Board of Very Exciting Things Ltd.

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, O.B.E.

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 Chairman of Gibbons Company Ltd., Bermuda Motors Ltd, Burrows Lightbourn Ltd. and is a Director at Gibbons Management Services Ltd.. David is also now Honorary Colonel of the Royal Bermuda Regiment and Deputy Chairman of The Defense Board.

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

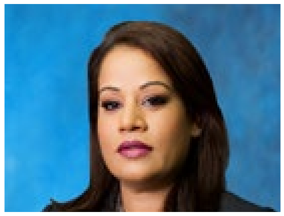
NON-EXECUTIVE DIRECTOR

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.

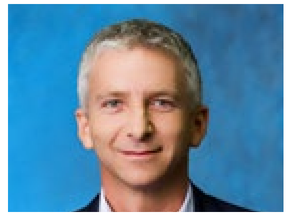
CORPORATE INFORMATION

EXECUTIVE MANAGEMENT TEAM

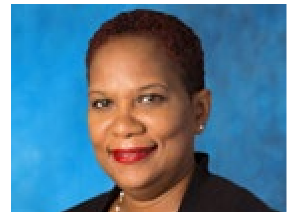
Anouk Lee Wo-Mollenthiel
BBA, CAMS
Head of Compliance,
Corporate Secretary



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



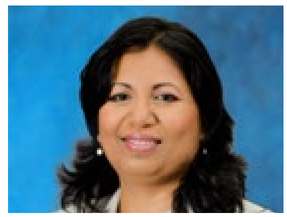
Christopher Woodhams
B.Sc, HND
Deputy Chief Executive Officer



Deborah Ann Modeste-Clarke
LOMA, FLMI
Senior Manager Insurance
Operations – EBHL

Kimberley Contant
FCCA, CA, MBA
Chief Financial Officer

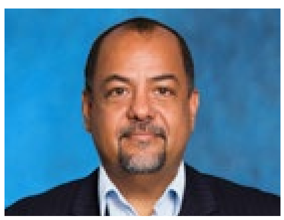
Michelle Fuller
MCSE, HR Generalist
Senior Manager,
Human Resources



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

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

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



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

Diana Prentice
Agency Manager, St Kitts & Nevis

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

Keith Boyea
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
RBC Bank Limited
National Bank of Dominica Limited
Republic Bank Limited

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

St. Lucia
Boslil Bank Limited
RBC Bank Limited
Republic Bank Limited

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

St. Kitts
RBC Bank Limited
Republic Bank Limited

Suriname
Republic Bank Limited

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

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.

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. Under the year[1] of review in keeping with the Central Bank of Trinidad & Tobago Fit and Proper Guidelines, the Conflict of Interest Policy was adopted.

1 Approved May 26, 2020

Whistleblowing

The Board recognizes its role in maintaining oversight and independent assurance that the Company's Whistleblowing Policy and Procedures are effective in appropriate outcomes. The Board of Directors and Management are committed to promoting a culture of openness, accountability and integrity, and will not tolerate harassment, victimization or discrimination. The Policy outlines 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

As at the date of this report, the Board 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 9 to 14. All Directors listed served throughout the year.

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.

Balance and Director Independence

Beacon is committed to ensuring that the composition of the Board and its Committees retain an appropriate balance of skills, experience, independence and knowledge to enable it to meet the needs of the business. 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. [2]

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 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 is committed to effectively discharging their duties in the best interest of the Company and stakeholder groups. The Board believes that the effectiveness review process provides a valuable opportunity for improving effectiveness and gives the Board a mechanism for

2 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).

constructive group feedback to help Directors improve their ability to contribute to the work of the Board. The externally facilitated effectiveness review expected to be undertaken in FY 2020 due to the impact of the COVID-19 pandemic on the economy was postponed.

Succession Planning

The Board is ultimately responsible for succession planning for directorships and key executive management roles. During the year, the Board reviewed the status of the roll out of the Company's Talent Management and Succession framework which included the process for identifying high potentials for key leadership positions. Due to the impact of COVID-19 and the inherent challenges to the Company, the decision was taken to defer.

(Re)appointment of directors

At the 2019 AGM, Directors Gerald Hadeed and David Hackett, 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 FY2020 is set out in the table below:

Directors	Sep 26, 2019	Nov 28, 2019	Mar 11, 2020	May 26, 2020	Jun 24, 2020
R. Lewis	✓	✓	✓	✓	✓
G. Hadeed	✓	✓	✓	✓	✓
C. Hadeed	abs	✓	✓	✓	✓
P. Bryan	✓	abs	✓	✓	✓
D. Small	abs	abs	✓	✓	abs
D. Hackett	✓	✓	abs	✓	✓
C. Woodhams	✓	abs	✓	✓	✓
E. Gibbons	✓	✓	✓	✓	✓
D. Gibbons	✓	abs	abs	abs	✓
S. Farrow	✓	abs	✓	✓	✓
W. Kenny	abs	abs	✓	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. Five 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 Deputy Chief Executive 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 FY2020 is set out in the table below:

Directors	Sep 17, 2019	Oct 17, 2019	Nov 19, 2019	Mar 4, 2020	May 19, 2020
D. Small (Independent Committee Chairman)	✓	✓	✓	✓	✓
R. Lewis	✓	✓	✓	✓	✓
D. Hackett	✓	abs	✓	abs	✓
P. Bryan	✓	✓	✓	✓	✓
W. Kenny[3]	abs	✓	abs	✓	✓

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 FY2020 is set out in the table below:

Directors	Sep 26, 2019	Nov 28, 2019	Mar 4, 2020	May 26, 2020
D. Hackett (Independent Committee Chairman)	✓	✓	abs	✓
R. Lewis	✓	✓	✓	✓
D. Small	abs	abs	✓	✓
S. Farrow[4]	✓	abs	abs	✓

3 Appointed November 28, 2019

4 Appointed November 28, 2019

SECTION 2

THE BEACON INSURANCE COMPANY LIMITED
AND ITS SUBSIDIARY

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

Statement of Management's Responsibilities

Year ended June 30, 2020

Management is responsible for the following:

- Preparing and fairly presenting the accompanying 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, 2020, 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	Chief Executive Officer
October 22, 2020	October 22, 2020

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122-124 Frederick Street
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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, 2020, 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, 2020, 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.

BDO, a Trinidad and Tobago partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the International BDO network of independent member firms.

BDO is the brand name for the BDO network and for each of the BDO Member Firms.

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 22, 2020

Port of Spain,
Trinidad and Tobago

Consolidated Statement of Financial Position

As at June 30, 2020

(Expressed in Trinidad and Tobago Dollars)

	Notes	2020	2019
Assets			
Property, plant and equipment	5	23,014,766	23,786,158
Right of use asset	6	3,296,104	–
Retirement benefit asset	7	1,249,942	1,034,957
Financial assets – available for sale	8	88,397,536	102,832,940
– loans and receivables	9	103,935,817	120,053,799
Reinsurance assets	10	130,099,547	164,283,529
Deferred tax assets	11	3,649,974	7,363,456
Other assets		16,117,961	12,953,432
Taxation recoverable		3,742,927	3,830,178
Short term deposits	12	57,534,720	50,768,787
Cash and cash equivalents		221,271,710	117,727,424
Total assets		**$652,311,004**	**$604,634,660**
Shareholders' equity			
Stated capital	13	65,309,195	39,000,000
Statutory reserve	14	25,384,182	24,330,675
Fair value reserve		327,659	3,091,489
Foreign currency reserve		4,968,519	4,968,519
Retained earnings		67,904,105	52,009,605
Total shareholder's equity		163,893,660	123,400,288
Liabilities			
Insurance liabilities	15	307,760,436	339,588,931
Lease Liability	6	3,392,634	-
Due to related party		-	3,744,057
Reinsurance payable		100,670,575	97,717,228
Trade and other payables	16	71,023,805	33,091,652
Deferred tax liabilities	11	1,809,472	2,820,884
Taxation payable		3,760,422	4,271,620
Total liabilities		488,417,344	481,234,372
Total shareholder's equity and liabilities		**652,311,004**	**$604,634,660**

See accompanying notes to the consolidated financial statements.

On October 22, 2020, 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, 2020

(Expressed in Trinidad and Tobago Dollars)

	Notes	2020	2019
Insurance premium revenue		437,642,301	417,291,276
Insurance premium ceded to reinsurers		(215,155,755)	(198,078,826)
Net premium written		222,486,546	219,212,450
Change in gross unearned premium reserves		(21,051,915)	(8,933,689)
Change in unearned premium reserves due to reinsurers		15,769,406	4,925,514
Net insurance premium revenue		217,204,037	215,204,275
Investment income		9,606,041	9,858,403
Commissions received on reinsurance contracts		61,370,762	58,826,040
Net realised gains on financial assets	8	244,190	64,799
Foreign exchange loss		(42,991)	(4,324,061)
Net income		288,382,039	279,629,456
Insurance benefits on long term contracts		(1,023)	(321,141)
Insurance benefits on long term contracts recovered from reinsurers		(25,369)	(3,657)
Insurance claims and loss adjustment expenses	18	(155,022,812)	(175,401,552)
Insurance claims and loss adjustment expenses recovered from reinsurers	18	35,616,971	53,680,278
Net insurance benefits and claims		(119,432,233)	(122,046,072)
Expenses for the acquisition of insurance contracts		(50,158,052)	(49,255,042)
Other operating and administrative expense	19	(94,050,181)	(91,894,895)
Expenses		(263,640,466)	(263,196,009)
Profit before taxation		24,741,573	16,433,447
Taxation	21	(7,947,274)	(6,841,690)
Profit for the year attributable to shareholders		**16,794,299**	**9,591,757**
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		(2,763,830)	2,019,535
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit pension plan, net of tax		(179,745)	122,102
Effect of asset ceiling		333,453	(1,442,786)
Total other comprehensive (loss)/income for the year, net of taxation		(2,610,122)	698,851
Total comprehensive income for the year attributable to shareholders		**$14,184,177**	**$10,290,608**

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Changes in Equity

Year ended June 30, 2020

(Expressed in Trinidad and Tobago Dollars)

	Notes	Stated capital	Statutory reserve	Fair value reserve	Foreign currency reserve	Retained earnings	Total
Year ended June 30, 2020							
Balance as at July 1, 2019		39,000,000	24,330,675	3,091,489	4,968,519	52,009,605	123,400,288
Comprehensive income for the year							
Profit for the year attributable to shareholders		–	–	–	–	16,794,299	16,794,299
Net change in fair value on available for sale financial assets		–	–	(2,763,830)	–	–	(2,763,830)
Remeasurements of defined benefit pension plan		–	–	–	–	153,708	153,708
Total comprehensive (loss) / income		**–**	**–**	**(2,763,830)**	**–**	**16,948,007**	**14,184,177**
Transactions with owners							
Contributed capital		26,309,195	–	–	–	–	26,309,195
Total transactions with owners		**26,309,195**	**–**	**–**	**–**	**–**	**26,309,195**
Transfer to statutory reserve	14	–	1,053,507	–	–	(1,053,507)	–
Balance as at June 30, 2020		**$65,309,195**	**$25,384,182**	**$327,659**	**$4,968,519**	**$67,904,105**	**$163,893,660**
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	14		(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**

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Cash Flows

Year ended June 30, 2020

(Expressed in Trinidad and Tobago Dollars)

	2020	2019
Cash flows from operating activities		
Profit before taxation	24,741,573	16,433,447
Adjustments for:		
Depreciation of property, plant and equipment	3,042,679	3,664,597
Depreciation of right of use asset	3,505,733	–
Change in retirement benefit asset	(61,277)	(44,025)
(Gain)/loss on disposal of property, plant and equipment	(100,456)	(1,776,627)
Dividend income	(1,395,758)	(449,352)
Interest income	(4,755,466)	(5,253,053)
Interest expense on lease	406,511	203,970
Foreign exchange loss	42,991	4,324,061
Gain on disposal of financial assets	(244,190)	(64,799)
	25,182,340	**17,038,219**
Net decrease/(increase) in loans and receivables	16,117,982	(36,010,099)
Net decrease in reinsurance assets	34,183,982	20,316,050
Net increase in other assets	(2,355,196)	(5,378,735)
Net (increase)/decrease in short term deposits	(6,765,933)	1,265,598
Net decrease in insurance liabilities	(31,828,495)	(20,225,094)
(Decrease)/increase in due to related party	(3,744,057)	4,944,057
Net increase in reinsurance payable	2,953,347	28,191,883
Net increase in trade and other payables	37,932,153	3,926,383
Taxes paid	(4,566,046)	(4,601,158)
Net cash provided by operating activities	**67,110,077**	**9,467,104**
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,155,943)	(3,802,791)
Proceeds from disposal of property, plant and equipment	985,112	199,249
Dividends received	1,395,758	449,352
Interest received	3,946,133	4,793,069
Interest paid	–	(203,970)
Purchase of available for sale financial assets	(16,253,000)	(52,584,977)
Proceeds from disposal of available for sale financial assets	27,022,668	29,329,563
Net cash provided by/(used in) investing activities	**13,940,728**	**(21,820,505)**
Cash flows from financing activities		
Proceeds from issuance of shares	26,309,195	–
Lease payments	(3,815,714)	–
Net cash flow from financing activities	**22,493,481**	**–**
Increase/(decrease) in cash and cash equivalents	103,544,286	(12,353,401)
Cash and cash equivalents at beginning of year	117,727,424	130,080,825
Cash and cash equivalents at end of year	**$221,271,710**	**$117,727,424**

See accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

Year ended June 30, 2020

(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.

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.

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

The Group adopted IFRS 16 with a transition date of July 1, 2019. The effect on these financial statements resulting from the adoption of this new standard is disclosed in Note 26.

(ii) 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, 2020
(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, 2023. 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, 2023. The subsidiary has adopted IFRS 9 from July 1, 2018. However, the impact is not significant to the Group's financial statements.

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, 2023, 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 Group 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 Group 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, 2020

(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, 2020

(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%
Right of use asset	Straight line	33⅓%

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, 2020
(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, 2020

(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, 2020
(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, 2020
(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, 2020

(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, 2020

(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, 2020

(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, 2020
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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, 2020

(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

The Group accounts for a contract, or a portion of a contract, as a lease when it conveys the right to use an asset for a period of time in exchange for consideration. Leases are those contracts that satisfy the following criteria:

- There is an identified asset;
- The Group obtains substantially all the economic benefits from the use of the asset; and
- The Group has the right to direct use of the asset.

Notes to the Consolidated Financial Statements

Year ended June 30, 2020
(Expressed in Trinidad and Tobago Dollars)

2. **Summary of significant accounting policies (continued)**

2.19 Leases (continued)

The Group considers whether the supplier has substantive substitution rights. If the supplier does have those rights, the contract is not identified as giving rise to a lease. In determining whether the Group obtains substantially all the economic benefits from the use of the asset, the Group considers only the economic benefits that arise use of the asset, not those incidental to legal ownership or other potential benefits.

In determining whether the Group has the right to direct use of the asset, the Group considers whether it directs how and for what purpose the asset is used throughout the period of use. If there are no significant decisions to be made because they are pre-determined due to the nature of the asset, the Group considers whether it was involved in the design of the asset in a way that predetermines how and for what purpose the asset will be used throughout the period of use. If the contract or portion of a contract does not satisfy these criteria, the Group applies other applicable IFRSs rather than IFRS 16.

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low-value assets; and
- Leases with a duration of 12 months or less.

IFRS 16 was adopted July 1, 2019, without restatement of comparative figures. For an explanation of the transitional requirements that were applied as at July 1, 2019, see Note 26. The following policies apply subsequent to the date of initial application, July 1, 2019.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Group if it is reasonably certain to assess that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before the commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

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2. **Summary of significant accounting policies (continued)**

2.19 Leases (continued)

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases, an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

When the Group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy
- in all other cases where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount
- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

For contracts that both convey a right to the Group to use an identified asset and require services to be provided to the Group by the lessor, the Group has elected to account for the entire contract as a lease, i.e. it does allocate any amount of the contractual payments to, and account separately for, any services provided by the supplier as part of the contract.

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.

Notes to the Consolidated Financial Statements

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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 $3,742,149 (2019: $6,200,551) and a fall in profit before tax of $2,613,554 (2019: $2,598,064).

(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 Group. If this reserve was to increase by 5%, this would result in an increase in the insurance liabilities of $168,299 (2019: $168,248) and a fall in profit before tax of $168,303 (2019: $166,983).

(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 $1,825,104 (2019: $2,010,774) and a fall in profit before tax of $1,395,389 (2019: $1,558,549).

(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 $9,155,270 (2019: $8,125,744) and a fall in profit before tax of $4,400,658 (2019: $4,119,980).

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 $553,068 (2019: $532,686).

Notes to the Consolidated Financial Statements

Year ended June 30, 2020
(Expressed in Trinidad and Tobago Dollars)

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

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 $3,499,872 (2019: $4,350,844).

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 $111,837 (2019: $107,886).

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, 2020

(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 Group'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, 2020 (all amounts in Trinidad and Tobago dollar)

	Motor and Casualty	Property	Total	%
Trinidad	5,646,148,971	21,225,918,225	26,872,067,196	79%
Barbados	141,591,452	815,308,813	956,900,265	3%
Dominica	113,471,460	1,527,580,725	1,641,052,185	5%
Grenada	324,408,846	1,863,672,699	2,188,081,545	6%
St. Lucia	194,866,811	1,295,143,049	1,490,009,860	4%
St. Vincent	88,711,425	647,098,587	735,810,012	2%
St. Kitts	12,198,931	155,941,543	168,140,474	1%
Total	**$6,521,397,896**	**$27,530,663,641**	**$34,052,061,537**	**100%**

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

Notes to the Consolidated Financial Statements

Year ended June 30, 2020
(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 (continued)
 i) Frequency and severity of claims (continued)

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.

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 $4,252,938 (2019: $4,403,793).

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 $182,516 (2019: $2,628,813).

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

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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, 2020

(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, 2020

	Neither past due nor impaired	**Past due but not impaired**	**Impaired**	**Total**
Financial assets				
- debt securities	68,239,858	-	-	68,239,858
- gross loans and receivables	61,469,511	42,466,306	10,925,264	114,861,081
Less provision for doubtful debts			(10,925,264)	(10,925,264)
Reinsurance assets	130,099,547			130,099,547
Other assets	8,708,145	7,409,816	136,084	16,254,045
Less provision for doubtful debts			(136,084)	(136,084)
Short term deposits	57,534,720			57,534,720
Cash and cash equivalents	221,271,710			221,271,710
Total	$547,323,491	$49,876,122	$ -	$597,199,613

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

The Group currently holds no collateral (2019: $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

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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, 2020

	0-30 days	30 - 60 days	Between 60 –90 days	Over 90 days	Total
Financial assets					
- loans and receivables	228,028	10,706,061	12,583,602	18,948,615	42,466,306
Other assets	-	7,409,816	-	-	7,409,816
Total	**$228,028**	**$18,115,877**	**$12,583,602**	**$18,948,615**	**$49,876,122**

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**

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

	2020	2019
As at beginning of year	10,653,729	10,070,409
Increase in provision for the year	434,067	630,898
Recoveries during the year	28,544	43,756
Receivable written off during the year as uncollectable	(54,992)	(91,334)
As at end of year	**$11,061,348**	**$10,653,729**

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, 2020

	Trinidad and Tobago	Barbados	Eastern Caribbean	Non-Regional	Total
Financial assets					
- debt securities	49,382,036	2,164,500	12,112,016	4,581,306	68,239,858
- loans and receivables	70,601,091	2,222,509	26,204,784	4,907,433	103,935,817
Reinsurance assets	-	-	-	130,099,547	130,099,547
Other assets	5,496,147	6,661,585	3,960,229	-	16,117,961
Short term deposits	16,464,742	4,196,680	36,873,298	-	57,534,720
Cash and cash equivalents	161,583,475	9,749,999	49,938,236	-	221,271,710
Total	**$303,527,491**	**$24,995,273**	**$129,088,563**	**$139,588,286**	**$597,199,613**

Notes to the Consolidated Financial Statements

Year ended June 30, 2020

(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, 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**

(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, 2020

	A	BBB	BB or below	No ratings assigned	Total
Financial assets					
- debt securities	31,490,309	29,444,519	7,244,597	60,433	68,239,858
- loans and receivables	4,907,526	-	-	99,028,291	103,935,817
Reinsurance assets	130,099,547	-	-	-	130,099,547
Other assets	-	-	-	16,117,961	16,117,961
Short term deposits	8,039,912	24,911,622	3,633,633	20,949,553	57,534,720
Cash and cash equivalents	96,028,916	90,541,669	2,827,980	31,873,145	221,271,710
Total	**$270,566,210**	**$144,897,810**	**$13,706,210**	**$168,029,383**	**$597,199,613**

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**

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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, 2020

	Up to one year	One to five years	Over five years	Total
Assets				
Financial assets				
- available for sale	15,915,123	33,621,378	29,162,137	78,698,638
- loans and receivables	100,972,320	2,963,497	-	103,935,817
Reinsurance assets	128,975,478	1,124,069	-	130,099,547
Other assets	16,117,961	-	-	16,117,961
Short term deposits	57,534,720	-	-	57,534,720
Cash and cash equivalents	221,271,710	-	-	221,271,710
Total	540,787,312	37,708,944	29,162,137	607,658,393
Liabilities				
Insurance liabilities	299,151,649	8,608,787	-	307,760,436
Reinsurance payable	100,670,575	-	-	100,670,575
Lease liability	1,869,931	1,522,703	-	3,392,634
Trade and other payables	71,023,805	-	-	71,023,805
Total	472,715,960	10,131,490	-	482,847,450
Net liquidity risk	**$68,071,352**	**$27,577,454**	**$29,162,137**	**$124,810,943**

Notes to the Consolidated Financial Statements

Year ended June 30, 2020
(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, 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	36,253,709	105,339,453
- 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	36,253,709	571,126,424
Liabilities				
Insurance liabilities	330,581,884	9,007,047	-	339,588,931
Reinsurance payable	3,744,057	-	-	3,744,057
Lease liability	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**	**$96,984,556**

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, 2020

(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, 2020

	Carrying value	1% movement in interest rates
Short term deposits	$57,534,720	$575,347
Cash and cash equivalents	$221,271,710	$2,212,717

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

(ii) Fair value interest rate risk

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

As at June 30, 2020

	Carrying value	Fair value
Available for sale financial assets	$88,397,536	$88,397,536
Mortgage and other loans	$15,772,132	$15,772,132

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

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, 2020

(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, 2020

	Eastern Caribbean Dollar	Barbados Dollar	United States Dollar	Other	Total
Assets					
Financial assets					
- available for sale	5,456,570	2,164,500	16,333,295	1,671,252	25,625,617
- loans and receivables	26,204,784	2,222,513	4,907,433	-	33,334,730
Reinsurance assets	-	-	130,099,547	-	130,099,547
Other assets	3,960,229	6,661,585	-	-	10,621,814
Short term deposits	38,872,177	2,197,800	-	-	41,069,977
Cash and cash equivalents	44,154,622	9,749,999	66,170,644	142,499	120,217,763
Total assets	118,648,382	22,996,397	217,510,919	1,813,751	360,969,449
Liabilities					
Insurance liabilities	78,518,341	17,661,224	-	-	96,179,565
Reinsurance payable	-	-	100,670,575	-	100,670,575
Trade and other payables	7,207,067	2,799,847	-	-	10,006,914
Total liabilities	85,725,408	20,461,071	100,670,575	-	206,857,054
Net currency gap	**$32,922,974**	**$2,535,326**	**$116,840,344**	**$1,813,751**	**$154,112,395**
Effect of 1% change in exchange rates on consolidated statement of comprehensive income	**$329,230**	**$25,353**	**$1,168,403**	**$18,138**	**$1,541,124**

Notes to the Consolidated Financial Statements

Year ended June 30, 2020
(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, 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**

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, 2020

	Carrying value	Effect on equity of a 5% change
Equities		
Listed	16,768,028	838,401
Unlisted	3,389,650	169,483
	$20,157,678	**$1,007,884**

Notes to the Consolidated Financial Statements

Year ended June 30, 2020
(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, 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**

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, 2020

Financial Instrument	**Carrying value**	**Fair value**
Financial Assets		
Available for sale		
Debt securities	68,239,858	68,239,858
Equities	20,157,678	20,157,678
	$88,397,536	**$88,397,536**
Loans and receivables		
Loans and receivables	103,935,817	103,935,817
Reinsurance assets	130,099,547	130,099,547
Other assets	16,117,961	16,117,961
Short term deposits	57,534,720	57,534,720
Cash and cash equivalents	221,271,710	221,271,710
	528,959,755	**$528,959,755**
Financial Liabilities		
Financial liabilities at amortised cost		
Insurance liabilities	307,760,436	307,760,436
Reinsurance payable	100,670,575	100,670,575
Lease liability	3,392,634	3,392,634
Trade and other payables	71,023,805	71,023,805
	$482,847,450	**$482,847,450**

Notes to the Consolidated Financial Statements

Year ended June 30, 2020

(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, 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**

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, 2020
(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

IFRS 13 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, 2020

	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Financial Assets				
- Available for sale	$22,689,176	$60,154,210	$5,554,150	$88,397,536

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

4.2.6 Capital management

The Group manages its shareholders' equity of $163,893,659 (2019: $123,400,288) 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, 2020

(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, 2020

(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, 2020							
Cost							
Balance as at July 1, 2019	-	13,819,443	6,774,727	4,879,217	3,962,875	39,519,443	68,955,705
Additions	-	-	38,500	6,744	519,715	2,590,984	3,155,943
Disposals	-	-	-	-	(1,156,900)	-	(1,156,900)
Balance as at June 30, 2020	-	13,819,443	6,813,227	4,885,961	3,325,690	42,110,427	70,954,748
Accumulated depreciation							
Balance as at July 1, 2019	-	(1,845,549)	(4,845,134)	(4,101,633)	(2,489,460)	(31,887,771)	(45,169,547)
Charge on disposals	-	-	-	-	272,244	-	272,244
Depreciation charge	-	(213,967)	(245,057)	(163,016)	(300,777)	(2,119,862)	(3,042,679)
Balance as at June 30, 2020	-	2,059,516	(5,090,191)	(4,264,649)	(2,517,993)	(34,007,633)	(47,939,982)
Net book value as at June 30, 2020	**-**	**$11,759,927**	**$1,723,036**	**$621,312**	**$807,697**	**$8,102,794**	**$23,014,766**
Year ended June 30, 2019							
Cost							
Balance as at July 1, 2018	29,937,812	14,189,572	6,788,955	4,876,270	3,858,524	36,460,916	96,112,049
Additions	-	40,809	9,275	55,845	638,335	3,058,527	3,802,791
Disposals	(29,937,812)	(410,938)	(23,503)	(52,898)	(533,984)	-	(30,959,135)
Balance as at June 30, 2019	**-**	**13,819,443**	**6,774,727**	**4,879,217**	**3,962,875**	**39,519,443**	**68,955,705**
Accumulated depreciation							
Balance as at July 1, 2018	(3,166,628)	(2,147,403)	(4,595,682)	(3,952,345)	(2,434,195)	(29,845,210)	(46,141,463)
Charge on disposals	3,484,567	677,546	22,730	52,075	399,595	-	4,636,513
Depreciation charge	(317,939)	(375,692)	(272,182)	(201,363)	(454,860)	(2,042,561)	(3,664,597)
Balance as at June 30, 2019	**-**	**(1,845,549)**	**(4,845,134)**	**(4,101,633)**	**(2,489,460)**	**(31,887,771)**	**(45,169,547)**
Net book value as at June 30, 2019	**$-**	**$11,973,894**	**$1,929,593**	**$777,584**	**$1,473,415**	**$7,631,672**	**$23,786,158**

Notes to the Consolidated Financial Statements

Year ended June 30, 2020
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6. Right of use asset and liabilities

(a) Right of use asset

	2020	2019
Balance at the beginning of the year	-	-
Adjustment on initial application of IFRS 16	6,801,837	-
Depreciation Charge	(3,505,733)	-
Balance at the end of the year	**$3,296,104**	**$-**
Cost	6,801,837	-
Accumulated depreciation	(3,505,733)	-
Balance at end of year	**$3,296,104**	**$-**

(b) Right of use liabilities

	2020	2019
Adjustment on initial application of IFRS 16	6,801,837	-
Interest Expenses	406,511	-
Lease payments	(3,815,714)	-
Balance at the end of the year	**$3,392,634**	**$-**
Current	1,869,930	-
Non-current	1,522,704	-
Balance at end of year	**$3,392,634**	**$-**

(c) Amounts recognised in the consolidated statement of income

	2020	2019
Interest expense on lease liability	406,511	-
Depreciation charge on lease liability	3,505,733	-
Balance at end of year	**$3,912,244**	**$-**

Notes to the Consolidated Financial Statements

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7. **Retirement benefit asset**

	2020	2019
Retirement benefit asset	**$1,249,942**	**$1,034,957**
Amounts recognised in the statement of financial position are as follows:		
Fair value of plan assets	4,596,019	4,635,457
Present value of funded obligations	(2,236,744)	(2,157,714)
	2,359,275	2,477,743
Effect of asset ceiling	(1,109,333)	(1,442,786)
Retirement benefit asset	**$1,249,942**	**$1,034,957**
Movement in the retirement benefit asset recognised over the year is as follows:		
As at beginning of year	1,034,957	2,311,616
Net pension expense	(118,468)	166,127
Effect of asset ceiling	333,453	(1,442,786)
As at end of year	**$1,249,942**	**$1,034,957**
Movement in the present value of funded obligation for the year is as follows:		
As at beginning of year	2,157,714	2,461,782
Interest cost	164,206	189,024
Current service cost	80,721	180,623
Benefit payments	(98,082)	(244,152)
Actuarial gains	(67,815)	(429,563)
As at end of year	**$2,236,744**	**$2,157,714**
Movement in the fair value of plan assets for the year is as follows:		
As at beginning of year	4,635,457	4,773,398
Expected return on plan assets	37,306	82,961
Employee contributions	21,338	23,250
Benefit payments	(98,082)	(244,152)
As at end of year	**$4,596,019**	**$4,635,457**
Amounts recognised in the statement of comprehensive income:		
Profit or loss		
Current service cost	59,383	157,372
Interest cost	(180,576)	(160,696)
	(121,193)	(3,324)
Other comprehensive income/(loss)		
Expected return on plan assets	307,476	266,760
Net actuarial gains	(67,815)	(429,563)
	239,661	(162,803)
Net pension benefit	**$118,468**	**$(166,127)**
Actual return on plan assets	**$37,306**	**$82,960**

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7. Retirement benefit asset (continued)

	2020	2019
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.	**$4,596,019**	**$4,635,457**

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	
	2020	**2019**
Equities	53%	55%
Real estate	7%	7%
Bonds	23%	24%
Mortgages	9%	8%
Deposits/Cash	8%	6%

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	2,094,337	$2,284,706
Salary increase and NIS increase	2,298,676	$2,550,740

8. Financial assets – available for sale

	2020	2019
Equities	25,511,851	21,170,225
Government bonds	29,060,531	36,242,717
Corporate bonds	39,179,327	50,774,171
Provision for impairment	(5,354,173)	(5,354,173)
	$88,397,536	**$102,832,940**

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8. Financial assets – available for sale (continued)

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

	2020	2019
As at beginning of year	102,832,940	76,820,014
Additions	16,253,000	52,584,977
Disposals/maturities	(27,022,668)	(29,329,563)
Net realised gain on financial assets	244,190	64,799
Net fair value change for the year	(3,909,926)	2,692,713
As at end of year	**$88,397,536**	**$102,832,940**

9. Financial assets – loans and receivables

	2020	2019
Amounts due from brokers	71,507,659	67,571,249
Due from reinsurers	4,907,526	24,876,261
Mortgage and other loans	15,772,132	18,087,100
Amounts due from policyholders	11,748,500	9,519,189
	$103,935,817	**$120,053,799**
Current portion	100,972,320	114,721,030
Non-current portion	2,963,497	5,332,769
	$103,935,817	**$120,053,799**

10. Reinsurance assets

	2020	2019
Current	128,975,478	163,090,284
Non-current	1,124,069	1,193,245
Total assets arising from reinsurance contracts (Note 15)	**$130,099,547**	**$164,283,529**

11. 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:

	2020	2019
As at beginning of year	(4,542,572)	(6,109,170)
Charge to profit or loss (Note 21)	3,803,863	852,719
(Credit)/charge to other comprehensive income	(1,101,793)	713,879
As at end of year	**$(1,840,502)**	**$(4,542,572)**

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11. **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:

	2020	**2019**
Deferred tax assets	(3,649,974)	(7,363,456)
Deferred tax liabilities	1,809,472	2,820,884
	$(1,840,502)	**$(4,542,572)**

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, 2019	**Charge/(credit) to profit or loss**	**Charge to other comprehensive income**	**Balance as at June 30, 2020**
Deferred tax liabilities:				
Fair value gains on available for sale financial assets	1,045,458	-	(1,041,878)	3,580
Retirement benefit asset	605,598	-	(59,915)	545,683
Accelerated tax depreciation	1,169,828	90,381	-	1,260,209
	2,820,884	90,381	(1,101,793)	1,809,472
Deferred tax assets:				
Impairment provision	(1,346,702)	148,148	-	(1,198,554)
Tax losses carried forward	(6,016,754)	3,565,334	-	(2,451,420)
	(7,363,456)	3,713,482	-	(3,649,974)
Net deferred tax asset	**$(4,542,572)**	**$3,803,863**	**$(1,101,793)**	**$(1,840,502)**

	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
	2,106,459	546	713,879	2,820,884
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)
	(8,215,629)	852,173	-	(7,363,456)
Net deferred tax asset	**$(6,109,170)**	**$852,719**	**$713,879**	**$(4,542,572)**

Notes to the Consolidated Financial Statements

Year ended June 30, 2020

(Expressed in Trinidad and Tobago Dollars)

11. Deferred taxes (continued)

	2020	2019
Deferred tax liabilities:		
- to be realised after more than 12 months	1,983,511	2,766,256
- to be realised within 12 months	(174,039)	54,628
	$1,809,472	**$2,820,884**
Deferred tax assets:		
- to be realised after more than 12 months	(2,387,177)	(5,940,464)
- to be realised within 12 months	(1,262,797)	(1,422,992)
	$(3,649,974)	**$(7,363,456)**

12. Short term deposits

		2020	2019
(i)	Treasury bills	32,784,742	28,340,000
(ii)	At banks	14,039,913	11,981,600
(iii)	Supervisor of Insurance	6,231,185	6,231,185
(iv)	Financial Institutions	4,478,880	4,216,002
		$57,534,720	**$50,768,787**

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 1.6% (2019: 2.09%).

13. Stated capital

	2020	2019
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
5,324,724 ordinary shares issued	26,309,195	-
39,991,391 (2019: 34,666,667) ordinary shares at no par value	**$65,309,195**	**$39,000,000**

14. Statutory reserve

	2020	2019
Balance as at beginning of year	24,330,675	24,363,698
Transfer from statement of comprehensive income	1,053,507	(33,023)
Balance as at end of year	**$25,384,182**	**$24,330,675**

As required by section 171 of the Insurance Act 1980 of Trinidad and Tobago, at least 25% of the Group'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, 2020
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15. Insurance liabilities and reinsurance assets

	2020	2019
Insurance liabilities – gross		
Short-term insurance contracts		
Claims reported and loss adjustment expenses	74,842,986	124,011,025
Claims incurred but not reported	36,502,084	40,215,476
Total insurance claims liability	111,345,070	164,226,501
Unearned premiums	183,105,401	162,514,874
Unexpired risks provision	9,943,988	9,482,600
Total unearned premiums and unexpired risk liability	193,049,389	171,997,474
Long-term insurance contracts		
- Annuities	3,204,488	3,085,210
- Term life	161,489	279,746
Total long-term insurance contracts	3,365,977	3,364,956
Total insurance liabilities - gross	**$307,760,436**	**$339,588,931**
Recoverable from reinsurers		
Short-term insurance contracts		
Claims reported and loss adjustment expenses	22,571,913	72,049,737
Claims incurred but not reported	8,594,306	9,044,500
Total insurance claims recoverable	31,166,219	81,094,237
Unearned premiums	95,092,234	80,115,274
Unexpired risks provision	3,841,174	3,048,728
Long-term insurance contracts	(80)	25,290
Total reinsurers' share of insurance liabilities	**$130,099,547**	**$164,283,529**
Insurance liabilities – net		
Short-term insurance contracts		
Claims reported and loss adjustment expenses	52,271,073	51,961,288
Claims incurred but not reported	27,907,778	31,170,976
Total insurance claims liability	80,178,851	83,132,264
Unearned premiums	88,013,167	82,399,600
Unexpired risks provision	6,102,814	6,433,872
Total unearned premiums and unexpired risk	94,115,981	88,833,472
Long-term insurance contracts		
- Annuities	3,204,488	3,085,210
- Term life	161,569	254,456
Total long-term insurance contracts	3,366,057	3,339,666
Total insurance liabilities - net	**$177,660,889**	**$175,305,402**

Notes to the Consolidated Financial Statements

Year ended June 30, 2020

(Expressed in Trinidad and Tobago Dollars)

15. **Insurance liabilities and reinsurance assets (continued)**

	2020	**2019**
Current	170,176,170	167,491,600
Non-current	7,484,719	7,813,802
Total insurance liabilities - net	**$177,660,889**	**$175,305,402**

Notes to the Consolidated Financial Statements

Year ended June 30, 2020
(Expressed in Trinidad and Tobago Dollars)

15. **Insurance liabilities and reinsurance assets (continued)**

15.1 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	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**Total**
Insurance claims – gross							
- at end of accident year	97,761,859	123,459,284	119,353,110	340,529,504	115,210,750	93,077,370	
- one year later	83,102,178	112,985,237	98,868,151	323,283,663	108,044,357	-	
- two years later	81,488,707	106,234,571	92,897,548	320,551,720	-	-	
- three years later	80,785,203	103,564,707	90,680,675	-	-	-	
- four years later	78,344,984	102,366,540	-	-	-	-	
- five years later	77,886,605		-	-	-	-	
Current estimate of cumulative claims	77,886,605	102,366,540	90,680,675	320,551,720	108,044,357	93,077,370	792,607,267
Cumulative payments to date	(74,399,616)	(94,019,441)	(82,341,039)	(310,287,870)	(92,826,196)	(55,937,071)	(709,811,233)
	3,486,989	8,347,099	8,339,636	10,263,850	15,218,161	37,140,299	82,796,034
Liabilities in respect of years prior to 2014 (short term excluding group health)							9,278,269
Total insurance claims liability – group health and long-term business							19,270,767
Total insurance claims liability – gross							**$111,345,070**

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Year ended June 30, 2020
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15. **Insurance liabilities and reinsurance assets (continued)**

15.1 Assumptions, change in assumptions and sensitivity (continued)

(a) Development of claims (continued)

Accident year	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**Total**
Insurance claims – net							
- at end of accident year	46,282,280	66,810,406	63,529,004	60,524,695	63,509,302	55,881,918	
- one year later	42,360,647	66,015,150	56,109,652	131,366,863	59,056,205	-	
- two years later	41,539,846	62,661,946	52,805,299	128,364,755	-	-	
- three years later	42,190,411	61,684,027	51,845,849	-	-	-	
- four years later	40,983,587	52,390,934	-	-	-	-	
- five years later	39,664,697	-	-	-	-	-	
Current estimate of cumulative claims	39,664,697	52,390,934	51,845,849	128,364,755	59,056,205	55,881,918	387,204,358
Cumulative payments to date	(37,538,720)	(47,455,259)	(45,698,587)	(121,551,112)	(48,142,522)	(32,580,152)	(332,966,352)
	2,125,977	4,935,675	6,147,262	6,813,643	10,913,683	23,301,766	54,238,006
Liabilities in respect of years prior to 2014 (short term excluding group health)							10,365,196
Total insurance claims liability – group health and long-term business							15,575,649
Total insurance claims liability – net							**$80,178,851**

Notes to the Consolidated Financial Statements

Year ended June 30, 2020
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15. Insurance liabilities and reinsurance assets (continued)

15.1 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 consolidated 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.

15.2 Movement in insurance liabilities and reinsurance assets

(a) Claims and loss adjustment expenses

Year ended June 30, 2020

	Gross	**Reinsurance**	**Net**
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 beginning of year	164,226,501	(81,094,237)	83,132,264
Cash paid for claims settled in year	(207,904,251)	85,544,990	(122,359,261)
Increase/(decrease) in liabilities			
- arising from current year claims	172,638,088	(44,421,688)	128,216,400
- arising from prior year claims	(17,615,268)	8,804,716	(8,810,552)
Total as at end of year	**111,345,070**	**(31,166,219)**	**80,178,851**
Notified claims	74,842,986	(22,571,913)	52,271,073
Incurred but not reported	36,502,084	(8,594,306)	27,907,778
Total as at end of year	**$111,345,070**	**$(31,166,219)**	**$80,178,851**

Notes to the Consolidated Financial Statements

Year ended June 30, 2020

(Expressed in Trinidad and Tobago Dollars)

15. **Insurance liabilities and reinsurance assets (continued)**

15.2 Movement in insurance liabilities and reinsurance assets

(a) Claims and loss adjustment expenses (continued)

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**

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

Year ended June 30, 2020

	Gross	Reinsurance	Net
Unearned premium provision			
As at beginning of year	162,514,874	80,115,274	82,399,600
Increase in the year	183,105,401	95,092,234	88,013,167
Release in the year	(162,514,874)	(80,115,274)	(82,399,600)
As at end of year	**$183,105,401**	**$(95,092,234)**	**$88,013,167**
Unexpired risk provision			
As at beginning of year	9,482,600	3,048,728	6,433,872
Increase in the year	9,943,988	3,841,174	6,102,814
Release in the year	(9,482,600)	(3,048,728)	(6,433,872)
As at end of year	**$9,943,988**	**$(3,841,174)**	**$6,102,814**

Notes to the Consolidated Financial Statements

Year ended June 30, 2020

(Expressed in Trinidad and Tobago Dollars)

15. Insurance liabilities and reinsurance assets (continued)

15.2 Movement in insurance liabilities and reinsurance assets (continued)

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

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**

16. Trade and other payables

	2020	2019
Due to Shareholder	24,069,118	-
Payable to broker	11,053,553	4,549,235
Stale dated cheques	6,918,378	5,926,598
Accruals	6,414,906	3,160,242
Sundry creditors	5,011,094	5,568,466
Premium taxes payable	4,840,740	4,323,609
Other payables and accruals	3,367,051	2,391,645
Collateral payable	2,982,190	3,062,169
Bond security deposit	2,242,818	-
Interest income deferred	2,187,107	2,186,477
Statutory deposit outstanding	1,240,000	1,240,000
Provision for agent's commission	696,850	683,211
	$71,023,805	**$33,091,652**

17. Bank borrowing facilities

The Group's borrowing facilities comprise the following:

	2020	2019
Undrawn overdraft facility	-	-
Letter of Credit	4,960,000	4,960,000
	$4,960,000	**$4,960,000**

Notes to the Consolidated Financial Statements

Year ended June 30, 2020

(Expressed in Trinidad and Tobago Dollars)

18. Insurance claims and loss adjustment expenses

Year ended June 30, 2020

	Gross	Reinsurance	Net
Current year claims and loss adjustment expenses	172,638,080	(44,421,687)	128,216,393
Prior year claims and loss adjustment expenses	(17,615,268)	8,804,716	(8,810,552)
	$155,022,812	**$(35,616,971)**	**$119,405,841**

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**

19. Other operating and administrative expenses

	2020	**2019**
Staff costs (See Note 20)	50,203,133	42,625,120
Depreciation	6,954,923	3,664,597
Rent and utilities	6,534,341	8,765,919
Advertising	5,495,719	6,368,174
Professional fees	4,992,467	5,129,896
Roadside assistance expenses	4,736,276	5,016,695
Staff welfare	4,501,187	4,534,235
Repairs and maintenance	2,410,900	3,106,621
Security	1,626,809	1,774,307
Bank charges	1,270,206	1,674,179
Other expenses	1,221,169	1,255,644
Regulator and license fees	1,139,738	914,304
Subscriptions	838,351	813,225
Travelling expenses	828,109	1,079,839
Office expenses	706,962	1,421,074
Customer relations	447,701	612,814
Bad debt expense, net of recoveries	104,925	2,425,480
(Loss)/gain on disposal of property, plant and equipment	37,265	-1,776,628
Operating lease rentals	0	2,489,400
	$94,050,181	**$91,894,895**

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Year ended June 30, 2020
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20. Staff costs

	2020	2019
Wages and salaries	48,608,256	40,242,458
Severance	(859,633)	16,580
National insurance	2,469,167	2,269,301
Net pension expense - defined benefit plan	(14,657)	96,781
	$50,203,133	**$42,625,120**
Number of persons employed by the Group	**261**	**250**

21. Taxation

	2020	2019
Current tax	6,340,462	6,777,373
Deferred income tax (Note 11)	3,803,863	852,719
Prior year over accrual	(2,197,051)	(788,402)
	$7,947,274	**$6,841,690**

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

	2020	2019
Profit before taxation	24,741,573	$16,433,447
Tax calculated at the statutory tax rate	7,422,471	4,930,034
Effect of different tax rates in other countries	223,690	615,643
Income not subject to tax	(3,829,960)	(610,281)
Expenses not deductible for tax purposes	(876,899)	1,190,479
Loss relief carried forward	(973,081)	(1,387,170)
Tax losses utilised	111,158	7,457
Business levy	1,203,754	716,997
Green fund levy	862,278	525,812
Deferred income tax (Note 11)	3,803,863	852,719
Tax charge	**$7,947,274**	**$6,841,690**

22. Related party balances and transactions

The Group's structure is as follows:

	2020	2019
Shareholding of controlling entities:		
CGH Limited	46%	46%
Colonial Group International Limited	40%	40%
Individual shareholder	14%	14%
	100%	**100%**
Shareholding in subsidiary:		
North West Premium Finance Limited	100%	100%

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22. Related party balances and transactions (continued)

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

		2020	2019
i)	Leasing of equipment and properties	$2,304,702	$2,430,600
ii)	Amounts due from related parties	$243,908	$193,934
iii)	Loan to related party and key management personnel	$7,270,271	$5,457,879
iv)	Due to related party	$24,183,038	$3,744,057
v)	Key management compensation		
	The compensation paid or payable to key management for employee services is shown below:		
	Salaries and other short-term employee benefits	$9,929,730	$9,764,120

23. Commitments

		2020	2019
(a)	**Capital commitments**		
	The following were the capital commitments of the Group:		
	Systems upgrade project	3,773,638	$2,233,425
		$3,773,638	**$2,233,425**

(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:

	2020	2019
No later than one year	-	1,465,562
Later than one year and no later than five years	-	788,481
	$ -	**$2,254,043**

24. 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.

25. Subsequent events

Management has evaluated the possibility of subsequent events existing in the Group's consolidated financial statements from July 1, 2020, through October 22, 2020, 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.

The 2019 Novel Coronavirus infection ("coronavirus") or "COVID-19" outbreak poses a serious public health threat. It has interrupted the movement of people and goods throughout the world; many levels of government are instituting restrictions on individuals and businesses.

COVID-19 did not have a significant impact on the operations of the Group.

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