TRINRE

ANNUAL REPORT 2012

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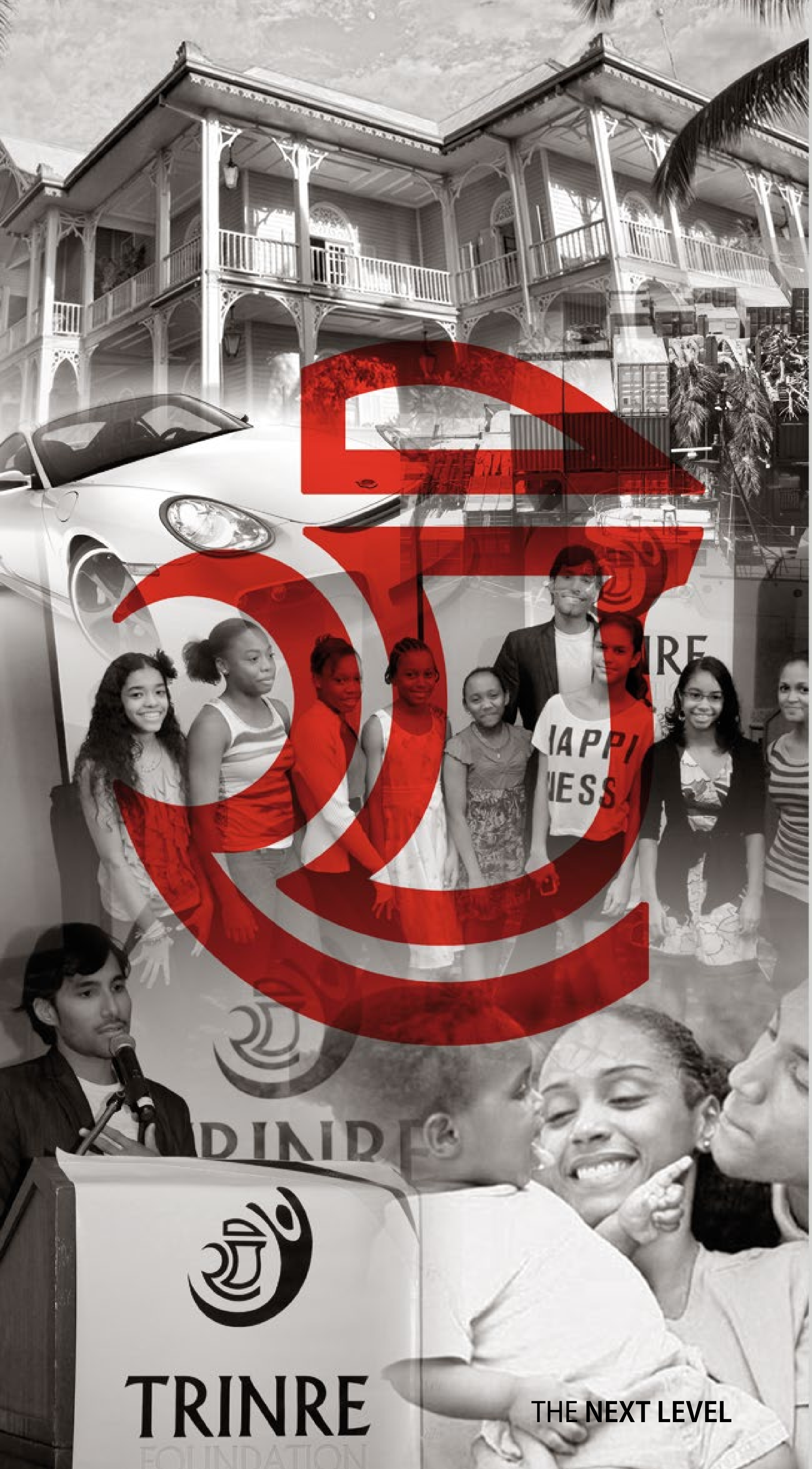

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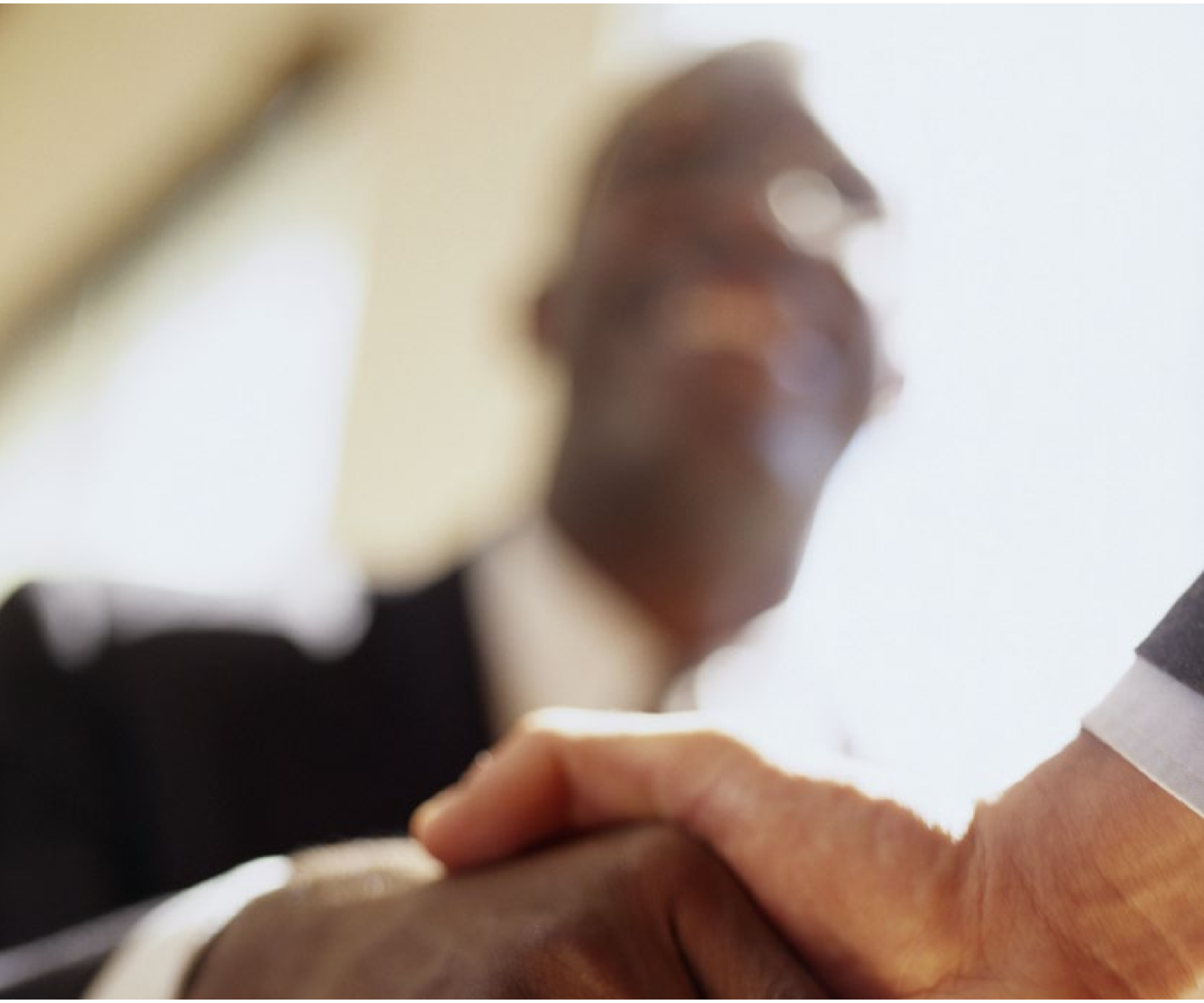
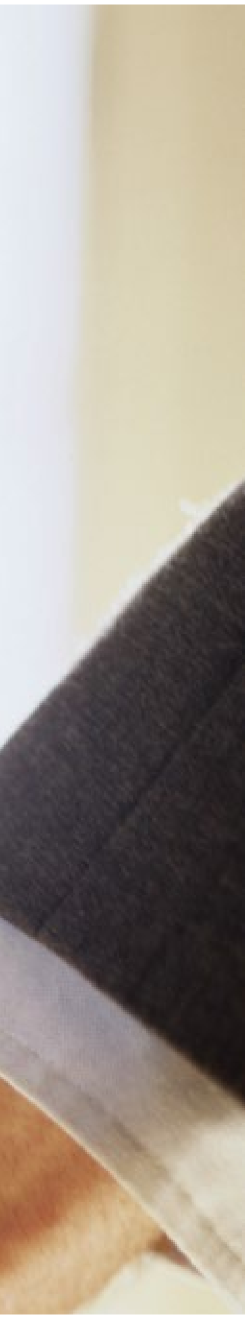
Corporate Information





CORPORATE SECRETARY

Mrs. Ann-Rose West Smith

L.L.B, L.E.C.

Attorney-At-Law

REGISTERED OFFICE

69-71 Edward Street

Port of Spain

Trinidad, West Indies

AUDITORS

KPMG Chartered Accountants

69 Edward Street

Port of Spain

BANKERS

Scotiabank Trinidad and Tobago Limited

Cor. Park and Richmond Streets

Port of Spain

Trinidad, West Indies

BRANCH NETWORK

69 Edward Street
Port of Spain

35 Independence Avenue
San Fernando

43 Mulchan Seuchan Road
Chaguanas

Claude Noel Highway Hampden
Lowlands
Tobago

To be the most respected and admired company built on an enduring foundation of financial health grounded in strong corporate governance and citizenship, fuelled by innovation, passion and talent.

To gain leadership in the markets we serve, by surpassing the expectations of our customers and consistently honouring our obligations.

To be recognized for our social conscience by supporting the wellbeing of our colleagues, environment and communities.

Our Vision

Our Values

Respect

Honour

Passion

Our Guiding Principles

- Our customers determine our success.
- Each day has new possibilities.
- Continuous learning and self-mastery will keep us ahead of the competition.
- We must navigate change with strength, courage, innovation, talent and discipline.
- Long-term relationships are built on integrity, high credibility, mutual respect and honour.
- Profit and growth is one measure of success and a means to fulfill our obligations to customers, shareholders, reward our employees and meet other objectives.

RANI LAKHAN-NARACE M.B.A

Executive Chairman
Appointed 22nd June, 2001

Rani Lakhan-Narace is a Director and Past President of the Association of Trinidad and Tobago Insurance Companies (ATTIC), a position to which she served for two consecutive terms. She is also a Member of the Board of the Insurance Association of the Caribbean (IAC) and a Director of Investment Managers Limited, the parent company of TRINRE. Mrs Lakhan-Narace attained an Executive Masters' Degree in Business Administration from the Arthur Lok Jack Graduate School of Business and holds a Bachelor's Degree in Social Sciences with a major in Economics from the University of Western Ontario, Canada.

RAYMOND TIM KEE C.L.U, M.B.A

Non-Executive Director
Appointed 18th March, 2002

Raymond Tim Kee is a Chartered Life Underwriter (CLU), a Sales and Management Trainer and holds a Masters of Business Administration (International MBA). He is the Chairman and Chief Executive Officer of Raymond Tim Kee Investments & Insurance Services Limited/Guardian Life of the Caribbean Limited, RTK Trading Enterprises Limited and ART Advertising and has been involved in the insurance industry for over thirty years. He has served in executive positions in both sales and administration with ALGICO/AIG and currently holds the post of President of Trinidad & Tobago Football Federation.

AXEL KRAVATZKY PhD

Non-Executive Director
Appointed 1st June, 2010

Dr. Axel Kravatzky is a Principal Consultant and Executive Coach at Syntegra Change Architects. His expertise includes Corporate Governance, Strategy Development, Change Management, Leadership Development, and Executive Coaching. He is an alumnus of UWC (United World Colleges), and a graduate of the London School of Economics and Political Science (B.Sc., M.Sc., Ph.D.). Dr. Kravatzky lectured in the Department of Economics, UWI, St. Augustine Campus (where he co-founded the Sustainable Economic Development Unit), and has consulted internationally for multi-lateral development institutions, his own company, and through partner firms.

Board of Directors

ELIZABETH COX
M.B.A

Non-Executive Director
Appointed 1st June, 2010

Elizabeth Cox is the CEO and Principal Consultant of Casper Investments Inc and brings to the Consultancy over 25 years' experience in Insurance and Management. Her Consultancy practice is based in Guyana but her services extend throughout the Caribbean and Central America. She worked previously in the Insurance industry at the GTM Group of Insurance Companies for over 25 years and held the position of Group Marketing Manager at the time of leaving. Her Insurance and Management expertise is fully utilized as she serves as a Director on several companies both in Guyana and overseas and is a member of the Rotary Club of Georgetown. She is a graduate of the University of the West Indies (UWI), Cave Hill Campus, Barbados with a distinction in the Executive Masters in Business Administration (EMBA). She also distinguished herself in Insurance studies and is the holder of the Fellow Life Management International Diploma FLMI, the Managed Health Care Professional (MHP) and completed studies in Fraud Investigation, Detection & Prevention in Health & Life Insurance. She is a certified Trainer and Administrator of the MBTI personality assessment instrument.

MICHAEL A.A. QUAMINA
L.E.C., L.L.B.

Non-Executive Director
Appointed 4th April 2011

Michael Quamina obtained his Bachelor of Laws degree (with Honours) from the University of the West Indies and attended the Hugh Wooding Law School where he obtained the Certificate of Legal Education. Mr. Quamina has practiced various types of law for over thirteen years including Public Administrative Law, Industrial Relations Law, Insurance Law and the law with respect to confiscation of assets under the Proceeds of Crime legislation. He is also skilled in dispute resolution and has served on several directorships of financial institutions and other private companies.

HOWARD A. DOTTIN
M.B.A

Non-Executive Director
Appointed 25th November, 2011

Howard Dottin has over 30 years of experience in accounting and finance, with 23 of those years spent in the financial services industry including corporate banking and insurance. He has served as Chief Financial Officer at both Guardian Holdings Limited and Scotia Bank Trinidad & Tobago Limited. He is a Fellow of the Association of Chartered Certified Accountants (FCCA) and attained an Executive Master of Business Administration from the University of the West Indies. He has been lecturing for over 20 years and continues to do so at the Arthur Lok Jack Graduate School of Business where he also serves as a Programme Director for the Master of Science in International Finance.

Chairman's Review

Review of 2012

I am pleased to announce that TRINRE experienced another healthy year of performance in 2012, with an increase in Gross Written Premium of 7% from $115 million to $123 million. We closed the period with an even stronger balance sheet representing a 2% growth in assets from $97 million to $99 million. A solid return of $8.5 million in Profit Before Tax was realized, albeit a 26% decline from 2011. This makes 2012 and 2011 two of TRINRE's most profitable years. Shareholders' Equity increased from $42 million to $43 million whilst Investment and Other Income grew by 19% over 2011 to $3.8 million. Both our Solvency and Capital Adequacy ratios have consistently exceeded statutory requirements closing 2012 at 402% and 234% respectively. A final dividend of $0.01853 per share was declared bringing the total distributable dividends for 2012 to $0.09718 cents per share.

Investing in the Next Level of Operational Efficiency and Service Excellence

Central to this consistent record of success lies an accelerating culture of accountability and good corporate governance. Our expanding distribution network and continued emphasis on operational efficiency in all areas of the company's operations with a decidedly qualitative approach to underwriting and effective claims management have all attributed directly to our results. Our customers have benefitted tremendously from these efforts and this was clearly reflected in our growing customer base. TRINRE's brand positioning as a premier insurer continues to positively entrench itself in the minds of consumers and intermediaries.

Furthermore, our increased investments in new property, plant, equipment and technology augur well for TRINRE's future growth and enhanced customer service. Our strengthened human resource capacity was reflected in our near 25% increase in staff over the prior period along with a structured training series including leadership development focused on personal and people development.

After two years of rigorous planning, it was particularly gratifying to see the company launch Project CLICK, a multimillion dollar project aimed at developing a new Property & Casualty operating system that will significantly change the way we do business and serve our customers. With this modernized platform, it is anticipated that we will further strengthen our capacity; productivity, accessibility and responsiveness. Moreover, it will support our endeavours to meet the demands of regulatory and governance priorities as we prepare for the proposed Insurance Act in 2013.

I am heartened that we continue to make a positive difference in our communities through our corporate social responsibility program; highlights of which are provided on page 15 of this report.

Future Outlook

We hold fast to our vision to be the most respected and admired company despite the social and economic challenges locally and internationally. We believe that with our track record of solid performance, TRINRE is well poised to move to the next level of brand resonance, customer experience and operational efficiency by building on the groundwork established over the past years, as we focus on our three strategic themes of greater capacity, deeper market penetration and stronger governance.

Our Gratitude

I wish to extend my gratitude to the Board of Directors for its governance and astute guidance over the past year and the management and staff for their dedication to realizing our vision. As we continue to commit to enriching the lives of those we serve, I want to express my appreciation to our customers, agents and shareholders for their loyalty.

Rani Lakhan-Narace

Executive Chairman

April 25, 2013

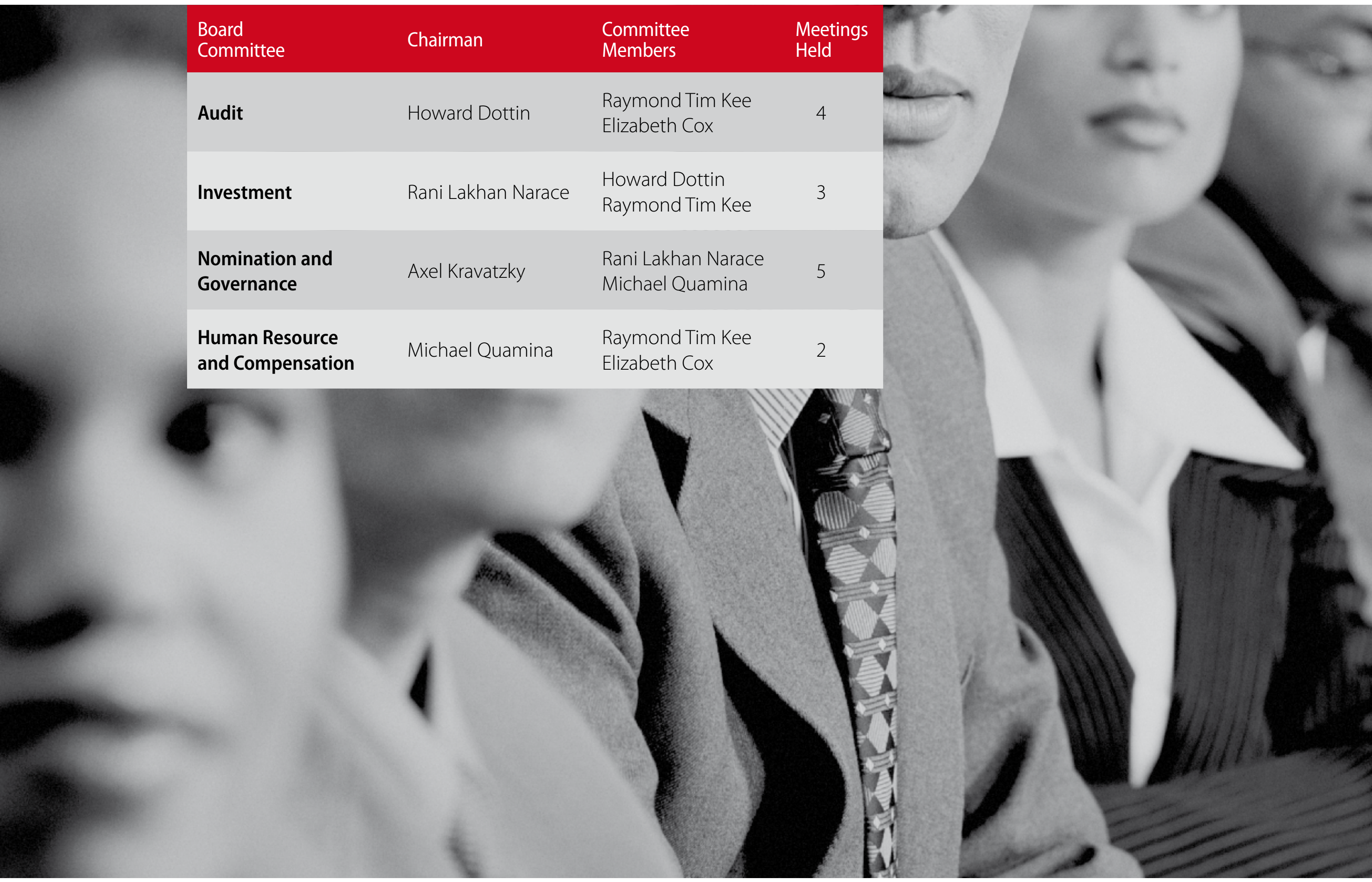
Corporate Governance

Composition of the Board

In 2012 the company's Board of Directors comprised six Directors, one Executive and five Non-Executive Directors.

Board Committees

Board Committee	Chairman	Committee Members	Meetings Held
Audit	Howard Dottin	Raymond Tim Kee Elizabeth Cox	4
Investment	Rani Lakhan Narace	Howard Dottin Raymond Tim Kee	3
Nomination and Governance	Axel Kravatzky	Rani Lakhan Narace Michael Quamina	5
Human Resource and Compensation	Michael Quamina	Raymond Tim Kee Elizabeth Cox	2



Corporate Social Responsibility

TRINRE as an organization remains committed to a business philosophy that advocates sustainable and holistic practices which revolve around people, profit and the environment. In this regard the TRINRE Foundation continues to implement programmes geared towards making a tangible difference in our society through education, leadership development and recognition. Moreover, we envision the TRINRE Foundation as a vehicle to encourage dialogue on the building of a principle-centred society. Aside from the work of the Foundation, we also provided support through various sponsorships.

In 2012 we launched the TRINRE Foundation Leadership Series with particular emphasis on the development of our employees:

'Connecting Women… Inspiring Futures' – In March, the TRINRE Foundation held the first of its Leadership Series by commemorating International Women's Day with a forum entitled, "Connecting Women…Inspiring Futures". Staff members, their daughters as well as business partners and other specially invited guests were treated to an engaging discussion with life coach Mrs. Madonna Sampson-Doyle, the CEO and Principal Consultant of Madonna Doyle and Associates. Drawing from many inspiring examples of phenomenal women, Mrs Sampson-Doyle connected the audience to their inner strength and immense capacity to juggle the many roles that women play in society. She emphasized the need for women to take care of their health; physically, emotionally and spiritually and to take time to identify and pursue their dreams.

'Live Free…Live Amazingly, An Intimate and Inspiring Evening with Rajesh Durbal' – The second in the series followed later in the year with Rajesh Durbal; an American citizen of Trinidadian parentage who was the first triple amputee to complete the rigorous Hawaii Iron Man Challenge. TRINRE was one of the corporate sponsors who brought Rajesh to Trinidad to participate in the country-wide No Excuses Tour which had as its primary goal, raising awareness and funding for the differently-abled in society.

Flagship Awards – The TRINRE Foundation's flagship award, the Spirit of Leadership Award, was presented to Rajesh Durbal in celebration of his extraordinary courage, determination and leadership. Since the Foundation's inception in 2010, the award has also been presented each year to young gymnasts of the Trinidad and Tobago Gymnastics Association. This continued in 2012 with over 30 new awardees

TRINRE Foundation Christmas Cheer – the Foundation for the first time in 2012 shared in the joy of the season with several families across Trinidad and Tobago as part of its Christmas Cheer Programme.

Sponsorships

Sponsorship of the Bon Accord leg of the Tobago Heritage Festival was among one of the major sponsorship activities undertaken by TRINRE in 2012. For the second year running we also sponsored the TRINRE Service Excellence Award for the Tobago Business Awards. Support was also extended for various charities through our business association with the Scotiabank T&T Foundation and Amcham among others.

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CSR
Corporate Social Responsibility

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1 Rajesh Durbal presenting at the Foundation's Leadership Series

2 Rani Lakhan-Narace presents Spirit of Leadership Award to Rajesh

3 Rajesh inspires youth

4 Madonna Samson-Doyle speaks to the audience at the Foundation's Leadership Series

5 Spirit of Leadership Trophy

6 Young gymnast receives award

7 Winning team

8 Showcasing talent at the TRINRE Foundation Gymnastic Awards

9 Mrs. Pamela Francis of United Way with Mrs. Lakhan-Narace

10 TRINRE Foundation Christmas Cheer Project

11 More Christmas Cheer

Financial Statements

Independent Auditor's Report to the Shareholders of Reinsurance Company of Trinidad and Tobago Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Reinsurance Company of Trinidad and Tobago Limited (the Company), which comprise the statement of financial position as at December 31, 2012, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2012, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Chartered Accountants

KPMG

April 25, 2013
Port of Spain
Trinidad and Tobago

STATEMENT OF FINANCIAL POSITION

December 31, 2012

	Notes		2012	2011
Assets				
Property, plant and equipment	4	$	3,777,508	2,986,091
Investment property	5		5,848,061	5,933,083
Investments	6		64,221,410	56,510,550
Deferred tax asset	7		5,104,640	5,626,908
Accounts receivable and prepayments	8		17,568,680	21,909,006
Cash and cash equivalents			3,098,349	4,187,749
Total assets		$	99,618,648	97,153,387
Equity and Liabilities				
Equity				
Stated capital	9	$	20,333,333	20,333,333
Share premium	10		1,929,166	1,929,166
Statutory reserve	11		12,843,775	11,426,509
Retained earnings			8,276,639	8,589,345
			43,382,913	42,278,353
Liabilities				
Life assurance funds	12		488,690	518,149
Technical reserves	13		44,904,222	46,499,046
Taxation payable			795,203	1,409,657
Accounts payable	14		10,047,620	6,448,182
			56,235,735	54,875,034
Total equity and liabilities		$	99,618,648	97,153,387

The notes on pages 24 to 42 are an integral part of these financial statements.

Signed on behalf of the Board

.... Director

.... Director

STATEMENT OF COMPREHENSIVE INCOME

December 31, 2012

	Note		2012	2011
Revenue				
Gross premium		$	123,129,289	115,354,614
Premium ceded			(80,784,556)	(71,273,587)
Net premium			42,344,733	44,081,027
Change in unearned premium reserve			400,425	1,882,539
Earned premium			42,745,158	45,963,566
Commission income			8,683,800	8,564,190
Total revenue			51,428,958	54,527,756
Losses and expenses				
Claims incurred			15,763,385	16,566,876
Commission expense			10,217,495	10,612,975
Management expenses			21,809,900	19,682,643
Total losses and expenses			47,790,780	46,862,494
Underwriting gain			3,638,178	7,665,262
Investment and other income			3,888,225	3,272,358
Change in investment valuation			1,026,380	(127,638)
Profit before provision for taxation			8,552,783	10,809,982
Provision for taxation	7		(2,883,719)	(2,690,683)
Net profit for the year being total comprehensive income attributable to equity holders		$	5,669,064	8,119,299

The notes on pages 24 to 42 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

December 31, 2012

	Note		Stated Capital	Share Premium	Statutory Reserve	Retained Earnings	Total
Balance at December 31, 2010		$	20,333,333	1,929,166	9,396,684	6,515,098	38,174,281
Net profit being total comprehensive income for the year			-	-	-	8,119,299	8,119,299
Transfer to statutory reserve			-	-	2,029,825	(2,029,825)	-
Dividends paid			-	-	-	(4,015,227)	(4,015,227)
Balance at December 31, 2011		$	20,333,333	1,929,166	11,426,509	8,589,345	42,278,353
Balance at December 31, 2011, as previously stated		$	20,333,333	1,929,166	11,631,883	9,205,469	43,099,851
Prior year adjustment	21		-	-	(205,374)	(616,124)	(821,498)
Balance at December 31, 2011, as previously restated			20,333,333	1,929,166	11,426,509	8,589,345	42,278,353
Net profit being total comprehensive income for the year			-	-	-	5,669,064	5,669,064
Transfer to statutory reserve			-	-	1,417,266	(1,417,266)	-
Dividends paid			-	-	-	(4,564,504)	(4,564,504)
Balance at December 31, 2012		$	20,333,333	1,929,166	12,843,775	8,276,639	43,382,913

The notes on pages 24 to 42 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

December 31, 2012

		2012	2011
Cash flows from operating activities			
Profit before taxation	$	8,552,783	10,809,982
Adjustments for:			
Depreciation on property, plant and equipment		618,006	642,155
Depreciation on investment property		85,022	121,083
(Appreciation) depreciation in investment valuation		(1,026,380)	127,637
Gain on disposal of property, plant and equipment		-	(20,473)
Increase in insurance funds		(1,594,824)	(6,119,656)
Interest income		(3,881,245)	(3,272,358)
		2,753,362	2,288,370
Operating profit before working capital changes			
Changes in accounts receivable		4,377,941	2,289,982
Changes in accounts payable		3,599,438	(3,193,929)
Changes in life assurance funds		(29,459)	(21,667)
Corporation taxes paid		(2,975,905)	(163,731)
Net cash from operating activities		7,725,377	1,199,025
Cash flows used in investing activities			
Interest received		3,843,630	2,888,035
Acquisition to property, plant and equipment		(1,409,423)	(890,917)
Proceeds from disposal of property, plant and equipment		-	26,174
Purchase of investments		(28,099,648)	(22,402,564)
Proceeds from sale of investments		21,415,168	15,169,331
Net cash used in investing activities		(4,250,273)	(5,209,941)
Cash flows used in financing activities			
Dividends paid		(4,564,504)	(4,015,227)
Net cash used in financing activities		(4,564,504)	(4,015,227)
Net decrease in cash and cash equivalents		(1,089,400)	(8,026,143)
Cash and cash equivalents at beginning of year		4,187,749	12,213,892
Cash and cash equivalents at end of year	$	3,098,349	4,187,749
Represented by:			
Cash in hand and at bank	$	3,098,349	4,187,749
	$	3,098,349	4,187,749

The notes on pages 24 to 42 are an integral part of these financial statements.

December 31, 2012

1. Incorporation and principal activity

The Reinsurance Company of Trinidad and Tobago Limited (the Company) is a limited liability company incorporated on July 3, 1975 and domiciled in the Republic of Trinidad and Tobago. The address of its registered office is 69 Edward Street, Port of Spain. The Company is a subsidiary of Investment Managers Limited.

The Company underwrites non-life insurance risks, such as those associated with death, motor, property and liability. These products are offered primarily to the domestic market.

These financial statements were authorized for issue by the Board of Directors on April 25, 2013.

2. Significant accounting policies

a. *Statement of compliance*

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board.

b. *Basis of measurement*

These financial statements are prepared on the historical cost basis except for the measurement at fair value of investment securities at fair value through profit and loss. No account is taken of the effects of inflation.

c. *Functional and presentation currency*

Amounts included in these financial statements are measured using the currency of the primary economic environment in which the entity operates (the functional currency). These financial statements are presented in Trinidad and Tobago dollars which is the Company's functional and presentation currency.

d. *Use of estimates, assumptions and judgements*

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses and contingent assets and liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed below:

- *Held-to-maturity investments*

  The Company follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires judgement. In making this judgement, the Company evaluates its intention and ability to hold such investments to maturity. If the Company fails to keep these investments to maturity other than for the specific circumstances for example, selling other than an insignificant amount close to maturity it will be required to reclassify the entire class as available-for-sale. The investments would therefore be measured at fair value, not amortised cost. If the entire class of held-to-maturity investments is compromised, the fair value would be recorded in investments with a corresponding entry in the capital reserve in shareholders' equity.

- *Determining fair values*

  Fair value reflects the present value of future cash flows associated with a financial asset or liability where an active market exists. Observable market prices or rates are used to determine fair value. For financial instruments with no active market or a lack of price transparency, fair values are estimated using calculation techniques based on factors such as discount rates, credit risk and liquidity. The assumptions and judgements applied here affect the derived fair value of the instruments.

2. Significant accounting policies (continued)

d. *Use of estimates, assumptions and judgements (continued)*

- *Impairment of assets*

  The identification of impairment and the determination of recoverable amounts is an intently uncertain process involving various assumptions and factors, including the financial condition of the counterparty, expected future cash flows, observable market prices and expected net selling prices.

e. *Foreign currency*

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Trinidad and Tobago dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income. There are no non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency.

f. *Property, plant and equipment*

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred. Land is not depreciated.

Depreciation is computed on the reducing balance basis at rates sufficient to write-off the cost of the assets over their estimated useful lives.

The rates used are as follows:

Buildings	2%
Furniture and equipment	20%
Fixtures and fittings	20%
Motor vehicles	25%
Computer equipment	20%

The asset's residual value, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each balance sheet date.

g. *Investment property*

Investment property principally comprises land and building not occupied by the Company, which is held for long-term rental yields and capital appreciation. Investment property is classified as a non-current asset and is measured using the cost model.

Depreciation is provided at rates sufficient to write-off the cost of the assets over their estimated useful lives. Buildings are depreciation on a straight line basis at a rate of 2% per annum. Land is not depreciated.

h. *Reinsurance assets*

The Company assumes and cedes reinsurance in the normal course of business. Reinsurance assets primarily include balances due from reinsurance companies for ceded insurance liabilities. Premiums on reinsurance assumed are recognized as revenue in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Amounts due to reinsurers are estimated in a manner consistent with the associated reinsured policies and in accordance with the reinsurance contract. Premiums ceded and claims reimbursed are presented on a gross basis.

An impairment review is performed on all reinsurance assets when an indication of impairment occurs. Reinsurance assets are impaired only if there is objective evidence that the Company may not receive all amounts due to it under the terms of the contract and that this can be measured reliably.

2. Significant accounting policies (continued)

i. Insurance receivables

Insurance receivables are recognized when due and measured at amortised cost, using the effective interest rate method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of comprehensive income.

j. Financial instruments

i. Classification

The Company classifies its investments securities as either held to maturity or at fair value through profit and loss. The classification depends on the purpose for which the investments were acquired or originated.

Held-to-maturity financial assets comprise fixed or determinable income securities that the Company has the positive intention and ability to hold until maturity.

The Company designates some financial assets as investment securities at fair value through profit and loss to eliminate or substantially reduce the mismatch which would otherwise arise and be consistent with how these investments are reported and managed internally.

ii. Recognition

All purchases and sales of financial assets are recognized on the settlement date. From this date, any gains and losses arising from changes in fair value of assets are recognised.

iii. Measurement

Financial instruments are initially measured at cost, being the fair value plus the transaction costs that are directly attributable to the acquisition of the instrument. A financial asset is derecognized when the contractual right to receive cash flows expire or when the asset is transferred.

Subsequent to initial recognition all investment securities at fair value through profit and loss are measured at fair value, based on readily available market prices at the close of business on the balance sheet date for listed instruments or by reference to current market values of another instrument which is substantially the same. If prices are not readily available, the fair value is based on either valuation models or management's estimate of amounts that could be realised under current market conditions. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate at the balance sheet date for an instrument with similar terms and conditions.

Any investment security at fair value through profit and loss that does not have a quoted market price in an active market and where fair value cannot be reliably measured is stated at cost, including transaction costs, less impairment losses.

Gains and losses arising from the change in the fair value of investment securities at fair value through profit and loss subsequent to initial recognition are accounted for in the profit and loss.

All non-trading financial liabilities and held-to-maturity assets are measured at amortised costs less impairment losses. Amortised cost is calculated on the effective interest rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument. The amortisation of premiums and discounts is taken to the statement of comprehensive income.

k. Cash and cash equivalents

Cash and cash equivalents are short-term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risks of change in value. These are shown at cost.

2. Significant accounting policies (continued)

l. Impairment

The carrying amounts of the Company's assets, other than deferred tax assets (see accounting policy (t)), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (see accounting policy (n)(i)) and an impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. In order to determine whether negative revaluations on investment securities correctly represent impairment, all investment securities for which the market value has been significantly below cost price for a considerable period of time, are individually reviewed. A distinction is made between negative revaluations due to general market fluctuations and due to issuer specific developments. The impairment review focuses on issuer specific developments regarding financial condition and future prospects, taking into account the intent and ability to hold the securities under the Company's long-term investment strategy. Impairment losses are recognised in the statement of comprehensive income.

i. Calculation of recoverable amount

The recoverable amount of the Company's held-to-maturity financial assets carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

ii. Reversals of impairment

An impairment loss in respect of a receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

m. Product classification

Insurance contracts

Insurance contracts are defined as those containing significant insurance risk at the inception of the contract. The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period.

Investment contracts

Any contracts not considered insurance contracts under IFRS are classified as investment contracts.

All contracts held by the Company as at December 31, 2012 have been classified as insurance contracts.

n. Benefits and claims

Reported outstanding general insurance claims comprise the estimated costs of all claims incurred but not settled at the balance sheet date, less any reinsurance recoveries. In estimating the liability for the cost of reported claims not yet paid, the Company considers any information available from adjusters and information on the cost of settling claims with similar characteristics in previous periods. Provision is made for claims incurred but not reported until after

2. Significant accounting policies (continued)

n. *Benefits and claims (continued)*

the balance sheet date. Differences between the provisions for outstanding claims and subsequent revisions and settlement are included in the statement of comprehensive income in the year the claims are settled.

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

o. *Technical reserves*

General insurance contract liabilities

General insurance contract liabilities are based on the estimated ultimate cost of all claims incurred but not settled at the balance sheet date, whether reported or not. Significant delays can be experienced in the notification and settlement of certain type of general insurance claims, therefore the ultimate cost of which cannot be known with certainty at the balance sheet date.

Provision for unearned premiums

The proportion of written premiums attributable to subsequent periods is deferred as unearned premium. The change in the provision for unearned premium is taken to the income statement in the order that revenue is recognized over the period of risk.

p. *Provision for other insurance financial liabilities*

A provision is recognised when the Company has a present legal or constructive obligation, as a result of past events, which it is probable, will result in an outflow of resources and when a reliable estimate of the amount of the obligation can be made.

q. *Employee benefits*

The Company operates pension scheme arrangements which provide individual annuities payable on retirement for all senior managers and qualifying monthly paid employees, which are administered through individual policy contracts. This is a defined contribution plan to which the Company contributes 5% of salary. A defined contribution plan is a pension plan under which the Company pays a fixed contribution into a separate entity and will have no legal or constructive obligation to pay further contribution if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The Company's contribution is charged to the income statement in accordance with the accrual basis.

r. *Revenue recognition*

Premium income

Premiums written are recognized on policy inception and earned on a pro rata basis over the term of the related policy coverage.

Commission income

The fee is recognized as revenue in the period in which it is received unless these relate to service to be provided in future periods. If the fees are for services to be provided in future periods, these are deferred and recognized in the income statement as the service is provided over the term of the contract.

Investment income

If the fees are for services to be provided in future periods, these are deferred and recognized in the income statement as the service is provided over the term of the contract. Interest income is recognized in the income statement as it accrues, taking into account the effective yield of the asset or an applicable floating rate. Interest income includes the amortization of any discount or premium. Investment income also includes dividends, which are recognized as received.

2. Significant accounting policies (continued)

r. Revenue recognition (continued)

Realised gains and losses recorded in the income statement

Realised gains and losses on the sale of property and equipment and of investment securities at fair value through profit and loss are calculated as the difference between net sales proceeds and the original cost. Realised gains and losses are recognized in the statement of comprehensive income when the sale transaction occurs.

s. Other income and expenditure

Other income and expenditure items are accounted for on the accrual basis.

t. Taxation

Tax on income comprises current tax and the change in deferred tax. Current tax comprises tax payable calculated on the basis of the expected taxable income for the year, using the tax rate enacted by the balance sheet date, business levy and green fund levy, charged on worldwide income, and any adjustment of tax payable for the previous years.

Deferred tax is provided using the balance sheet liability method on all temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes, except differences relating to the initial recognition of assets or liabilities which affect neither accounting nor taxable income (loss).

Deferred tax is calculated on the basis of the tax rate that is expected to apply to the period when the asset is realised or the liability is settled. The effect on the deferred tax of any changes in the tax rate is charged to the statement of comprehensive income, except to the extent that it relates to items previously charged or credited directly to equity.

Deferred tax assets relating to the carry forward of unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

u. Segment reporting

A segment is a distinguishable component of the Company that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of other segments. Segment information is presented in respect of the Company's business segments.

3. New standards adopted and new standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended December 31, 2012, and have not been applied in preparing these financial statements. None of these will have an effect on the financial statements of the Company, except:

IFRS 9 Financial Instruments, published on November 12, 2009 as part of phase 1 of the IASB's comprehensive project to replace IAS 39.

The requirements of this standard represent a significant change from the existing requirements in IAS39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortised cost and fair value. A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of held to maturity, available for sale and loans and receivables. For an investment in an equity instrument which is not held for trading, the standard permits an irrevocable election, on initial recognition, on an individual share-by-share basis, to present all fair value changes from the investment in other comprehensive income. No amount recognised in other comprehensive income would ever be reclassified to profit or loss at a later date. However, dividends on such investments are recognised in profit or loss, rather than other comprehensive income unless they clearly represent a partial recovery of the cost of the investment. Investments in equity instruments in respect of which an entity does not elect to present fair value changes in other comprehensive income would be measured at fair value with changes in fair value recognised in profit or loss.

The standard is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

4. Property, plant and equipment

		Office Furniture & Fittings	Equipment	Motor Vehicles	Computer Equipment	Building Improve-ments	Work in Progress	Total
Year ended December 31, 2012								
Cost								
Balance as at January 1, 2012	$	379,203	1,000,581	1,081,471	3,186,876	1,029,881	-	6,678,012
Additions		38,637	92,982	-	138,231	229,722	909,851	1,409,423
Balance as at December 31, 2012	$	417,840	1,093,563	1,081,471	3,325,107	1,259,603	909,851	8,087,435
Accumulated depreciation								
Balance as at January 1, 2012	$	138,689	339,709	374,690	2,190,996	647,837	-	3,691,921
Charge for the year		48,558	132,155	157,791	194,923	84,579	-	618,006
Balance as at December 31, 2012	$	187,247	471,864	532,481	2,385,919	732,416	-	4,309,927
Net book value								
December 31, 2012	$	230,593	621,699	548,990	939,188	527,187	909,851	3,777,508
December 31, 2011	$	240,514	660,872	706,781	995,880	382,044	-	2,986,091

December 31, 2012

4. Property, plant and equipment (continued)

		Office Furniture & Fittings	*Equipment*	*Motor Vehicles*	*Computer Equipment*	*Building Improve-ments*	Total
Year ended December 31, 2011							
Cost							
Balance as at January 1, 2011	$	233,037	599,825	1,009,341	3,080,623	904,269	5,827,095
Additions		146,166	400,756	112,130	106,253	125,612	890,917
Disposals		-	-	(40,000)	-	-	(40,000)
Balance as at December 31, 2011	$	379,203	1,000,581	1,081,471	3,186,876	1,029,881	6,678,012
Accumulated depreciation							
Balance as at January 1, 2011	$	101,001	260,334	191,110	1,958,457	573,163	3,084,065
Charge for the year		37,688	79,375	217,879	232,539	74,674	642,155
Disposals		-	-	(34,299)	-	-	(34,299)
Balance as at December 31, 2011	$	138,689	339,709	374,690	2,190,996	647,837	3,691,921
Net book value							
December 31, 2011	$	240,514	660,872	706,781	995,880	382,044	2,986,091
December 31, 2010		132,036	339,491	818,231	1,122,166	331,106	2,743,030

5. Investment property

Investment property comprises property at Kingsbury Place, 22A King Street, Arima not in use at present by the Company. Brent Augustus and Associates Limited completed a valuation as at September 30, 2009 on the basis of open market value. The property was valued at $5,750,000 with transaction cost of $448,381.

		2012	2011
Cost			
Balance at the end of the year	$	6,198,381	6,198,381
Accumulated depreciation			
Balance at the beginning of the year	$	265,298	144,215
Charge for the year		85,022	121,083
Balance at the end of the year	$	350,320	265,298
Net book value at the end of the year	$	5,848,061	5,933,083

6. Investments

Securities at fair value through profit and loss			
Equity securities	$	21,177,391	16,433,156
Mutual funds		9,623,445	9,383,603
Other		1,924,808	2,879,386
		32,725,644	28,696,145
Held to maturity			
Government and Government-guaranteed bonds		26,488,222	26,708,187
Corporate bonds		5,007,544	1,106,218
		31,495,766	27,814,405
Total investments	$	64,221,410	56,510,550

Investments amounting to $31,277,000 (2011: $32,152,100) included above are pledged with the Inspector of Financial Institutions as part of the Company's statutory assets.

December 31, 2012

7. Taxation

		2012	2011
Income tax recognised in profit and loss			
Corporation tax	$	2,306,534	1,517,504
Green fund levy		54,917	55,884
Over-provison of corporation tax from the previous year		-	(749,828)
Deferred tax expense relating to the origination/reversal of temporary differences		522,268	980,679
Utilisation of tax losses		-	886,444
	$	2,883,719	2,690,683
Reconciliation of effective tax rate			
Profit before provision for taxation	$	8,552,783	10,809,982
Tax at the statutory rate	$	2,138,196	2,685,204
Expenses not deductible for tax purposes		68,734	31,213
Income exempt from tax		(153,969)	(114,886)
Green fund levy		54,917	55,884
Over-provison of corporation tax from the previous year		-	(749,828)
Adjustment to deferred tax		775,841	783,096
Tax charge for year	$	2,883,719	2,690,683
Movement in the deferred tax liability (asset)			
Balance at the beginning of the year	$	(5,626,908)	(7,494,031)
Charge to the statement of comprehensive income		522,268	1,867,123
Balance at the end of the year	$	(5,104,640)	(5,626,908)
Composition of deferred tax liability (asset)			
Property, plant and equipment	$	1,273,468	1,285,322
Claims outstanding		(6,104,294)	(6,381,821)
Other timing differences		(273,814)	(530,409)
	$	(5,104,640)	(5,626,908)

8. Accounts receivables and prepayments

		2012	2011
Insurance receivables	$	12,546,352	12,611,081
Amounts due from reinsurers		3,620,983	7,629,778
Managed motor scheme		-	307,200
Other receivables		964,179	976,574
Prepayments		437,166	384,373
	$	17,568,680	21,909,006

9. Stated capital

Authorised

Unlimited number of shares of no par value

Issued and fully paid

58,333,333 shares of no par value	$	20,333,333	20,333,333

10. Share premium

In 1983 the Company issued 1,543,333 ordinary shares of $1 each at a premium of $1.25 per share.

11. Statutory reserve

As required by Section 171 of the Insurance Act, 1980 of Trinidad and Tobago at least 25% of the Company's profit from general insurance business, for the preceding year is to be appropriated towards a Statutory Surplus Reserve until such surplus equals or exceeds the reserves in respect of its outstanding unexpired policies. This reserve is not distributable.

12. Life assurance fund

		2012	2011
Funds at beginning of year	$	518,149	539,816
Investment income		7,481	10,918
Premium		119,691	127,456
		645,321	678,190
Claims		-	-
Commissions		(14,951)	(16,116)
Management expenses		(141,680)	(143,925)
		(156,631)	(160,041)
Funds at end of year	$	488,690	518,149

13. Technical reserves

Provision for unearned premiums			
Property	$	1,524,403	740,610
Marine/aviation		13,449	8,292
Bonds		260,781	211,259
Engineering		94,142	120,884
Miscellaneous		1,372,508	1,635,087
Motor		13,588,636	14,043,184
Workmen's compensation		3,717,420	4,212,448
		20,571,339	20,971,764
Provision for outstanding claims			
Property		229,087	419,230
Marine/aviation		39	9,709
Engineering		39,885	33,509
Miscellaneous		3,914,362	3,749,475
Motor		13,579,531	15,068,097
Workmen's compensation		6,569,979	6,247,262
		24,332,883	25,527,282
	$	44,904,222	46,499,046

14. Trade and other payables

Sundry creditors and accruals	$	3,221,561	2,439,176
Amounts due to reinsurers		6,826,059	4,009,006
	$	10,047,620	6,448,182

15. Segment reporting

		Property	Marine	Bond	Misc	Motor	Total
Year ended December 31, 2012							
Gross premium written	$	28,539,904	34,790,672	3,695,115	23,479,449	32,624,149	123,129,289
Premium ceded to							
Reinsurers		(27,765,509)	(34,545,287)	(3,245,035)	(13,086,311)	(2,142,414)	(80,784,556)
Net premium written		774,395	245,385	450,080	10,393,138	30,481,735	42,344,733
Change in unearned premium reserve		(783,793)	(5,156)	(49,522)	784,347	454,549	400,425
Earned premium		(9,398)	240,229	400,558	11,177,485	30,936,284	42,745,158
Commission income		3,679,945	535,115	975,820	3,434,884	58,036	8,683,800
Total revenue		3,670,547	775,344	1,376,378	14,612,369	30,994,320	51,428,958
LOSSES & EXPENSES							
Commission expense		2,418,581	116,361	344,342	2,621,269	4,716,942	10,217,495
Claims incurred		258,069	12,626	-	4,930,459	10,562,231	15,763,385
Management expenses		1,838,800	167,909	617,519	5,959,729	13,225,943	21,809,900
Total losses and expenses		4,515,450	296,896	961,861	13,511,457	28,505,116	47,790,780
Underwriting profit (loss)	$	(844,903)	478,448	414,517	1,100,912	2,489,204	3,638,178
Year ended December 31, 2011							
Gross premium written	$	25,068,510	34,863,419	3,361,836	18,205,245	33,855,604	115,354,614
Premium ceded to Reinsurers		(23,779,860)	(34,481,078)	(2,704,386)	(8,261,592)	(2,046,671)	(71,273,587)
Net premium written		1,288,650	382,341	657,450	9,943,653	31,808,933	44,081,027
Change in unearned premium reserve		(106,558)	583	11,002	537,321	1,440,191	1,882,539
Earned premium		1,182,092	382,924	668,452	10,480,974	33,249,124	45,963,566
Commission income		4,984,142	501,062	888,767	2,182,344	7,875	8,564,190
Total revenue		6,166,234	883,986	1,557,219	12,663,318	33,256,999	54,527,756
LOSSES & EXPENSES							
Commission expense		3,231,975	120,346	309,623	1,820,488	5,130,543	10,612,975
Claims incurred		(341,853)	10,092	-	7,715,368	9,183,269	16,566,876
Management expenses		2,321,826	185,010	583,904	4,576,805	12,015,098	19,682,643
Total losses and expenses		5,211,948	315,448	893,527	14,112,661	26,328,910	46,862,494
Underwriting profit (loss)	$	954,286	568,538	663,692	(1,449,343)	6,928,089	7,665,262

16. Insurance contracts liabilities and reinsurance assets – terms, assumptions and sensitivities

Terms and conditions

The major classes of general insurance contracts written by the Company include motor, property, and other miscellaneous types of general insurance. Risks under these policies usually cover a 12 month duration.

For these insurance contracts, claims provisions (comprising provisions for claims reported by policyholders and claims incurred but not yet reported) are established to cover the ultimate cost of settling the liabilities in respect of claims that have occurred and are estimated based on known facts at the balance sheet date.

The provisions are refined as part of a regular ongoing process and as claims experience develops, certain claims are settled and further claims are reported. Outstanding claims provisions are not discounted for the time value of money.

Group life contracts cover the Company's customers in the event of death. The benefit paid on the occurrence of an insurable event is fixed. There are no maturity or surrender benefits. Claims are recorded in the statement of comprehensive income as incurred based on the estimated contractual liability.

Assumptions

The principal assumption underlying the estimates is the Company's past claims development experience. This includes assumptions in respect of average claim costs and claim numbers for each accident year. Claims provisions are separately analysed by geographical area and class of business. In addition, larger claims are usually separately assessed by loss adjusters. Judgement is used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Sensitivities

The general insurance claims provision is sensitive to the above key assumptions. The sensitivity of certain assumptions like legislative change, uncertainty in the estimation process, etc, is not possible to quantify. Furthermore, because of delays that arise between occurrence of a claim and its subsequent notification and eventual settlement, the outstanding claim provisions are not known with certainty at the balance sheet date.

Consequently, the ultimate liabilities will vary as a result of subsequent developments. Differences resulting from reassessment of the ultimate liabilities are recognized in subsequent financial statements.

17. Financial instruments

Fair values

With the exception of insurance contracts which are specifically excluded under International Accounting Standard No. 39, the estimated fair values of certain financial instruments have been determined using available market information or other appropriate valuation methodologies that require judgement in interpreting market data and developing estimates. Consequently, estimates made do not necessarily reflect the amounts that the Company would realize in a current market exchange. The use of different assumptions and/or different methodologies may have a material effect on the fair values estimated.

The fair value information is based on information available to management as at the dates presented. Although management is not aware of any factors that would significantly affect the fair value amounts, such amounts have not been comprehensively revalued for the purposes of these financial statements since those dates and, therefore the current estimates of the fair value may be significantly different from the amounts presented herein.

i. Short-term financial assets and liabilities

The carrying amount of short-term financial assets and liabilities comprising cash and short-term deposits, accounts receivable and accounts and other payables are a reasonable estimate of their fair values because of the short maturity of these instruments.

ii. Investments

The fair value of trading investments is based on market quotations when available. When market quotations are not readily available, fair values are based on discounted cash flows or estimated using quoted market prices of similar investments. In the absence of a market value, discounted cash flows will approximate fair value.

18. Insurance and risk management

a. Introduction and overview

The Company has exposure to the following risks from its use of financial instruments:

- Insurance risk
- Credit risk
- Liquidity
- Interest rate
- Foreign currency

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risks and the Company's management of capital. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

b. Insurance risk

The risk under an insurance contract is the risk that an insured event will occur including the uncertainty of the amount and timing of any resulting claim. The principal risk the Company faces under such contracts is that the actual claims and benefit payments exceed the premiums written or the carrying amount of insurance liabilities. This is influenced by the frequency of claims, severity of claims, actual benefits paid being greater than originally estimated and subsequent development of long-term claims.

Management of insurance risk

The variability of risks is improved by careful selection and implementation of underwriting strategy and guidelines as well as the use of reinsurance arrangements. The majority of reinsurance business ceded is placed on a quota share basis with retention limits varying by product line.

Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements.

c. Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk arises on reinsurance assets, investment securities and insurance receivables.

Management of credit risk

Reinsurance

Reinsurance is placed with high rated counterparties and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year and are subject to regular reviews. At each year end, management performs assessment of creditworthiness of reinsurers to update reinsurance purchase strategy and ascertains suitable allowance for impairment of reinsurance assets.

Investment securities

The Company limits its exposure by setting maximum limits of portfolio securities with a single issuer or group of issuers. The Company also only makes use of institutions with high creditworthiness.

Insurance receivables

The credit risk in respect of customer balances, incurred on non payment of premiums or contributions will only persist during the grace period specified in the policy document on the expiry of which the policy is either repaid up or terminated. Commission paid to intermediaries is netted off against amounts receivable from them to reduce the risk of doubtful debts.

An estimate of the fair value of collateral and other security enhancements held against financial assets is nil.

Exposure to credit risk

The Company does not have any significant credit risk exposure to any single counterparty or any Company of counterparties having similar characteristics. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

18. Insurance and risk management (continued)

c. Credit risk (continued)

		Carrying Amounts 2012	2011
At fair value through profit and loss investments	$	24,495,190	19,495,965
Held-to-maturity investments		31,495,766	27,814,405
Accounts receivables			
(i). Insurance receivables		7,656,769	7,696,272
(ii). Other receivables		1,401,345	1,668,147
Reinsurance assets		3,620,983	7,629,778
Cash and cash equivalents		3,098,349	4,187,749
Mutual and money market funds		6,305,645	6,320,794
Other		1,924,808	2,879,386
	$	79,998,855	77,692,496

Impairment losses

The aging of receivables at the reporting date was:

		Gross 2012	Impairment 2012	Gross 2011	Impairment 2011
Not past due	$	6,240,838	-	7,346,917	-
Past due 46-90 days		3,295,059	-	2,122,758	-
Past due 91-180 days		3,613,388	-	1,877,425	-
Past due 181-360 days		282,645	-	1,062,420	-
More than one year		1,481,121	2,366,699	2,568,260	2,366,699
	$	14,913,051	2,366,699	14,977,780	2,366,699

The movement in the allowance for impairment in respect of receivables during the year was as follows:

		2012	2011
Balance at the beginning of the year	$	2,366,699	1,000,000
Impairment loss recognized		-	1,366,699
Balance at the end of the year	$	2,366,699	2,366,699

18. Insurance and risk management (continued)

d. *Liquidity*

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

Management of liquidity risk

The major liquidity risk confronting the Company is the daily calls on its available cash resources in respect of claims arising from insurance contracts and the maturity of investment securities. The Company sets limits on the minimum portion of maturing funds available to meet such calls and on the minimum level of borrowing facilities that should be in place to cover claims at unexpected levels of demand.

The table below shows the maturity profile of financial liabilities:

		Maturing			
		Within 1 yr	Between 1 to 5 yrs	Over 5 yrs	Total
2012					
Liabilities					
Insurance contracts	$	24,332,883	-	-	24,332,883
Accounts payable		10,047,620	-	-	10,047,620
	$	34,380,503	-	-	34,380,503
2011					
Liabilities					
Insurance contracts	$	25,527,282	-	-	25,527,282
Accounts payable		6,448,182	-	-	6,448,182
	$	31,975,464	-	-	31,975,464

e. *Interest rates*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk arises on interest-bearing financial instruments recognized in the balance sheet.

Management of interest rate risk

The investment committee comprises of 1 non-executive member and 2 executive members. The committee is responsible for reviewing the investment portfolio of the Company and setting the general direction as to the types of investments that would comprise the Company's portfolio. The aim is to balance the risk and returns with an objective of maximizing investment income.

18. Insurance and risk management (continued)

e. *Interest rates (continued)*

At the reporting date the interest rate profile of the interest-bearing financial instruments was:

		Carrying Amounts	
		2012	2011
Fixed rate instruments			
Other	$	1,924,808	2,879,386
Bonds		26,395,766	26,314,405
	$	28,320,574	29,193,791
Variable rate instruments			
Bonds	$	5,100,000	1,500,000
Money market funds		6,305,645	6,320,794
Cash at bank		3,098,349	4,187,749
	$	14,503,994	12,008,543

f. *Foreign currency*

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises on financial instruments that are denominated in a foreign currency, that is, in a currency other than the functional currency in which they are measured. The major foreign currency exposure is to the United States Dollars.

The net position of foreign currency at December 31, 2012 is:

		Carrying Amounts	
		US$	TT$
US Dollar bank account at Scotia	$	326,248	2,094,514
US Dollar bank account at Scotia McLeod		(156,990)	(1,007,881)
US Dollar Roytrin income fund		109,674	704,110
US Dollar St Vincent Bond		165,000	1,059,300
US Dollar account at Capital and Credit		235,599	1,512,545
US Dollar bonds		594,021	3,813,613
US Dollar equities and equity funds		1,736,177	11,146,261
US Dollar Sagicor Preference Shares		258,750	1,661,175
	$	3,268,479	20,983,637

The net position of foreign currency at December 31, 2011 was:

		Carrying Amounts	
		US$	TT$
US Dollar bank account at Scotia	$	321,538	2,064,272
US Dollar bank account at Scotia McLeod		12,754	81,881
US Dollar Roytrin income fund		101,609	652,330
US Dollar St Vincent Bond		195,000	1,251,900
US Dollar account at Capital and Credit		189,646	1,217,530
US Dollar equities and equity funds		1,516,172	9,733,822
US Dollar Sagicor Preference Shares		225,000	1,444,500
	$	2,561,719	16,446,235

19. Related party transactions

a. *Identity of related party*

The Company has a related party relationship with its parent and with its directors and executive officers.

b. *Related party transactions*

A number of transactions have been entered into with related parties in the normal course of business. These transactions were conducted at market rates, on commercial terms and condition.

		2012	2011
i. Income and expenses			
Management fees	$	900,000	900,000
Insurance expense		52,753	-
Directors' fees		189,726	177,500
Accommodation expense		1,387,569	1,261,403
Advertising expense		414,000	414,000
Interest income		(136,991)	(184,649)
Rental income		(96,000)	(15,525)
Insurance premium income		(612,243)	(429,606)
	$	2,098,814	2,123,123
ii. Repayments from			
Investment Managers Limited	$	954,578	902,708

c. *Related party balances*

Investment Managers Limited	$	1,924,808	2,879,386

d. *Transactions with key management personnel*

The key management personnel compensation is as follows:

Short-term employee benefits			
Emoluments	$	2,746,154	3,613,601

20. Operating Leases

Non cancellable operating lease rentals are payable as follows:

Less than one year	$	1,586,844	1,405,164
Between one and five years		6,347,376	1,878,776
	$	7,934,220	3,283,940

During the year, $1,884,090 (2011: $1,553,487) was recognised as an expense in the income statement in respect of operating leases. The Company leases a number of properties under operating leases. The leases normally run for a period of 1 – 5 years with an option to renew after that date. Lease payments are increased on renewal to reflect market rentals.

21. Prior year adjustment

The prior year adjustment relates to a change in the basis of calculation of the provision for taxation. The correction of this prior period understatement was applied retrospectively by restating the balances of the taxation payable, retained earnings and statutory reserves at December 31, 2011.

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