



The National Insurance Board
of Trinidad and Tobago

REPORT ON OPERATIONS

FINANCIAL YEAR

ENDED JUNE 30, 2019

Reporting requirements to the Minister of Finance under the National Insurance Act of Trinidad and Tobago

The National Insurance Board of Trinidad and Tobago (NIBTT) was established by an Act of Parliament No 32:01 of 1971. The NIBTT is a Body Corporate led by a tripartite Board of Directors comprising representatives of Government, Business and Labour and an independent Chairman. The Board is charged with the statutory duty to operate and manage the National Insurance System (NIS).

In keeping with the National Insurance Act, the NIBTT produces an Annual Report on its operations every financial year and this Report allows the organisation to account to the Parliament and the public on the operations and financial performance of the body corporate and the NIS. In this regard we at the NIBTT consider that our annual report also serves a much wider purpose, by highlighting what we do, how we deliver our services and the value the NIS provides to the people of Trinidad and Tobago.

In this regard the contents of this report comply with Section 13(2A) of the National Insurance Act Chap. 32:01 which stipulates:

The report referred to in subsection (2) shall include the –

- a) number of contributors and beneficiaries in the National Insurance Scheme;*
- b) contribution income collected;*
- c) fixed expenditure incurred in respect of the administration of the National Insurance System;*
- d) composition of the investment portfolio;*
- e) yield on investments; and*
- f) statement of any financial or commercial arrangement with subsidiaries or associated companies.*

Report on Operations July 01, 2018 to June 30, 2019

The financial year July 01, 2018 to June 30, 2019 marked the 47th year of existence of the National Insurance Board of Trinidad and Tobago (NIBTT) and, notwithstanding adverse economic factors that impacted the country, the NIBTT was still able to achieve favourable results in its operations for the year under review. The labour market continued to experience unease during this period and notices of retrenchment lodged with the Ministry of Labour and Small Enterprises Development increased by 53%¹ during the calendar year 2018. That figure excluded the significant layoffs related to the closure of the Petrotrin refinery at the end of November 2018. When the total effect of the shutdown was considered, it was estimated that in excess of 7,000 persons² lost their jobs which accounts for a projected annual loss in National Insurance contribution income of between \$108 Mn and \$134 Mn to the NIBTT. In order to address the negative effect of increases in unemployment on the National Insurance System (NIS), we adjusted to the reality and responded with increased strategic measures to cope with these challenges.

Additionally, according to projections provided by the International Monetary Fund (IMF), the economy is projected to resume growth by 0.2% in 2019 and will continue to grow at a rate of 1.9% over a 3-year period into 2023³. This expected growth will provide new business and new jobs which will assist the NIBTT in buffering the effects of lower NIS contribution income inflows currently being experienced.

The ageing population is a key issue of concern for the NIBTT since it has an impact on the financial balance of the system. According to the projections in the 10th Actuarial Review, the ageing population phenomenon will simultaneously increase the number of retirees while commensurate declines in fertility will reduce the labour force on a consistent basis over the next five decades. The effect of these trends is that the NIS will have higher payments out of the system to retirees and lower payments into the system by persons of working age. Birth rates increased significantly from the mid-1940's to mid-1960's, which resulted in a new demographic referred to as 'baby boomers'⁴. This larger group of persons are therefore attaining retirement age and leaving the workforce, making the implementation of the 10th Actuarial Review recommendations even more critical, especially in the area of increasing the retirement age and the contribution rate.

¹ Central Bank of Trinidad & Tobago Monetary Policy Report May 2019 Volume XX Number 1 pg. 16.

²(i) NIBTT Compliance Data and (ii) Energy Chamber of Trinidad and Tobago. <https://energyknow.tt/blog/what-is-the-likely-impact-of-the-refinery-shut-down-on-contractor-and-energy-service-companies>

³ IMF World Economic Outlook Database April

2019: https://www.imf.org/external/pubs/ft/weo/2019/01/weodata/weorept.aspx?sy=2017&ey=2024&scsm=1&ssd=1&sort=country&ds=.&br=1&pr1.x=64&pr1.v=8&c=369&s=NGDP_R%2CNGDP_RPCH&grp=0&a=

⁴ Definition re: Cambridge University press: <https://www.cambridge.org/core/journals/modern-american-history/article/generation-crisis-how-population-research-defined-the-baby-boomers/415B6EF86FBD90D2E6D2BC9CAF345C99/core-reader>

The NIBTT's initiatives aimed at enhancing operational efficiency and service delivery have included developing and maintaining strategic alliances with institutions whose operations can be leveraged to deliver better service to our customers. For this reason, we continue to partner with Government institutions to share information and improve the efficiency of contribution collections as well as benefit payments.

During the period, Trinidad and Tobago experienced an influx of Venezuelan migrant workers seeking employment opportunities in this country as a result of the economic hardship affecting neighbouring Venezuela. The rapid growth of this group of persons therefore posed inimitable challenges to Trinidad and Tobago and at the same time caused the NIBTT to re-examine key principles that guide the provision of social insurance coverage. The NIBTT, advocates for social insurance coverage for all category of workers irrespective of their immigration status, consistent with International Labour Organisation (ILO) Convention ratified by Trinidad and Tobago⁵. This Convention not only provides for the full and equal participation of the migrant workers in the Social Security systems of the host country, but it also seeks to advance the idea of the portability of benefits via bilateral/multilateral agreements (akin to the current Reciprocal Agreements with CARICOM and Canada).

Notwithstanding challenges highlighted, which are common to social security organisations throughout the world, the NIBTT remains committed to service excellence. This is corroborated by an overall customer satisfaction rating of 90.5%⁶ based on a customer satisfaction survey conducted at the end of the financial year. Our aim, however, is to always improve our service while at the same time ensuring sustainability of the NIS.

As we look to the future, the NIBTT is strategically realigning its operations to further embrace technological advancement with the implementation of an End-to-End ICT system. This system is at the core of the organisation's Strategic Plan 2020-2024 and will greatly impact the operations of the NIBTT. We are also in the process of introducing Business Intelligence software to upgrade the reporting and analytical capacity throughout the organisation in the near future which will redound to the benefit of our customers and staff alike.

The inclusion of self-employed persons in the National Insurance System is an important future milestone. This, however, will require the support of key stakeholders as we seek to expand coverage to this important category of workers. In that regard, a High-Level Working Committee (HLWC) was first established by the Government of the Republic of Trinidad and Tobago (GORTT) in January 2010. On January 19, 2019 GoRTT re-established the HLWC in light of the submissions of the 9th and 10th Actuarial Review of the NIS, which both contained recommendations for the inclusion of SEP under the NIS.

⁵ ILO Convention(s) No(s): 19, 97, 102, 111, 118 and 157 as listed in Section 3 of the Report to the Minister "Migrant Workers and National Insurance: The argument for coverage of migrant workers" dated July 9th, 2019.

⁶Arithmetic Average of Wave 1 and Wave 2 of MFO survey. Results contained in "Evaluation of Service Experience Results 2019".

Performance Highlights

	FY2017	FY2018	FY 2019	% Increase/ Decrease 2017-2018	% Increase/ Decrease 2018-2019
Claims					
Benefit Recipients	191,840	197,379	202,800	2.89%	2.75%
Long – Term Beneficiaries	160,420	166,078	172,703	3.53%	3.99%
New Claims Paid	40,948	41,086	40,573	0.34%	-1.25%
Compliance					
Customer Base	644,410	625,422	599,768	-2.95%	-4.10%
Insured Contributors	479,036	452,234	420,638	-5.59%	-6.98%
Employers	21,342	20,869	20,714	-2.22%	-0.74%
Employers Surveyed	4,512	2,315	4,742	-48.69%	104.83%
Financial					
Contribution Income	\$4,608.24Mn	\$4,669.61Mn	\$4,706.49Mn	1.33%	0.79%
Investment Income Realised	\$935.94Mn	\$1,991.24Mn	\$1,254.22Mn	112.75%	-35.26%
Miscellaneous Income	\$0.18Mn	\$(0.92)Mn	\$2.26Mn	-608.33%	345.65%
Benefit Expenditure	\$4,748.50Mn	\$4,895.77Mn	\$5,139.19Mn	3.10%	4.97%
Administrative Cost	\$214.05Mn	\$214.01Mn	\$219.67Mn	-0.02%	2.64%
Administrative Cost as a % of Contribution Income	4.64%	4.58%	4.66%	-0.06*	0.08*
Administrative Cost as a % of Total Income	3.50%	3.28%	3.38	-0.22*	0.1*
Net Yield of Investment Portfolio (realised & unrealised) / Overall Investment Portfolio Return ***	6.26%	5.71%	8.08%	-0.55*	2.37*
Total Funds	\$26.40Bn	\$27.83Bn	\$28.97Bn	5.42%	4.09%
Total Assets	\$26.61Bn	\$27.99Bn	\$29.13Bn	5.19%	4.07%

*Percentage Points

***Return based on Investment Portfolio – Excludes Cash Balances from NIBTT's Pension Plan A/c, MAT Securities (Mortgages), Funeral Grant Cash Account and other cash accounts

Some of our key operational statistics include:

1. Contribution income in FY2019 was \$4,706.49Mn, an increase of 0.79% above the figure recorded for the previous year.
2. The number of beneficiaries increased by 5,421 or 2.75% to 202,800 in FY2019 compared with 197,379 in FY2018.
3. Benefit Expenditure amounted to \$5,139.19Mn and represented an increase of 4.97% over the previous year.
4. Administrative expenses as a percentage of contribution income increased marginally from 4.58% in FY2018 to 4.66% in FY2019.
5. Total Assets increased by 4.07% from \$27.99Bn as at June 30, 2018 to \$29.13Bn as at June 30, 2019.

Customer Service Delivery

Improving the Customer Experience and Customer Satisfaction was one of our main goals during the FY 2019. Several strategic customer service initiatives were developed and implemented with these goals in mind. Monitoring and coaching frontline staff based on the organization's Customer Service Charter was a key element in our efforts to deliver optimum customer service. To ensure that our responses were data driven and aligned to issues, central focus was placed on the results of the Customer Surveys including the Mystery Shoppers, Customer Satisfaction, and the Net Promoter Score (NPS) surveys.

To make certain that the feedback obtained was translated into tangible responses, management undertook to engage staff at the Service Centers throughout the period. Through this process, the following initiatives were adopted:

- Observational training and coaching with the Management and Supervisors to improve their monitoring and coaching of service delivery as necessary.
- Training and coaching of frontline service representatives on Customer Service and further assessments of their Service Delivery to customers.
- Mitigating any gaps identified by the surveys. Verbatim feedback from each service location was shared and discussed.

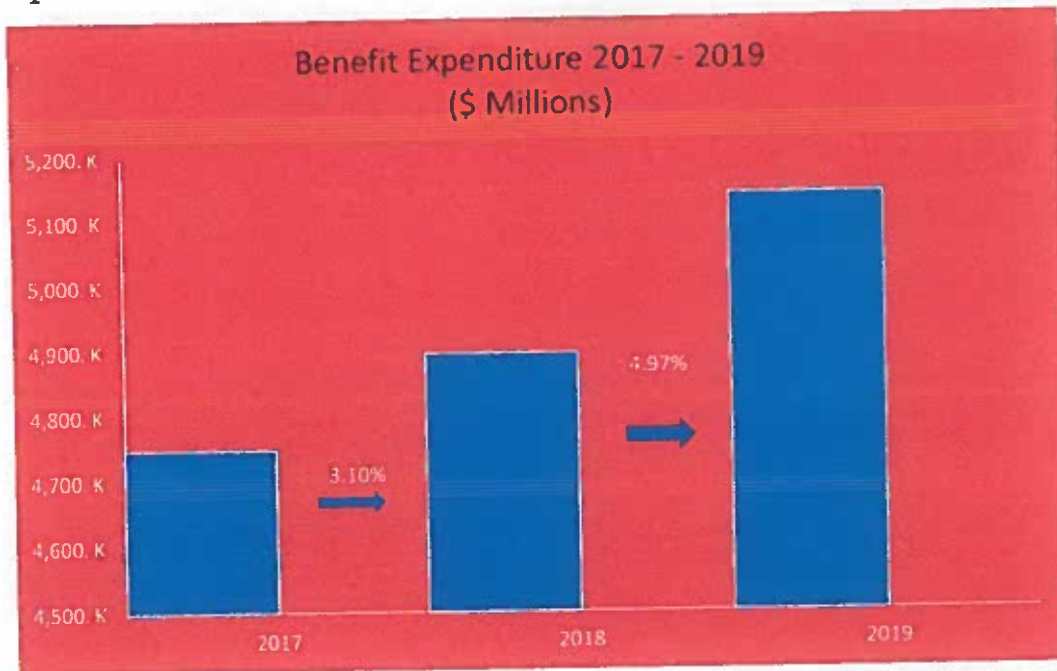
The main focus during the next FY2020 will be enhancing the Customer Experience as we strive to achieve our corporate goal to Enhance Service Delivery to improve Customer Satisfaction.

Registration of Employers and Employees

During FY2019, the number of new employers registering with the National Insurance Board increased by 122 or 6.3% to 2,050 compared to the previous year's figure of 1,928. The active employer population however decreased slightly from 20,869 in FY2018 to 20,714 in FY2019. This represents a decrease of 0.74% during the reporting period.

Benefit Administration

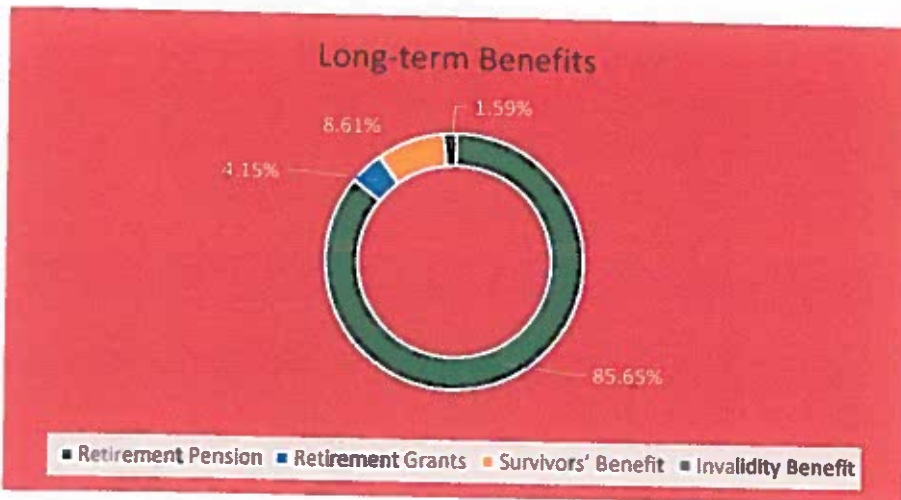
Beneficiaries received a total of \$5,139.19 Mn in benefit payments in FY2019. This represented an increase in expenditure of 4.97% over the previous reporting period.



Long-term Benefits

The trend of an increase in long-term benefit expenditure continued during the reporting period as the number of beneficiaries increased. The suite of long-term benefits consists of: Retirement Pension, Retirement Grant, Invalidity and Survivors' Benefit recipients. Payment to this group totalled \$4.82 Billion for FY2019 or 93.97% of total benefit expenditure.

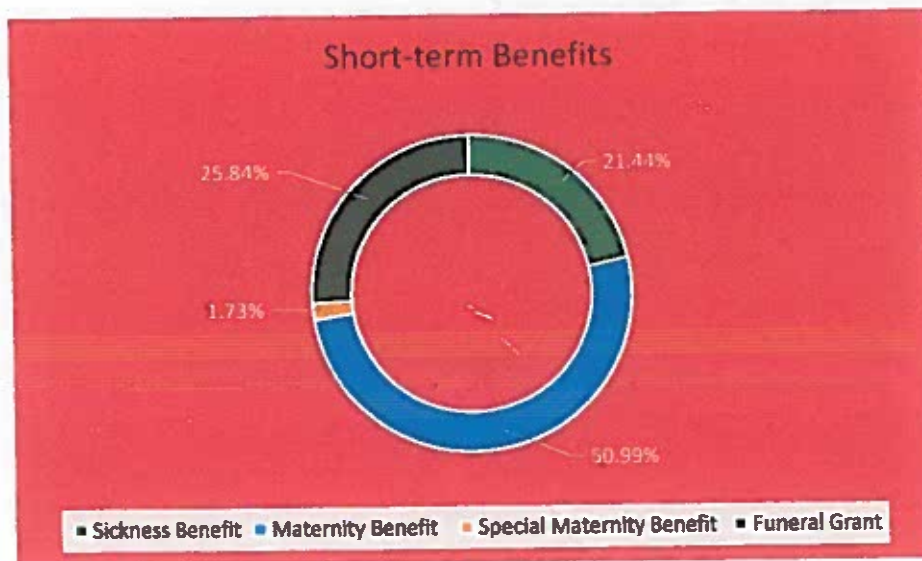
Benefit Type	Number of Beneficiaries	Benefit Expenditure	% of Long-Term Beneficiaries	% of Long-Term Expenditure
Retirement Pension	117,747	\$4,136,844,057.62	68.18%	85.65%
Retirement Grants	5,334	\$200,502,683.80	3.09%	4.15%
Survivors' Benefit	45,859	\$415,688,562.62	26.55%	8.61%
Invalidity Benefit	3,763	\$76,700,595.93	2.18%	1.59%
Total	172,703	\$4,829,735,899.97	100%	100%
% of Total Beneficiaries	85.16%			
% of Total Benefit Expenditure		93.97%		



Short-term Benefits

The total expenditure for this group totalled \$230.26 Mn for FY2019 or 4.48% of total benefit expenditure.

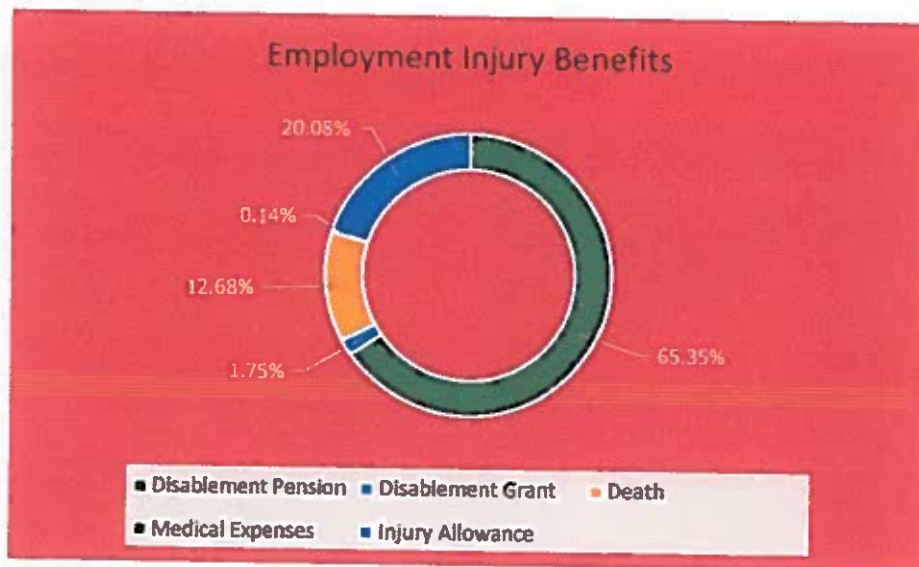
<u>Benefit Type</u>	<u>Number of Beneficiaries</u>	<u>Benefit Expenditure</u>	<u>% of Short-Term Beneficiaries</u>	<u>% of Short-Term Expenditure</u>
Sickness Benefit	9,318	\$49,415,597.82	37.1%	21.44%
Maternity Benefit	6,824	\$117,501,549.92	27.17%	50.99%
Special Maternity Benefit	1,037	\$4,007,902.00	4.13%	1.73%
Funeral Grant	7,935	\$59,490,000.00	31.60%	25.84%
Total	25,114	\$230,415,049.74	100%	100%
% of Total Beneficiaries	12.38%			
% of Total Benefit Expenditure		4.48%		



Employment Injury Benefits

The total expenditure for this group was \$79.03 Mn for FY2019 or 1.54% of total benefit expenditure.

Benefit Type	Number of Beneficiaries	Benefit Expenditure	% of EIB Beneficiaries	% of EIB Expenditure
Disablement Pension	3,155	\$51,669,756.15	63.29%	65.37%
Disablement Grant	64	\$1,379,417.56	1.28%	1.74%
Death	439	\$10,009,967.50	8.81%	12.66%
Medical Expenses	58	\$109,469.73	1.16%	0.13%
Injury Allowance	1,269	\$15,870,831.81	25.46%	20.1%
Total	4,985	\$79,039,442.75	100%	100%
% of Total Beneficiaries	2.46%			
% of Total Benefit Expenditure		1.54%		



Appeals

The National Insurance Act expressly recognizes the right of aggrieved national insurance claimants to challenge the decisions of the NIBTT in respect of the determination of claims to benefits. This is in accordance with Section 62(1) of the National Insurance Act (NI Act) which states that:

“Appeals from decisions of the Board shall lie to the Appeals Tribunal on questions of fact only and to the High Court on questions of law or partly of law and partly of fact and from the High Court to the Court of Appeal.”

In support of this legislative appeals process, the Act establishes a tripartite National Insurance Appeals Tribunal together with an independent Chairman and the Chief Medical Officer, which hears and determines appeals of national insurance claimants. This Tribunal operates independently of the NIBTT and in keeping with the Act, is assisted by staff of the Ministry of Finance.

During the period, claimants continued to exercise their right of appeal in respect of their claims for benefits with the Appeals Tribunal commencing hearings of appeals in October 2018.

For the financial year, the Appeals Tribunal referred 167 appeal notices to the NIBTT. This represents a decrease of 82 or 33% when compared to last financial year when 249 notices of appeals were referred.

Year	No. of Appeals Referred	NIBTT's Responses to Appeals Notice Issued to Appeals Tribunal
2018/2019	167	140
2017/2018	249	288
2016/2017	213	207
Total	629	635

Appeal Hearings

There were 15 appeal hearings held by the Appeals Tribunal as at June 30, 2019 among which consisted of 3 Medical hearings. Of these 15 hearings, 177 appeal matters were heard of which the Tribunal allowed 32 in favour of the national insurance claimants, dismissed 38 appeals and 105 were adjourned for various reasons including unavailability of witnesses/claimants, further information required, etc. Two appeals were withdrawn at the request of the respective claimants.

Reciprocal Agreements

Claims received prior to FY 2019

As at start of the financial year, 489 applications were received for consideration under the reciprocal agreements. Of these, payments in respect of 320 were completed during the period. Responses from Canada/ CARICOM remained outstanding in respect of 169 applications. In the interim, these 169 applicants receive a prorated pension subject to the value of the respective Retirement Grants. Of the 169 outstanding applications, 112 responses were received and payments are to be finalized whereas 57 responses remained outstanding.

Claims received in FY 2019

Additionally, during the financial year, a total of 176 applications were received for consideration under the reciprocal agreements. Two (2) applications were determined under the N.I Act. Of the remaining 174 applications awaiting responses from Canada/ CARICOM, 149 applicants receive a prorated pension subject to the value of the respective Retirement Grants and 25 payments are to be finalised in the next financial year.

Revenue

Contribution Income

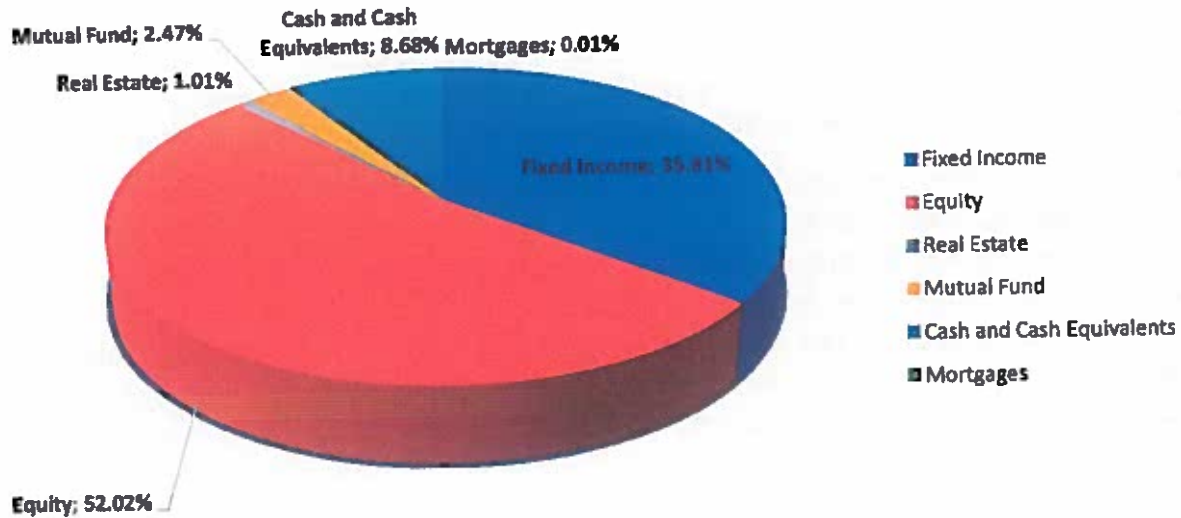
During the reporting period, a total of \$4,706.49 Mn was received in contribution income, a marginal increase of 0.79% compared to the \$4,669.61 Mn received in the previous reporting period. Income from penalties and interest for the period amounted to \$15.26 Mn. A comparison of contribution income for the financial years 2015 through 2019 illustrates its progression over the past five years.

Year	FY2015	FY2016	FY2017	FY2018	FY2019
Contribution Income	\$4,261.47	\$4,251.70	\$4,608.24*	\$4,669.61	\$4706.49
% Increase/Decrease	-	-0.2%	8.4%	1.3%	0.79%

*The contribution rate was increased from 12% to 13.2% in FY 2017

Investment

Asset Allocation as at June 2019



Asset Class	Market Value as at June 30, 2019	Current Asset Allocation
Fixed Income	\$9,973,041,000	35.81%
Equity*	\$14,488,061,000	52.02%
Real Estate	\$281,350,000	1.01%
Mutual Fund	\$688,218,000	2.47%
Cash and Cash Equivalents	\$2,418,438,000	8.68%
Mortgages	\$2,138,000	0.01%
Total	\$27,851,246,000	100.00%

*Includes Investment in subsidiary companies

The NIBTT's investment portfolio as at June 30th, 2019 had a market value of \$27.85 billion, reflecting a 4.79% or \$1.27 billion increase over the fund size as at June 30, 2018 which stood at \$26.58 billion. The increase in the Fund's market value was mainly attributable to realised income from the fixed income and equity portfolio which was approximately \$1.29 billion. This increase however, was partially offset by withdrawals of \$750 million from the Investments Cash Account to support system shortfall. There continues to be a shortfall in contribution income to meet liquidity requirements.

The Equity Portfolio accounts for the largest asset class of the total fund and currently stands at \$14.49 billion, which increased by approximately 12.51% or \$1.61 billion when compared to June 30th, 2018.

Over the financial period, the Fund's locally listed equity portfolio reported a total return of 14.5% which significantly outperformed its benchmark the ALL T&T Index return of 8.47% by 603 basis points⁷. The outperformance was mainly attributable to the Fund positions in Republic Financial Holdings Limited and Massy Holdings Limited.

As at June 30, 2019, the Fixed Income portfolio increased by 9.82% or \$891.76 million to \$9.97 billion and had a purchased yield to maturity of 5.29%. During the year, \$1.45 billion in new securities were purchased while \$940 million matured. During the financial year, the NIBTT was successful in its participation in the National Investment Fund (NIF) bonds on August 9, 2018. The NIBTT's fixed income portfolio invests in high quality debt instruments as the portfolio is primarily invested in government and government guaranteed instruments which accounts for approximately 54% of the fixed income portfolio.

The top two countries in which the portfolio is invested are Trinidad and Tobago (81%) and North America (19%). The largest areas of NIBTT's investments are Financial (36%) and Sovereign (22%).

In late June 2019, Moody's Investors Services affirmed Trinidad and Tobago's sovereign debt rating at Ba1, while maintaining a "Stable" outlook⁸. This affirmation was supported by the rating agency's view that the country's sizeable fiscal buffers remains balanced against an elevated debt ratio relative to peers. Additionally, while economic recovery will be driven by the energy sector, limited prospects for economic diversification and institutional constraints still exists, limiting shock absorption capacity of the economy. Low susceptibility to external financing risks given high reserve coverage of external debt payments also remains a hindrance. Meanwhile, S&P Global Ratings lowered its long-term sovereign credit ratings on the Republic of Trinidad and Tobago (T&T) to "BBB" from "BBB+" with a "Stable" outlook in July 2019⁹. The agency notes "lower-than-expected energy production and economic growth will weaken the government's revenue base and delay its plans to balance the budget by fiscal year 2020-2021". Mention was also made of the delay in the implementation of, institutional reforms to strengthen revenue collection and improve the provision of timely economic data.

⁷ TTSE, July 2010 – June 2019

⁸ **Moody's:** Moody's affirms Trinidad & Tobago's Ba1 ratings; maintains stable outlook Dated: Jun 26, 2019

⁹ **Standard & Poor's:** "Trinidad and Tobago Sovereign Rating Lowered To 'BBB' From 'BBB+' On Economic and Fiscal Stress; Outlook is Stable" Dated: Jul 09, 2019

Year on Year Total Realised Investment Income		
	2018/2019	2017/2018
Interest Income	\$432,607	\$783,260
Dividend Income	\$600,618	\$384,684
Gain on sale of foreign equities	\$84,627	\$692,958
Gain/(loss) from Foreign exchange	(\$4,179)	(\$13,069)
Gain/ (loss) on sale of mutual funds	\$31,154	(\$4,167)
Other Income	\$144,215	\$116,338
Total realised Investment Income	*\$1,289,042	*\$1,960,004

** The above figures have not been adjusted to include expenses*

Year on Year Net Unrealised Investment Income		
Asset Class	2018/2019	2017/2018
Equity	946,049	(\$136,908)
Bonds	33,349	(\$13,884)
Investment property valuation	-	(\$4,050)
Other	(2,493)	\$2,929
Total	\$976,905	(\$151,913)

As highlighted in the tables above, the asset classes that contributed to the net unrealised investment gain over the period are equities and bonds. This positive unrealised gain was complemented by a total realised investment income of \$1.29 billion. Key drivers for the portfolio's realised investment income were dividend income from equity holdings, interest income from bonds, and realised gain on the sale of foreign equities.

Actuarial Review

The 10th Actuarial Review of the system as at June 30, 2016 was conducted to assess the balance between the rates of contribution and benefits, with the aim of ensuring the sustainability of the Fund. The report was a collaborative effort between the ILO and the NIBTT. This review made short-term and long-term recommendations with the aim of treating the impact of an ageing population. Some of the key recommendations include increasing the contribution rate, raising the retirement age for a full NIS pension gradually to age 65 over a ten-year period and freezing the pension in-payment among other recommendations identified in the report. The 10th Actuarial Review was accepted by our Board of Directors and subsequently presented to the Minister of Finance, who presented the report in Parliament in March 2019. During the financial year, the NIBTT developed a communication plan for the 10th Actuarial Review, which identified key external stakeholders, their communication needs and outlined NIBTT's communication

approach to both internal and external stakeholders. Internal sensitization commenced in May 2019 with external sensitization commencing in the subsequent reporting period. This communication plan will be fully operationalised in FY2020.

Strategic Planning

Financial year 2019 marked the final year of the three-year Vision 2019 Strategic Plan and the goals undertaken were in accordance with the perspectives: Financial Sustainability, Customer Value and Perception, Organisational Development and Social Insurance Foundation.

In building the foundation for the Vision 2024 Strategic Plan, the views of staff as well as a large and diverse group of external stakeholders were solicited. This involved the incorporation of various methodologies such as surveys, focus group sessions and face to face interviews, which overall contributed to the development of our new strategic plan. The engagement with key stakeholders was used to revise our vision, mission, core values, strategic objectives and also to develop strategies, initiatives and performance indicators.

Vision 2024 was approved by the Board of Directors in June, 2019. Annual Corporate Targets derived from the Strategic Plan were subsequently approved by the Board at its meeting in August 2019 with the rollout targeted in the coming financial year. Over the period FY2020- FY2024, the NIBTT will focus on five (5) major strategic themes, namely, governance and legal; empowered engaged and enabled workforce; customer experience; compliance and collections and leveraging technology. These are the main areas of NIBTT's Corporate Strategy and represent the "Pillars of Excellence" for the fulfilment of the organisational vision.

This approach takes into consideration the socio-economic climate and demographic challenges that impact sustainability of the NI Fund. Vision 2024 also examines the adoption of strategies that target attainment of additional income to support benefit payments and expenses incurred in administering the National Insurance System.

Corporate Governance

Policies are a critical means of communicating the organization's philosophy. The NIBTT's governance policies promote a shared understanding of what good governance means and looks like at the NIBTT. They ensure that the principles of good governance are applied in the context of social insurance administration and represent our approach to ensuring that good governance pervades our operations.

The development, review and implementation of relevant policies was therefore an ongoing activity during the financial year. In addition to the existence of policies that guide key activities such as strategic planning, investments and the conduct of actuarial reviews, policies reviewed and implemented during FY2019 included, Whistleblowing, Litigation and Employee Recognition policies.

Strategic Partnerships

MoU with the University of the West Indies (St Augustine Campus)

In September 2018, the NIBTT and the Department of Mathematics and Statistics at the UWI entered into an MoU which formalised the undertaking of collaborative research for completion of a mortality study. This initiative will have an impact on the entire insurance industry, as the results of the study are expected to produce accurate estimates of mortality which will be utilised to price insurance products offered by the private sector as well as those administered under the social security rubric.

MoU with the Ministry of Social Development and Family Services

In January, 2019, the (NIBTT) signed a Memorandum of Understanding (MoU) with the Ministry of Social Development and Family Services. Through this strategic relationship, the Social Welfare Division of the Ministry of Social Development and Family Services and the NIBTT will liaise directly to communicate information on insured persons thereby eliminating the need for social welfare applicants to visit NIBTT's offices.

On average, approximately 25,000 persons apply to the Ministry for various grants per year so those persons will initially benefit from this MoU arrangement with the NIBTT. The MoU will also result in reduced customer traffic at NIBTT Service Centres and improved turnaround time for other NIBTT customers.

MoU with the Ministry of the Attorney General and Legal Affairs

The NIBTT's MoU with the Ministry of the Attorney General and Legal Affairs executed in February 2014, was designed to provide valuable exchange of information in order to improve customer service and increase efficiency in the day-to-day operations of the NIBTT and vice versa. During the year, the operationalization of our MoU with the Ministry was enhanced whereby information is now received on a weekly basis instead of monthly as per the MoU.

In particular, the receipt of death records by the NIBTT serves to ensure that benefits in payment cease upon the death of insured persons and 98% of Funeral Grant benefits continue to be paid within one day.

Technology

As with most business systems today, proper Information and Communication Technologies (ICT) can be used to leverage the efforts of all stakeholders to increase efficiency and add value to the services provided. At the NIBTT, we continue to move forward in our efforts to ensure that the organisation is not left behind in this field. During the year, NIBTT's uptime was 99.89%, which showed an increase from that of last year.

In our continued efforts to transform and upgrade the NIBTT, the End-to-End ICT initiative was advanced with the intent of implementing an ICT solution. This solution will provide users with more efficient options for accessing products and services and to facilitate ease of doing business with the NIBTT.

This project entails the design, procurement and implementation of an End-to-End Integrated Corporate ICT system. This system is expected to cater primarily to the requirements of the core social insurance administration business including, web-based access to client businesses and individuals. It would also feature either optional functionalities, or integration, with other areas of business needs such as Human Resource Information System (HRIS), Accounting, Investments and Customer Relations Management. Following the design phase of the End-to-End ICT project, the procurement phase commenced in June 2019. Key deliverables of this project included the Current State Assessment, Target Operating Model and Risk Assessment. Work continues on this critical project in the coming year to ensure that the NIBTT meets, and where possible, exceeds standards in the delivery of social security to our customers.

Migration Policy

In recognition of the increasing prevalence of migrant labour within the country, the Government of Trinidad and Tobago commenced work towards the drafting of an updated Labour Migration policy over the period. In July 2019 an Inter-ministerial Committee consisting of a representative from the NIBTT, as well as appointees from other key stakeholder agencies was appointed to develop a Labour Migration Policy. Our involvement has so far included providing the Committee with applicable data and research and analysis on best practices as it relates to labour migration. Work is expected to continue in the coming financial year.

NIS Compliance and Recovery

The NIBTT continues to increase its surveillance of errant employers and through court agreements, promissory notes and litigation actions, a total of \$5,175,747.73 in contribution arrears, penalties and interest was recovered from 42 non-compliant employers. The NIBTT also received \$84,736.44 in legal costs, following successful Judicial Review proceedings. This was as a result of the work done by the Compliance

Department based on the increase in the number of compliance officers and exposure of compliance enforcement officers to targeted training initiatives during the year.

Legislative Review of the National Insurance Act

This historic exercise to review the National Insurance Act in its entirety was completed in this financial year. A comprehensive report was received which analysed various legislative systems in the Caribbean region and Commonwealth, considered legislative issues encountered in practice with applying or interpreting the Act and made a suite of recommendations for reform of the Act. As at the close of the financial year, the Report was submitted to the Board of Directors in order to engage the Board in future and continuing discussions and agreement on proposals for reform of the Act towards achieving strategic objectives of the organisation. Final proposals for reform of the legislation will continue with the aim of submitting for line Ministerial consideration in the next financial year.

Amendment of the First Schedule of the NI Act

As part of suite of recommendations to improve the legislative parameters for investments, and upon recommendation from the NIBTT, the First Schedule of the National Insurance Act was amended to increase the limit on overseas investments that can be made by the NIBTT from 20% to 30%. This was effected by way of the First Schedule (Amendment) Order 2018 which was signed by the Honourable Minister on August 28, 2018 and published by way of Legal Notice No. 132 of 2018. By increasing the international exposure limit from the 20% limit to 30%, the Fund would therefore benefit from the ability to maximize its investments in high quality, and potentially higher yielding, liquid assets, in a universe that offers greater opportunity for diversification.

Staff Welfare

During the period, the key position of Chief Operations Officer – Corporate Services was filled along with the commencement of a drive to fill all existing vacancies at the Senior Management Level. Several key positions including Executive Manager Human Resources, Internal Auditor and Manager Corporate Communications, among others, were filled. Critical gaps that existed in these areas are therefore being addressed at the senior management level. The organization has an approved staff complement of 721 and as at the end of FY2019, 55 of the 123 fillable vacancies were filled.

Continuing with our mission to empower staff, the Employee Engagement Plan was operationalized during the year with staff being exposed to 52 training programs in response to their needs. Key amongst these training programs was a Negotiation and Mediation training camp attended by mid-level and senior managers. Significant

headway was also made through our Succession Planning Management Program. During the year, the NIBTT was able to finalize the listing of potential successors for 60% of the critical positions within the organization.

Additionally, negotiations for the period January 2014 to December 2016 between the NIBTT and the Public Services Association (PSA) began on May 8th, 2019. These consultative meetings between the NIBTT and the PSA are currently ongoing and, arising out of these consultations, it was mutually decided that there would be a focus on non-cost items with cost-items to follow.

Staff welfare was prioritized and to aid in this development, the month of March was designated as a wellness month with staff being exposed to free eye tests, blood, cholesterol and glucose testing, dietary advice and financial literacy sessions. As a means of staff engagement, a Carnival Burnout Exercise session was also hosted in the month of February.

As part of our ongoing thrust to foster team spirit and cohesion among staff, the Board also facilitated annual events such as the Independence Day 'Light It Up' event as well as a Cookout at the La Vega Estate. The event, which was open to staff and their immediate family members, was well received and added to the camaraderie and teamwork existing at the NIBTT.

Education and Outreach

A media campaign which focused on compliance was developed in FY 2019 to better educate the public about their obligations to the NIBTT, as well as, to inform the public of NIBTT's Benefits and services. The campaign has been featured in print and social media, targeting employers and employees and providing critical information to both segments. An enhanced focus on education and outreach initiatives continues to be prioritized. Seminars, fairs, expositions and marketing initiatives utilizing print, electronic and social media, will remain integral to NIBTT's education and brand management efforts. With the introduction of a corporate jingle and Instagram platform in FY 2019, the NIBTT is implementing more initiatives to assist in our public communication efforts as we better engage with customers and other stakeholders.

Long Service Awards

During November 2018, the NIBTT honoured some 126 persons during a Long Service Awards ceremony. At this function, staff with more than 20 years of continuous service to the NIBTT were honoured, given their significant contribution to the development of the organization and the continued successful administration of the NIS.

Servicing Tobago

The official opening of the National Insurance Board of Trinidad and Tobago's Service Centre at Bacolet, Tobago, took place in December 2018. The Service Centre previously located at the Scarborough Mall and, more recently, at Mount Marie in Tobago, now operates from a more convenient and accessible location. Addressing the audience at the opening were Assemblyman Kelvin Charles, Chief Secretary and Secretary of Education, Innovation and Energy, Tobago House of Assembly and The Honourable Ayanna Webster-Roy, Member for Tobago East and Minister of State in the Office of the Prime Minister (Gender and Child Affairs).

Statement of Financial or Commercial arrangement with Subsidiaries or Associated Companies.

For the period under review the NIBTT had no financial arrangement with subsidiaries or associated companies.

Conclusion/Acknowledgements

On behalf of the management and staff of the NIBTT I would like to extend my gratitude to all who would have assisted in the preparation of the supporting reports which feature in the preparation of the Annual Report. I wish to extend sincere appreciation to the staff of the NIBTT, who play a pivotal role in the achievements of the organisation and continue to work both compassionately and assiduously, to meet the needs of all our customers. I would also like to acknowledge the leadership of the Chairman and the Board who have made every effort to provide guidance to the Executive Team.

The year ahead is expected to be another challenging one in which there will be ongoing and continuing changes to both the local labour market as well as potential disruption in some of the world's largest economies and their financial markets. Despite these obstacles, the NIBTT will continue to be vigilant in ensuring that our strategic objectives are met whilst simultaneously exercising tactical methods to overcome challenges that may arise. As always, these measures are with the aim of delivering our mandate to the public as required by law.

In closing I would like to reiterate that as we move forward, we recognise that we must be an organisation that makes things happen, despite the challenges in our environment. We will continue to espouse a shared vision, with all our stakeholders – internal and external with the aim of achieving service excellence and customer satisfaction. At the NIBTT, we continue to promote open communication so that we are aware at all times as to how our performance is impacting the public.

We are committed to continuously reviewing our performance so that we can foster development of the NIBTT and ensure its preservation for future generations. These aspirations can only be realized through the ongoing support from key stakeholders and continued commitment of staff in meeting the expectations of our customers.



Niala Persad-Poliah
EXECUTIVE DIRECTOR
September 30, 2019

**THE NATIONAL INSURANCE BOARD
OF TRINIDAD AND TOBAGO**

SPECIAL PURPOSE FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2019

(Expressed in Trinidad and Tobago Dollars)

Ernst & Young



EY

**Building a better
working world**

THE NATIONAL INSURANCE BOARD OF TRINIDAD AND TOBAGO

SPECIAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

CONTENTS	Page
Statement of Management's Responsibilities	2
Independent Auditor's Report on the Special Purpose Financial Statements	3 – 6
Statement of Financial Position	7
Statement of Comprehensive Income	8
Statement of Cash Flows	9
Statement of Changes in Funds	10
Notes to the Special Purpose Financial Statements	11 – 55

THE NATIONAL INSURANCE BOARD OF TRINIDAD AND TOBAGO

Statement of Management's Responsibilities


Management is responsible for the following:

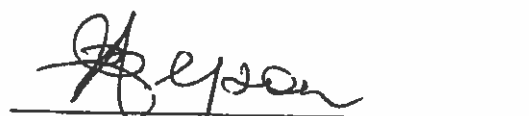
- Preparing and fairly presenting the accompanying special purpose financial statements of the National Insurance Board of Trinidad and Tobago ('the Board' or 'NIBTT') which comprise the statement of financial position as at 30 June 2019 and the statements of comprehensive income, cash flows and changes in funds for the year then ended, and a summary of significant accounting policies and other explanatory information;
- Ensuring that the Board keeps proper accounting records;
- Selecting appropriate accounting policies and applying them in a consistent manner;
- Implementing, monitoring and evaluating the system of internal control that assures security of the Board's assets, detection/prevention of fraud, and the achievement of entity's 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, including the National Insurance Act 35 of 1971; and
- Using reasonable and prudent judgement in the determination of estimates.

In preparing these audited special purpose financial statements, management utilised the financial reporting provisions of the National Insurance Act. Where the financial reporting provisions of the National Insurance Act is not clear reference is made to International Financial Reporting Standards, as issued by the International Accounting Standards Board and adopted by the Institute of Chartered Accountants of Trinidad and Tobago to determine the Board's alternative accounting treatments. 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 Board will not remain a going concern up to the date the accompanying special purpose financial statements have been authorised for issue.

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


Executive Director


Chief Operating Officer – Corporate Services

September 27, 2019



Ernst & Young Services Limited Tel: +1 868 628 1105
P.O. Box 158 ey.com
5/7 Sweet Briar Road
St. Clair, Port of Spain
Trinidad

INDEPENDENT AUDITOR'S REPORT

TO THE DIRECTORS OF THE NATIONAL INSURANCE BOARD OF TRINIDAD AND TOBAGO

Report on the Audit of the Special Purpose Financial Statements

Our Opinion

We have audited the special purpose financial statements of The National Insurance Board of Trinidad and Tobago ("the Board"), which comprise the statement of financial position as at 30 June 2019, and the statement of comprehensive income, statement of cash flows and the statement of changes in funds for the year then ended and, notes to the special purpose financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying special purpose financial statements present fairly, in all material respects, the financial position of the Board as at 30 June 2019 and its financial performance and its cash flows for the year then ended in accordance with the financial reporting provisions of The National Insurance Act.

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 Special Purpose Financial Statements* section of our report. We are independent of the Board in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other 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.

Emphasis of Matter – Basis of Accounting and Restriction on Distribution and Use

We draw attention to Note 4 of the special purpose financial statements, which describes the basis of accounting. The special purpose financial statements are prepared to assist the Finance Minister of the Government of Trinidad and Tobago in meeting their reporting requirements under the National Insurance Act. As a result, the special purpose financial statements may not be suitable for another purpose. Our report is intended solely for the Government of Trinidad and Tobago, and may be made available to the Inspector of Financial Institutions of the Central Bank of Trinidad and Tobago and should not be distributed to or used by parties other than those stipulated. Our opinion is not modified in respect of this matter.



INDEPENDENT AUDITOR'S REPORT

TO THE DIRECTORS OF THE NATIONAL INSURANCE BOARD OF TRINIDAD AND TOBAGO

**Report on the Audit of the Special Purpose Financial Statements
(Continued)**

Other information included in the Board's 2019 Annual Report

Other information consists of the information included in the Board's 2019 Annual Report, other than the special purpose financial statements and our auditor's report thereon. Management is responsible for the other information. The Board's 2019 Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the special purpose financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the special purpose financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the special purpose financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of Management and the Audit, Risk and Compliance Committee for the Special Purpose Financial Statements

Management is responsible for the preparation and fair presentation of the special purpose financial statements in accordance with the financial reporting provisions of The National Insurance Act, and for such internal control as management determines is necessary to enable the preparation of special purpose financial statements that are free from material misstatement, whether due to fraud or error.

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

The Audit, Risk and Compliance Committee is responsible for overseeing the Board's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

TO THE DIRECTORS OF THE NATIONAL INSURANCE BOARD OF TRINIDAD AND TOBAGO

Report on the Audit of the Special Purpose Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Special Purpose Financial Statements

Our objectives are to obtain reasonable assurance about whether the special purpose 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 special purpose financial statements.

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

- Identify and assess the risks of material misstatement of the special purpose 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 Board'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 Board'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 special purpose 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 Board to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the special purpose financial statements, including the disclosures, and whether the special purpose financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



INDEPENDENT AUDITOR'S REPORT

TO THE DIRECTORS OF THE NATIONAL INSURANCE BOARD OF TRINIDAD AND TOBAGO

Report on the Audit of the Special Purpose Financial Statements
(Continued)

Auditor's Responsibilities for the Audit of the Special Purpose Financial Statements
(Continued)

We communicate with the Audit, Risk and Compliance Committee 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.

Port of Spain
TRINIDAD:
27 September 2019

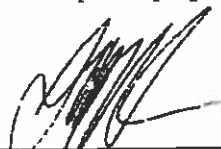
THE NATIONAL INSURANCE BOARD OF TRINIDAD AND TOBAGO

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019
(Expressed in Trinidad and Tobago Dollars)

	Notes	2019 \$'000	2018 \$'000
Assets			
Property, plant and equipment	5	319,986	520,337
Investment properties	6	281,350	324,700
Investment in subsidiary companies	7	1,763,610	1,991,865
Investment securities	8	23,385,710	20,874,030
Mortgage advances	9	2,138	740
Property being developed for sale	10	12,649	16,030
Other assets	11	930,166	871,782
Post-employment benefit	16	17,850	6,536
Cash and cash equivalents	12	<u>2,418,438</u>	<u>3,387,875</u>
Total assets		<u>29,131,897</u>	<u>27,993,895</u>
Funds, reserves and liabilities			
Long-term benefits fund	13	27,717,681	26,541,756
Short-term benefits fund	13	460,830	479,755
Employment injury benefit fund	13	<u>790,390</u>	<u>805,816</u>
Total funds		<u>28,968,901</u>	<u>27,827,327</u>
Revaluation reserve	14	<u>72,624</u>	<u>72,624</u>
Total funds and reserves		<u>29,041,525</u>	<u>27,899,951</u>
Other liabilities	15	<u>90,372</u>	<u>93,944</u>
Total liabilities		<u>90,372</u>	<u>93,944</u>
Total funds, reserves and liabilities		<u>29,131,897</u>	<u>27,993,895</u>

The accompanying notes form an integral part of these special purpose financial statements.

These special purpose financial statements have been authorised for issue on September 27, 2019.


Chairman


Executive Director


Chief Operating Officer -
Corporate Services

THE NATIONAL INSURANCE BOARD OF TRINIDAD AND TOBAGO

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019
(Expressed in Trinidad and Tobago Dollars)

	Notes	2019 S'000	2018 S'000
Income			
Contributions			
Employers in compliance		4,387,342	4,232,822
Employers in arrears		319,111	437,155
Voluntary		<u>299</u>	<u>101</u>
		4,706,752	4,670,078
Refunds		<u>(255)</u>	<u>(472)</u>
Total net contributions		<u>4,706,497</u>	<u>4,669,606</u>
Net realised investment income	17	1,254,216	1,991,243
Net unrealised investment income/(loss)	18	976,905	(151,913)
Revaluation of subsidiaries	7	(228,255)	(8,623)
Revaluation of property, plant and equipment	5	(194,416)	-
Revaluation of investment properties	6	(43,350)	-
Penalties and interest		15,262	18,911
Miscellaneous income/(loss)		<u>2,264</u>	<u>(915)</u>
Total income		<u>6,489,123</u>	<u>6,518,309</u>
Expenditure			
Benefits expenditure			
Long-term		4,829,736	4,575,312
Short-term		230,415	239,878
Employment injury		<u>79,039</u>	<u>80,582</u>
Total benefits expenditure		<u>5,139,190</u>	<u>4,895,772</u>
Administrative expenditure			
Staff salaries, allowances and benefits	19	140,245	136,623
Board of Directors expenses		1,061	943
Depreciation	5	15,744	15,683
Expected credit loss	11	643	-
Other expenses	20	<u>61,980</u>	<u>60,761</u>
Total administrative expenditure		<u>219,673</u>	<u>214,010</u>
Other			
Pension expense		<u>11,916</u>	<u>5,224</u>
Total other		<u>11,916</u>	<u>5,224</u>
Total expenditure		<u>5,370,779</u>	<u>5,115,006</u>
Surplus of income over expenditure		1,118,344	1,403,303
Re-measurement of defined benefit liability	16	<u>23,230</u>	<u>22,894</u>
Total comprehensive income		<u>1,141,574</u>	<u>1,426,197</u>

The accompanying notes form an integral part of these special purpose financial statements.

THE NATIONAL INSURANCE BOARD OF TRINIDAD AND TOBAGO

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019
(Expressed in Trinidad and Tobago Dollars)

	2019 \$'000	2018 \$'000
Cash flows from operating activities		
Surplus of income over expenditure	1,118,344	1,403,303
Adjustments:		
Unrealised investment (income)/loss	(976,905)	151,913
Foreign exchange losses	-	2,290
Bad debts written back	-	(165)
Depreciation	15,744	15,683
Pension expense	11,916	5,224
Revaluation of investment in subsidiary companies	228,255	8,623
Revaluation of property, plant and equipment	194,416	-
Revaluation of investment properties	43,350	4,050
Adjustments to property, plant and equipment	<u>(109)</u>	<u>12,353</u>
Surplus before working capital changes	635,011	1,603,274
(Increase)/decrease in mortgage advances	(1,398)	1,895
Decrease in property being developed for sale	3,381	2,679
Increase in other assets	(58,384)	(152,772)
Decrease/(increase) in other liabilities	<u>3,572</u>	<u>(35,239)</u>
Net cash generated by operating activities	582,182	1,419,837
Cash flows from investing activities		
Purchase of property, plant and equipment	(9,700)	(21,419)
Purchase of investments	(6,448,132)	(5,936,308)
Sale/maturity of investments	<u>4,906,213</u>	<u>5,195,364</u>
Net cash used in investing activities	<u>(1,551,619)</u>	<u>(762,363)</u>
Net (decrease)/increase in cash and cash equivalents	(969,437)	657,474
Cash and cash equivalents at beginning of the year	<u>3,387,875</u>	<u>2,730,401</u>
Cash and cash equivalents at the end of the year	<u>2,418,438</u>	<u>3,387,875</u>

The accompanying notes form an integral part of these special purpose financial statements.

THE NATIONAL INSURANCE BOARD OF TRINIDAD AND TOBAGO

STATEMENT OF CHANGES IN FUNDS
FOR THE YEAR ENDED 30 JUNE 2019
(Expressed in Trinidad and Tobago Dollars)

	Long-term benefits		Short-term benefits		Employment injury benefits		Total funds	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Fund balance as at 1 July 2018	26,541,756	24,840,004	479,755	502,439	805,816	1,058,687	27,827,327	26,401,130
Income								
Contribution	4,235,847	4,155,950	282,390	280,176	188,260	233,480	4,706,497	4,669,606
Penalties and interest	14,953	18,500	98	126	211	285	15,262	18,911
Revaluation of subsidiaries	(228,255)	(8,623)	-	-	-	-	(228,255)	(8,623)
Revaluation of property, plant and equipment	(194,416)	-	-	-	-	-	(194,416)	-
Revaluation of investment properties	(43,350)	-	-	-	-	-	(43,350)	-
Net realised investment income	1,228,849	1,948,045	8,053	13,223	17,314	29,975	1,254,216	1,991,243
Net unrealised investment income/(loss)	957,146	(148,430)	6,273	(1,066)	13,486	(2,417)	976,905	(151,913)
Miscellaneous income/(loss)	2,264	(915)	-	-	-	-	2,264	(915)
Total income	<u>5,973,038</u>	<u>5,964,527</u>	<u>296,814</u>	<u>292,459</u>	<u>219,271</u>	<u>261,323</u>	<u>6,489,123</u>	<u>6,518,309</u>
Expenditure								
<i>Benefits</i>								
<i>Expenditure</i>								
Retirement benefit	4,137,251	3,938,677	-	-	-	-	4,137,251	3,938,677
Survivors benefit	415,281	391,617	-	-	-	-	415,281	391,617
Invalidity benefit	76,701	75,269	-	-	-	-	76,701	75,269
Retirement grant	200,503	169,749	-	-	-	-	200,503	169,749
Funeral grant	-	-	59,490	57,587	-	-	59,490	57,587
Sickness benefit	-	-	49,415	54,300	-	-	49,415	54,300
Maternity benefit	-	-	117,502	123,770	-	-	117,502	123,770
Special maternity	-	-	4,008	4,221	-	-	4,008	4,221
Employment injury	-	-	-	-	79,039	80,582	79,039	80,582
Administrative expenditure	4,829,736	4,575,312	230,415	239,878	79,039	80,582	5,139,190	4,895,772
Pension expense	197,706	190,469	13,180	12,841	8,787	10,700	219,673	214,010
	<u>11,675</u>	<u>5,109</u>	<u>77</u>	<u>36</u>	<u>164</u>	<u>79</u>	<u>11,916</u>	<u>5,224</u>
Total expenditure	<u>5,039,117</u>	<u>4,770,890</u>	<u>243,672</u>	<u>252,755</u>	<u>87,990</u>	<u>91,361</u>	<u>5,370,779</u>	<u>5,115,006</u>
Excess	933,921	1,193,637	53,142	39,704	131,281	169,962	1,118,344	1,403,303
Other comprehensive income	22,760	22,388	149	158	321	348	23,230	22,894
Transfers	<u>219,244</u>	<u>485,727</u>	<u>(72,216)</u>	<u>(62,546)</u>	<u>(147,028)</u>	<u>(423,181)</u>	<u>-</u>	<u>-</u>
Fund at end of year	<u>27,717,681</u>	<u>26,541,756</u>	<u>460,830</u>	<u>479,755</u>	<u>790,390</u>	<u>805,816</u>	<u>28,968,901</u>	<u>27,827,327</u>

The accompanying notes form an integral part of these special purpose financial statements.

THE NATIONAL INSURANCE BOARD OF TRINIDAD AND TOBAGO

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (Expressed in Trinidad and Tobago Dollars)

1. Incorporation and principal activity

The National Insurance Board of Trinidad and Tobago (NIBTT or the Board) was incorporated under the National Insurance Act No. 35 of 1971 (The National Insurance Act), as subsequently amended, and commenced operations in 1972. The principal activity of NIBTT is to carry out the requirements of The National Insurance Act in providing social security benefits to the insurable population of Trinidad and Tobago. The registered office is located at 14-19 Queen's Park East, Port-of-Spain, Trinidad and Tobago.

2. Actuarial review

Section 70 (1) of The National Insurance Act requires an Actuarial Review of the National Insurance System (NIS) at intervals not exceeding five years. The 10th Actuarial Review was conducted as at 30 June 2016 and was completed by International Social Security System (ISSA) on 30 June 2018. The main objectives of this review was to assess the long-term financial condition of the National Insurance Fund and recommend possible ways to improve contribution and benefit provisions.

In general, contribution receipts and benefit payments are based on a system of wage classes. The contribution amount is paid by the employer and the employee in a proportion of two-thirds/one-third respectively. Benefits are grouped into three funds: long-term benefits, short-term benefits and employment injury benefits. Each fund is credited with contribution income and investment income from which benefit expenditures and administrative expenses are met. Presently the fund is meeting all of its obligations.

3. Legislative amendments

The following legislative amendments were proposed in line with recommendations of the 10th Actuarial Report:

- i. Increase the contribution rate to 16.2 percent;
- ii. the minimum pension should be frozen to give at most 80 per cent of the minimum wage;
- iii. increase retirement age to 65; and
- iv. reduce pension by 6 percent for each year retirement benefit claim before the age of 65.

These recommendations are currently being assessed before any legislative amendments are made.

THE NATIONAL INSURANCE BOARD OF TRINIDAD AND TOBAGO

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

(Expressed in Trinidad and Tobago Dollars)

(Continued)

4. Summary of significant accounting policies

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

a. Basis of preparation

These special purpose financial statements are prepared in accordance with the financial reporting provisions of The National Insurance Act. In cases where the financial reporting provision is not clear or does not address particular situations, reference is made to International Financial Reporting Standards (IFRS) for guidance in determining NIBTT's accounting policy. The Board and management of NIBTT are currently reviewing its financial reporting framework to determine whether it can in the future prepare its special purpose financial statements in accordance with IFRS.

These special purpose financial statements are the parent company unconsolidated financial statements of NIBTT. NIBTT does not prepare consolidated financial statements. Further, these special purpose financial statements are prepared on the historical cost basis, except for the following items in the statement of financial position:

- Investment securities are measured at fair value;
- Investment properties are measured at fair value;
- Investments in subsidiary companies are measured at fair value;
- Artwork and freehold properties classified as property, plant and equipment are measured at fair value;
- The defined benefit asset/liability is recognised as plan assets, plus unrecognised past service cost, less the present value of the defined benefit obligation and based on actuarial valuations.

The preparation of these special purpose financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses.

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.

Information about critical estimates in applying accounting policies that have the most significant effect on the amounts recognised in the special purpose financial statements is included in Note 4 q.

THE NATIONAL INSURANCE BOARD OF TRINIDAD AND TOBAGO

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

(Expressed in Trinidad and Tobago Dollars)

(Continued)

4. Summary of significant accounting policies (continued)

b. Changes in accounting policies and disclosures

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement and brings together all three aspects of the accounting for financial instruments: classification and measurement, impairment, and hedge accounting.

Classification and measurement of financial assets and liabilities

IFRS 9 contains a new classification and measurement approach for financial assets that reflect the business model in which assets are managed and their cash flow characteristics. Under IFRS 9 entities initially measure a financial asset at its fair value plus, in the case of financial assets not at fair value through profit or loss, transaction cost.

Debt instruments are subsequently measured at fair value through profit or loss (FVPL), amortised cost (AC) or fair value through other comprehensive income (FVOCI). Equity instruments are generally measured at FVPL. However, entities have an irrevocable option, on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) without subsequent reclassification to profit or loss.

IFRS 9 also contain requirements for the classification and measurement of financial liabilities. For financial liabilities designated at FVPL, the change in fair value that is attributable to changes in credit risk is presented in OCI and the remaining amount of change in the fair value is presented in profit or loss.

Credit loss allowance (IFRS 9)

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. The new impairment model applies to debt instruments measured at AC or FVOCI, most loan commitments, financial guarantee contracts, contribution receivables and to contract assets.

Hedge accounting

The general hedge accounting requirements of IFRS 9 retain the three types of hedge accounting mechanisms in IAS 39, that is, fair value hedges, cash flow hedges and net investment hedges. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify as hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is no longer required.

THE NATIONAL INSURANCE BOARD OF TRINIDAD AND TOBAGO

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

(Expressed in Trinidad and Tobago Dollars)

(Continued)

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

b. **Changes in accounting policies and disclosures (continued)**

NIBTT has adopted IFRS 9 as at 1 July 2018, there were no changes to accounting for its financial assets and liabilities with the exception on contributions receivable. Hedge accounting is not applicable to NIBTT. The NIBTT's classification of its financial assets is explained in Note 4 f.

c. **Investments in subsidiary companies**

Subsidiaries are all entities over which the NIBTT has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. These are as follows:

Companies	Percentage ownership	
	2019	2018
National Insurance Property Development Company Limited (NIPDEC)	100%	100%
Trinidad and Tobago Mortgage Finance Company Limited (TTMF)	51%	51%
Home Mortgage Bank (HMB)	100%	100%

Investments in subsidiaries are initially recorded at cost and adjusted to fair market value based on valuations conducted by an independent professional valuator. Gains and/or losses arising from the change in fair value are included in the statement of comprehensive income.

Investments in subsidiaries are valued by an independent valuator and are based on the assumption that they will continue to operate as going concerns and that the principal activities and legal structure of the companies will remain unchanged. NIPDEC and HMB was valued using the asset approach and TTMF was valued using the price to book approach. The Board deems these approaches to be most applicable to the individual entities.

d. **Foreign currency**

i. **Functional and presentation currency**

Items included in these special purpose financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). These special purpose financial statements are presented in Trinidad and Tobago dollars, which is NIBTT's functional and presentation currency, unless otherwise stated.

THE NATIONAL INSURANCE BOARD OF TRINIDAD AND TOBAGO

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

(Expressed in Trinidad and Tobago Dollars)

(Continued)

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

d. **Foreign currency (continued)**

ii. **Foreign currency**

Transactions in foreign currencies are initially recorded at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are expressed in Trinidad and Tobago dollars at the rate of exchange ruling on the reporting date as obtained from the Central Bank of Trinidad & Tobago. All differences arising are taken to the statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

e. **Cash and cash equivalents**

Cash and cash equivalents, for the purpose of the statement of cash flows, represent cash and bank balances and highly liquid investments with a maturity period of three months or less.

f. **Financial assets (policy applicable from 1 July 2018)**

Classification and measurement

Financial assets are recognized initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statement of comprehensive income.

Purchase or sales of financial assets are recognized on the trade date, which is the date on which NIBTT commits to purchase or sell the asset.

NIBTT's financial assets include cash and cash equivalents, investment securities, mortgage advances and other assets.

THE NATIONAL INSURANCE BOARD OF TRINIDAD AND TOBAGO

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

(Expressed in Trinidad and Tobago Dollars)

(Continued)

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

f. **Financial assets (policy applicable from 1 July 2018) (continued)**

Classification and measurement (continued)

From 1 July 2018, NIBTT has applied IFRS 9 and classifies its financial assets in the following measurement categories:

(i) **Amortised cost**

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any ECL allowance recognised. NIBTT classified cash and cash equivalents, mortgage advances and other assets at AC.

(ii) **Fair value through other comprehensive income**

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in statement of comprehensive income. NIBTT did not classify any of its financial assets as FVOCI.

(iii) **Fair value through profit or loss**

Assets that do not meet the criteria for AC or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss is recognised in the statement of comprehensive income in the year in which it arises. NIBTT on initial recognition, irrevocably designate a financial asset that otherwise meets the requirements to be measured at AC or FVOCI as FVPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. Financial assets held for trading or are managed and whose performance is evaluated on a fair value basis, are measured at fair value through statement of comprehensive income. NIBTT classified investment securities at FVPL.

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as mortgage advances, government and corporate bonds and floating NAV mutual funds.

THE NATIONAL INSURANCE BOARD OF TRINIDAD AND TOBAGO

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

(Expressed in Trinidad and Tobago Dollars)

(Continued)

4. Summary of significant accounting policies (continued)

f. Financial assets (policy applicable from 1 July 2018) (continued)

Classification and measurement (continued)

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares. Subsequent to initial recognition, NIBTT measures all equity investments at fair value, and changes in the fair value of equity instruments are recognised in the statement of comprehensive income.

Classification and subsequent measurement of debt and equity instruments depend on:

- a. NIBTT's business model for managing the asset; and
- b. the cash flow characteristics of the asset.

NIBTT performed a detailed analysis of its business models for managing financial assets and analysis of their cash flow characteristics.

Business model assessment

The business model reflects how NIBTT manages the assets in order to generate cash flows. Factors considered by NIBTT in determining the business model include:

- past experience on how these cash flows were collected;
- the past and future objectives of the portfolio. Specifically whether NIBTT's objective is solely to collect contractual cash flows or to collect both contractual cash flows and cash flows from the sale of the assets;
- determination of assets performance and how this is evaluated and reported to key management personnel; and
- NIBTT's assessment of risk and how these are managed.

NIBTT's main objective for holding financial assets is to provide liquidity support to its Insurance Operations. Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the business model and measured at FVPL. An assessment was performed by NIBTT which noted that there would be a liquidity gap in the near future resulting in NIBTT having to sell some of its financial assets. Therefore, the main factor affecting how NIBTT manages its investment portfolio is future liquidity requirements.

THE NATIONAL INSURANCE BOARD OF TRINIDAD AND TOBAGO

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

(Expressed in Trinidad and Tobago Dollars)
(Continued)

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

f. **Financial assets (policy applicable from 1 July 2018) (continued)**

Classification and measurement (continued)

The solely payments of principal and interest (SPPPI) test

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, NIBTT assesses whether the financial assets' cash flows represent solely payments of principal and interest. In making this assessment, NIBTT considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVPL.

NIBTT reclassifies debt instruments when and only when its business model for managing those assets changes. The re-classification takes place from the start of the first reporting year following the change. Such changes are expected to be very infrequent and none occurred during the current year.

Recognition and de-recognition

NIBTT's financial assets and financial liabilities are recognised in the statement of financial position when it becomes party to the contractual obligation of the instrument. A financial asset is derecognised when the right to receive the cash flows from the asset has expired or where NIBTT has transferred all the risks and rewards of ownership of the asset. A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. All "regular way" purchases and sales are recognised at settlement date.

On de-recognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received is recognised in the statement of comprehensive income. In addition, on de-recognition of an investment in a debt instrument classified as at fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified to the statement of comprehensive income.

THE NATIONAL INSURANCE BOARD OF TRINIDAD AND TOBAGO

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

(Expressed in Trinidad and Tobago Dollars)

(Continued)

4. Summary of significant accounting policies (continued)

f. Financial assets (policy applicable from 1 July 2018) (continued)

Modification of financial assets

If the terms of financial assets have been modified, NIBTT assesses whether or not the new terms are substantially different to the original terms. If the terms are substantially different, NIBTT derecognises the original financial assets and recognises a new financial asset at fair value. The date of modification is consequently considered to be the date of initial recognition for impairment purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. NIBTT also assesses whether the new financial asset is deemed to be credit impaired at initial recognition. Differences in the carrying amount are also recognized in statement of comprehensive income as a gain or loss on derecognition.

If the terms are not substantially different, the modification of the terms do not result in derecognition and NIBTT recalculates the gross carrying amount based on the revised cash flows and recognises a modification gain or loss in the statement of comprehensive income. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit adjusted effective interest rate for purchased or originated credit impaired financial assets).

Impairment of financial assets

With respect to impairment of financial assets, NIBTT applied a simplified approach of recognizing ECL for contributions receivable. Cash and cash equivalents are short term funds placed with reputable financial institutions and the risk of default is considered to be low, therefore ECL was determined to be nil.

The measurement of the ECL allowance for contributions receivable, measured at amortised cost, is an area that requires the use of models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of employer's defaulting and the resulting losses). A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- determining criteria for significant increase in credit risk;
- choosing appropriate models and assumptions for the measurement of ECL;
- establishing groups of similar employers for the purposes of measuring ECL;
- determination of default for contributions receivable;
- establishing the number and relative weightings of forward-looking scenarios for each type of employers and the associated ECL.

NIBTT reviewed and validates the models and inputs to the models to reduce any differences between ECL estimates and actual credit loss experience.

THE NATIONAL INSURANCE BOARD OF TRINIDAD AND TOBAGO

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

(Expressed in Trinidad and Tobago Dollars)

(Continued)

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

g. **Financial assets (policy applicable prior to 1 July 2018)**

NIBTT's financial assets and financial liabilities are recognised in the statement of financial position when it becomes party to the contractual obligation of the instrument. A financial asset is derecognised when the right to receive the cash flows from the asset has expired or where NIBTT has transferred all the risks and rewards of ownership of the asset. A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. All "regular way" purchases and sales are recognised at settlement date.

(i) **Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss are subsequently carried at fair value based on quoted prices for investments traded in active markets; or valuation techniques, including recent arm's length transactions, discounted cash flow analysis and other valuation techniques commonly used by market participants, for investments not traded in active markets. 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 reporting date for an instrument with similar terms and conditions.

Held for trading securities are initially recognised at cost and subsequently re-measured at fair value based on quoted bid prices at the reporting date. Where the instrument is not actively traded or quoted on an active market, fair value is determined using discounted cash flow analysis.

Gains and losses arising from sales and changes in fair values of these financial assets are recognised in the statement of comprehensive income in the year in which they arise.

All related unrealised gains and losses are included in the statement of comprehensive income. Interest earned is reported as interest income.

(ii) **Loans and advances**

Loans and advances are financial assets with fixed or determinable payments and are not quoted in an active market created by NIBTT providing money to a debtor other than those created with the intention of short-term profit sharing. Such assets are stated at amortised cost, net of any advances for credit losses using the effective interest method.

THE NATIONAL INSURANCE BOARD OF TRINIDAD AND TOBAGO

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019
(Expressed in Trinidad and Tobago Dollars)
(Continued)

4. Summary of significant accounting policies (continued)

g. Financial assets (policy applicable prior to 1 July 2018) (continued)

(ii) Loans and advances (continued)

Loans and advances include mortgage advances. Mortgage advances are measured net of provisions for impairment. A mortgage advance is classified as impaired (non-performing) when there is objective evidence that NIBTT will not be able to collect all amounts due according to the original contractual terms of the loan. Objective evidence of impairment includes observable data that comes to the attention of NIBTT such as:

- Significant financial difficulties of the borrower
- Actual delinquencies
- Adverse change in the payment status of a borrower
- Bankruptcy or reorganisation by the borrower.

If there is objective evidence that an impairment loss on mortgage advance has been incurred, the amount of the allowance for impairment is measured as the difference between the carrying amount and the recoverable amount, being the present value of expected future cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of loans.

The allowance which is made during the year, less amounts released, and recoveries of bad debts previously written off, is charged against the revenue and expenditure accounts. When a loan is deemed uncollectible, it is written off against the related allowance for losses.

Impairment of financial assets

The carrying amounts of NIBTT's assets that are not carried at fair value, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated and an impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

Losses on loans and advances

NIBTT reviews its problem loans and advances at each reporting date to assess whether an allowance for impairment should be recorded in the statement of comprehensive income. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

THE NATIONAL INSURANCE BOARD OF TRINIDAD AND TOBAGO

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

(Expressed in Trinidad and Tobago Dollars)

(Continued)

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

g. **Financial assets (policy applicable prior to 1 July 2018) (continued)**

Losses on loans and advances (continued)

In addition to specific allowances against individually significant loans and advances, NIBTT also makes a collective impairment allowance where applicable, against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This takes into consideration factors such as any deterioration in country risk, industry, and technological obsolescence, as well as identified structural weaknesses or deterioration in cash flows.

h. **Investment properties**

Investment properties are properties held by NIBTT to earn rental income or for capital appreciation or both. Property held for undetermined future use is regarded as investment properties, as such is held for capital appreciation.

Some properties comprise a portion that is held to earn rental income or for capital appreciation and another portion that is held for use in providing services or for administrative purposes. If these portions can be sold separately or leased out separately under a finance lease, NIBTT accounts for the portions separately as investment properties or property, plant and equipment (Note 4 i) respectively. If the portions cannot be sold separately, the property is classified as investment property, only if an insignificant portion is held for use in providing services or for administrative purposes. Otherwise it is considered property, plant and equipment (Note 4 i).

Investment properties are initially measured at cost. After initial recognition, investment properties are measured at fair value based on valuations conducted by an independent professional valuator. Gains and losses arising from the change in fair value are included in the statement of comprehensive income.

The valuers have adopted standard valuation methods and assumed good title, vacant possession and no unduly restrictive covenants or onerous or unusual outgoings running with the land.

THE NATIONAL INSURANCE BOARD OF TRINIDAD AND TOBAGO

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

(Expressed in Trinidad and Tobago Dollars)

(Continued)

4. Summary of significant accounting policies (continued)

i. Property, plant and equipment

Property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees and owner-occupied property awaiting disposal are deemed to be property, plant and equipment.

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses except for artwork and freehold properties which are stated at valuations conducted by independent professional valuers every 3 years. Freehold properties were professionally valued in June 2019 using the market approach (Note 5). 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 NIBTT 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 year in which they are incurred.

If an asset's carrying value is increased as a result of a revaluation, the increase is credited directly to reserves under the heading revaluation reserve. If an asset's carrying value is decreased as a result of a revaluation, the decrease is debited directly to equity to the extent of any credit balance existing in the revaluation reserve in respect of that asset. Any decrease in excess of this amount is recognised in the statement of comprehensive income.

Additionally, for those assets that are revalued as at the statement of financial position date, the accumulated depreciation for the revalued assets are credited to the revaluation reserve. The accumulated depreciation for revalued assets is therefore brought to zero.

Depreciation is provided on a straight-line basis at varying rates sufficient to write-off the cost/market value respectively of the assets over their estimated useful lives. The rates used are as follows:

Freehold and leasehold properties	- 2% on buildings
Improvements to premises:	
Owned	- Equal annual instalments over a period of ten years
Leased	- Equal annual instalments over the period of the lease
Machinery, equipment, furniture and fittings:	- 7.5% - 25%
Artwork and motor vehicles	- 25%

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with their carrying amount and are recognised in the statement of comprehensive income.

THE NATIONAL INSURANCE BOARD OF TRINIDAD AND TOBAGO

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

(Expressed in Trinidad and Tobago Dollars)
(Continued)

4. Summary of significant accounting policies (continued)

j. Properties being developed for sale

Properties available for sale are carried at cost less provisions for impairment. The provision is estimated as the difference between the cost and the selling price of the units available for sale less the estimated cost to complete the units.

k. Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the NIBTT has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses. Where 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 expenditures expected to be required to settle the obligation using pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

l. Basis of allocation

Contribution income and other income have been allocated to the various fund accounts on the basis set out in the Actuarial Review.

i. Contribution income

Contribution income is allocated as follows:	2019 %	2018 %
Long-term benefits fund	89	89
Short-term benefits fund	6	6
Employment injury benefit fund	<u>5</u>	<u>5</u>
	<u>100</u>	<u>100</u>

ii. Other income

Other income comprising investment income less expenses, penalty income and pension asset income is allocated to the benefit funds in the ratio of their opening fund balances. Investment expenses comprise direct staff costs and overhead expenses of the investments department and other direct expenses including mortgage management fees and provisions for diminution in value of investments.

THE NATIONAL INSURANCE BOARD OF TRINIDAD AND TOBAGO

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

(Expressed in Trinidad and Tobago Dollars)

(Continued)

4. Summary of significant accounting policies (continued)

L. Basis of allocation (continued)

iii. Fund ratios

Based on the recommendations of the eighth actuarial review and maintained in the ninth and tenth actuarial reviews, NIBTT implemented the following: short-term benefit fund and employment injury benefit fund balances will be maintained at 2.0 times and 10 times the respective benefits incurred during the current year, the remaining excess of income over expenditure is to be allocated to the long-term benefit fund.

These fund allocations are based solely on the ratios recommended by the independent actuary and do not represent NIBTT's liability to beneficiaries at 30 June 2019.

m. Post-employment benefit

i. Short-term

Employee benefits are all forms of consideration given by NIBTT in exchange for service rendered by its employees. These include current or short-term benefits such as salaries, bonuses, NIS contributions and annual leave. It also includes non-monetary benefits such as, medical care and loans; post-employment benefits such as pensions; and other long-term employee benefits such as termination benefits.

Employee benefits that are earned as a result of past or current service are recognised in the following manner: short-term employee benefits are recognised as a liability, net of payments made and charged as expense. Post-employment benefits are accounted for as described below.

ii. Post-employment

NIBTT contributes to a defined benefit staff pension plan which covers all qualifying employees. Members contribute 5% (2018: 5%) of their pensionable salaries to the plan, whilst NIBTT currently contributes 14% (2018: 14%). All permanent employees are eligible for membership and temporary employees under certain conditions.

The asset recognised in the statement of financial position in respect of defined benefit pension plan is the present value of the defined benefit obligation at the end of the reporting year less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

THE NATIONAL INSURANCE BOARD OF TRINIDAD AND TOBAGO

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

(Expressed in Trinidad and Tobago Dollars)

(Continued)

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

m. **Post-employment benefit (continued)**

In countries where there is no deep market in such bonds, the market rates on the government bonds are used. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the statement of comprehensive income in the year in which it arise. Past-service costs are recognised immediately in income.

n. **Determination of fair values**

A number of NIBTT's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods.

When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

i. **Investment securities**

Investment securities are measured at their fair values based on quoted market prices. Where the instrument is not actively traded or quoted on recognised exchanges, fair value is determined using discounted cash flow analysis recent arm's length transaction and other valuation techniques. Professional valuations are also used to value these securities. Where fair value cannot be reliably measured, is determined by using internally developed models.

The NIBTT uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques.

Level 1

Included in the Level 1 category are financial assets and liabilities that are measured in whole or in part by reference to published quotes in an active market. 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 service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

THE NATIONAL INSURANCE BOARD OF TRINIDAD AND TOBAGO

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

(Expressed in Trinidad and Tobago Dollars)

(Continued)

4. Summary of significant accounting policies (continued)

n. Determination of fair values (continued)

i. Investment securities (continued)

Level 2

Included in the Level 2 category are financial assets and liabilities that are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions and for which pricing is obtained via pricing services, but where fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued based using its own models whereby the majority of assumptions are market observable.

Level 3

Included in the Level 3 category are financial assets and liabilities that are not quoted as there are no active markets to determine a price. These financial instruments are held at cost, being the fair value of the consideration paid for the acquisition of the investment, and are regularly assessed for impairment.

ii. Investment in subsidiaries

An external, independent valuation company, having appropriate recognised professional qualifications and experience is used to value NIBTT's investment in subsidiaries. In determining the value of subsidiaries, three (3) valuation methods were considered. The three valuation approaches are income approach, market approach and asset (or cost) approach. The approach best suited to each subsidiary is used to value NIBTT investment in subsidiaries at year end.

iii. Investment properties and property, plant and equipment at fair value

An external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, was used by NIBTT to value its investment property portfolio. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly.

THE NATIONAL INSURANCE BOARD OF TRINIDAD AND TOBAGO

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

(Expressed in Trinidad and Tobago Dollars)
(Continued)

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

n. **Determination of fair values (continued)**

iv. **Other**

The carrying amounts of financial assets and liabilities, included under other assets, cash and cash equivalents and other liabilities, approximate their fair values because of the short-term maturities on these instruments. The carrying values of fixed deposits are assumed to approximate fair value due to their term to maturity not exceeding one year.

o. **Revenue recognition**

i. **Contribution (policy applicable from 1 July 2018)**

Contribution income is generally accounted for on the cash basis. An accrual is made at the statement of financial position date to take account of employers that have not settled amounts due up to the statement of financial position date. The amount due is estimated using the average of payments made for the past twelve months and applying the average contribution amount to the periods not paid by reference to the date last paid. An expected credit loss is recognised on contributions receivable.

ii. **Contribution (policy applicable prior to 1 July 2018)**

Contribution income is generally accounted for on the cash basis. An accrual is made at the statement of financial position date to take account of all collections up to 15 July of the following year that relate to the current year. Where the 15 July occurs on a weekend or public holiday, the following working day will be used to process the accrual. Contribution arrears and related penalty and interest are recognised when received as a result of uncertainty in collection and the challenge in estimating and determining contributors in default.

iii. **Interest income (policy applicable from 1 July 2018)**

Interest income is recognised using the effective interest method. Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

- Purchased or originated credit-impaired financial assets, for which the original credit-adjusted effective interest rate is applied to the amortised cost of the financial asset.
- Financial assets that are not purchased or originated credit-impaired but have subsequently become credit-impaired, for which interest revenue is calculated by applying the effective interest rate to their amortised cost i.e. net of the expected credit loss provision.

THE NATIONAL INSURANCE BOARD OF TRINIDAD AND TOBAGO

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

(Expressed in Trinidad and Tobago Dollars)

(Continued)

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

o. **Revenue recognition (continued)**

iv. **Interest income (policy applicable prior to 1 July 2018)**

Income from investments is accounted for on the accrual basis. Interest from commercial loans and debentures is not accrued where instalments are in arrears for more than twelve months.

p. **Benefits**

Benefit expenditure is generally accounted for on a cash basis. Benefits paid in the final month of the year which relate to the following year are reflected as a prepayment at the statement of financial position date.

q. **Significant accounting estimates and judgements**

The preparation of these special purpose financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future. These assumptions include the following and are further described within the respective notes:

- Impairment losses on contributions receivable
- Fair valuation of financial assets
- Post-employment benefits

THE NATIONAL INSURANCE BOARD OF TRINIDAD AND TOBAGO

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

(Expressed in Trinidad and Tobago Dollars)

(Continued)

5. Property, plant and equipment

	Land freehold/ leasehold buildings S'000	Machinery equipment furniture and fittings S'000	Motor vehicles S'000	Art S'000	Total S'000
Year ended 30 June 2019					
Cost/valuation at beginning of year	513,307	84,272	3,473	1,295	602,347
Purchases	6,487	1,414	1,799	-	9,700
Revaluation	(208,460)	-	-	-	(208,460)
Adjustments/transfers	<u>166</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>166</u>
At the end of year	<u>311,500</u>	<u>85,686</u>	<u>5,272</u>	<u>1,295</u>	<u>403,753</u>
Accumulated depreciation at beginning of year	20,558	58,482	2,879	91	82,010
Current year charge	10,422	4,445	783	94	15,744
Revaluation	(14,044)	-	-	-	(14,044)
Disposal/adjustments	<u>57</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>57</u>
At the end of year	<u>16,993</u>	<u>62,927</u>	<u>3,662</u>	<u>185</u>	<u>83,767</u>
Net book value	<u>294,507</u>	<u>22,759</u>	<u>1,610</u>	<u>1,110</u>	<u>319,986</u>
Year ended 30 June 2018					
Cost/valuation at beginning of year	504,004	85,498	3,299	1,295	594,096
Purchases	19,193	2,226	-	-	21,419
Transfers	-	-	-	-	-
Revaluation/(disposal)	-	-	-	-	-
Adjustments/transfers	<u>(9,890)</u>	<u>(3,452)</u>	<u>174</u>	<u>-</u>	<u>(13,168)</u>
At the end of year	<u>513,307</u>	<u>84,272</u>	<u>3,473</u>	<u>1,295</u>	<u>602,347</u>
Accumulated depreciation at beginning of year	10,649	54,394	2,096	3	67,142
Current year charge	9,909	4,903	783	88	15,683
Revaluation	-	-	-	-	-
Disposal/adjustments	<u>-</u>	<u>(815)</u>	<u>-</u>	<u>-</u>	<u>(815)</u>
At the end of year	<u>20,558</u>	<u>58,482</u>	<u>2,879</u>	<u>91</u>	<u>82,010</u>
Net book value	<u>492,749</u>	<u>25,790</u>	<u>594</u>	<u>1,204</u>	<u>520,337</u>

Note:

Valuation of land and freehold and leasehold buildings has been expressed by way of open market values as determined by valuations conducted by independent professional valuers every 3 years.

THE NATIONAL INSURANCE BOARD OF TRINIDAD AND TOBAGO

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

(Expressed in Trinidad and Tobago Dollars)
(Continued)

6. Investment properties

	1 July 2019 \$'000	Additions \$'000	Depreciation in fair value \$'000	Adjustments \$'000	2019 \$'000
Buildings	94,300	-	(10,800)	-	83,500
Land	<u>230,400</u>	<u>-</u>	<u>(32,550)</u>	<u>-</u>	<u>197,850</u>
	<u>324,700</u>	<u>-</u>	<u>(43,350)</u>	<u>-</u>	<u>281,350</u>
	1 July 2018 \$'000	Additions \$'000	Depreciation in fair value \$'000	Adjustments \$'000	2018 \$'000
Buildings	97,850	-	(3,550)	-	94,300
Land	<u>230,900</u>	<u>-</u>	<u>(500)</u>	<u>-</u>	<u>230,400</u>
	<u>328,750</u>	<u>-</u>	<u>(4,050)</u>	<u>-</u>	<u>324,700</u>

Rental income from investment properties during the year amounted to \$7.78 million (2018: \$6.8 million). Direct operating expenses incurred on investment properties during the year amounted to \$5.9 million (2018: \$0.4 million).

The valuation of the investment properties was conducted as at June 2019 by an independent professional valuator in accordance with the Royal Institute of Chartered Surveyors valuation – professional standards.

The Income Approach which considers a property's potential cash flow and analyses the present worth of the anticipated future benefits to the owner over an assumed holding period was the methodology used to value the buildings.

The market approach and residual technique were utilised for the valuation of land. The market approach measures the value of a property by comparing recent sales or offerings of similar or substitute property and related market data. The residual technique begins with an estimate of gross proceeds of sale that are expected from the sale of developed lots in the proposed sub-division. All costs (hard and soft) associated with the development of the proposed sub-division, together with an allowance for entrepreneurial profit are then deducted from the estimated gross proceeds of sale. Development costs obtained from engineers and entrepreneurial profit is based on discussions with developers. This technique was utilised in the valuation of the lands at Palmiste.

For all other properties where the market approach was adopted the value in the special purpose financial statements are based on its highest and best use.

THE NATIONAL INSURANCE BOARD OF TRINIDAD AND TOBAGO

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

(Expressed in Trinidad and Tobago Dollars)
(Continued)

7. Investment in subsidiary companies

The investments in subsidiary companies comprise the following companies reported at fair value:

	2019 \$'000	2018 \$'000
NIPDEC	182,000	228,636
TTMF	566,610	673,229
HMB	<u>1,015,000</u>	<u>1,090,000</u>
	<u>1,763,610</u>	<u>1,991,865</u>

Movement in the carrying value of investments in subsidiaries is as follows:

2019	NIPDEC \$'000	TTMF \$'000	HMB \$'000	Total \$'000
Balance as at 30 June 2018	228,636	673,229	1,090,000	1,991,865
Market value adjustments	<u>(46,636)</u>	<u>(106,619)</u>	<u>(75,000)</u>	<u>(228,255)</u>
Balance as at 30 June 2019	<u>182,000</u>	<u>566,610</u>	<u>1,015,000</u>	<u>1,763,610</u>
2018	NIPDEC \$'000	TTMF \$'000	HMB \$'000	Total \$'000
Balance as at 30 June 2017	263,314	550,134	1,187,040	2,000,488
Market value adjustments	<u>(34,678)</u>	<u>123,095</u>	<u>(97,040)</u>	<u>(8,623)</u>
Balance as at 30 June 2018	<u>228,636</u>	<u>673,229</u>	<u>1,090,000</u>	<u>1,991,865</u>

The cost of investment in subsidiaries is as follows:

2019	NIPDEC \$'000	TTMF \$'000	HMB \$'000	Total \$'000
Balance as at 30 June 2018	25,000	7,200	496,404	528,604
Purchases	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Balance as at 30 June 2019	<u>25,000</u>	<u>7,200</u>	<u>496,404</u>	<u>528,604</u>
2018	NIPDEC \$'000	TTMF \$'000	HMB \$'000	Total \$'000
Balance as at 30 June 2017	25,000	7,200	496,404	528,604
Purchases	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Balance as at 30 June 2018	<u>25,000</u>	<u>7,200</u>	<u>496,404</u>	<u>528,604</u>

THE NATIONAL INSURANCE BOARD OF TRINIDAD AND TOBAGO

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

(Expressed in Trinidad and Tobago Dollars)

(Continued)

8. Investment securities	2019 \$'000	2018 \$'000
Fair value through profit or loss:		
Bonds (8 i.)	8,974,082	8,531,244
Equities (8 ii.)	12,724,451	10,885,825
Mutual funds (8 iii)	688,218	906,922
Fixed deposits	—	550,039
Amortised cost:		
Treasury bills	335,594	—
Fixed deposits	<u>663,365</u>	<u>—</u>
	<u>23,385,710</u>	<u>20,874,030</u>

The analysis below shows the composition of the various investment categories.

i. Bonds		
Foreign	735,396	747,400
Government	4,971,382	5,212,290
Corporate	<u>3,267,304</u>	<u>2,571,554</u>
	<u>8,974,082</u>	<u>8,531,244</u>

Local and corporate bonds earn interest at rates varying between to 1.50% and 12.25% (2018: 1.5% and 12.25%).

ii. Equities		
Quoted		
Foreign	3,846,481	3,639,725
Local	8,443,355	6,811,244
Unquoted	<u>434,615</u>	<u>434,856</u>
	<u>12,724,451</u>	<u>10,885,825</u>
iii. Mutual funds		
Quoted		
Foreign	67,754	90,567
Local	566,894	763,582
Unquoted	<u>53,570</u>	<u>52,773</u>
	<u>688,218</u>	<u>906,922</u>

THE NATIONAL INSURANCE BOARD OF TRINIDAD AND TOBAGO

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

(Expressed in Trinidad and Tobago Dollars)
(Continued)

8. Investment securities (continued)

The following table shows an analysis of investment securities recorded at fair value by level of fair value hierarchy:

30 June 2019 – IFRS 9	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Bonds	687,289	8,286,793	–	8,974,082
Equities	12,289,836	432,965	1,650	12,724,451
Mutual funds	<u>136,255</u>	<u>498,393</u>	<u>53,570</u>	<u>688,218</u>
	<u>13,113,380</u>	<u>9,218,151</u>	<u>55,220</u>	<u>22,386,751</u>
30 June 2018	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Bonds	821,958	7,709,286	–	8,531,244
Equities	10,450,969	378,106	56,750	10,885,825
Mutual funds	854,149	–	52,773	906,922
Fixed deposits	<u>–</u>	<u>–</u>	<u>550,039</u>	<u>550,039</u>
	<u>12,127,076</u>	<u>8,087,392</u>	<u>659,562</u>	<u>20,874,030</u>

The following table shows a reconciliation of all movement in the fair value of investment securities categorised within level 3 between the beginning and end of the reporting year:

	2019 \$'000	2018 \$'000
Balance at the beginning of the year	659,562	224,972
Purchases	–	1,203,228
Transfers/Repayments	(605,139)	(773,681)
Net unrealised gain	<u>797</u>	<u>5,043</u>
Balance at the end of the year	<u>55,220</u>	<u>659,562</u>

THE NATIONAL INSURANCE BOARD OF TRINIDAD AND TOBAGO

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

(Expressed in Trinidad and Tobago Dollars)
(Continued)

9. **Mortgage advances**

Mortgage balances are stated net of specific allowance for non-performing advances as follows:

	2019 \$'000	2018 \$'000
Gross mortgage advances	50,596	49,976
Specific allowance for non-performing advances (ECL stage 3)	<u>(48,458)</u>	<u>(49,236)</u>
	<u>2,138</u>	<u>740</u>

The movement in the specific allowance for non-performing advances was as follows:

	2019 \$'000	2018 \$'000
Balance as at beginning of the year	49,236	51,746
Movement for the year	<u>(778)</u>	<u>(2,510)</u>
Balance as at end of the year	<u>48,458</u>	<u>49,236</u>

Mortgage advances earn interest at an average effective rate of 8.00% (2018: 8.00%).

10. **Property being developed for sale**

In 2004, the NIBTT commenced development of a residential gated community in D'Abadie, O'Meara known as Riverwoods comprising of single-family homes and townhouses. The development was successfully completed in 2017.

	2019 \$'000	2018 \$'000
The carrying value of properties being developed for sale was arrived at as follows:		
Cost as at 1 July	16,030	23,379
Units sold	<u>(3,381)</u>	<u>(17,179)</u>
	12,649	6,200
Additional units for sale	<u>-</u>	<u>9,830</u>
	<u>12,649</u>	<u>16,030</u>

THE NATIONAL INSURANCE BOARD OF TRINIDAD AND TOBAGO

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

(Expressed in Trinidad and Tobago Dollars)
(Continued)

10. Property being developed for sale (continued)	2019 \$'000	2018 \$'000
The movement in the provision for diminution in value of property being developed for sale:		
Provision as at 1 July	—	4,670
Movement for the year	—	<u>(4,670)</u>
Provision at end of year	—	—
11. Other assets		
Investment income receivable	86,617	75,008
Sundry debtors	56,572	87,677
Prepayments	376,088	345,934
Contributions receivable	<u>410,889</u>	<u>363,163</u>
	<u>930,166</u>	<u>871,782</u>
<u>Contributions receivable – IFRS 9</u>		
Gross contributions receivable	447,292	
Less: Expected credit losses	<u>(36,403)</u>	
	<u>410,889</u>	
The movement in the expected credit losses per IFRS 9 is as follows:		
Balance – beginning of year	—	
Impact of adopting IFRS 9	35,760	
Movement during the year	<u>643</u>	
Balance – end of year	<u>36,403</u>	
<u>Claims receivable: Clico Investment Bank Limited (CIB)</u>		
Gross amount	313,639	335,419
Provision for impairment	<u>(313,639)</u>	<u>(335,419)</u>
Carrying amount	—	—

THE NATIONAL INSURANCE BOARD OF TRINIDAD AND TOBAGO

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

(Expressed in Trinidad and Tobago Dollars)
(Continued)

11. Other assets (continued)

Over the period September 2008 to January 2009, the NIBTT deposited sums of money with Clico Investment Bank Limited (CIB) as Investment Note Certificates (INC). In November 2009, legal action was initiated by the NIBTT due to breach on the part of CIB claiming the sums of US\$102,506,129 and TT\$46,493,563. On 27 September 2011, judgement was awarded in favour of the NIBTT in the sums of both claims with interest at the rate of 6% per annum from the dates of maturity of each deposit to the date of judgement.

On or about October 2011, CIB was placed in compulsory liquidation and Deposit Insurance Corporation (DIC) appointed Liquidator.

By letters dated 31 July 2017, the DIC acknowledged and admitted the NIBTT's claims up to date of appointment of the Liquidator (17 October 2011) as follows:

- TT\$45,200,876 and TT\$6,577,051 principal and interest respectively; and
- US\$99,652,121 and US\$14,943,218 principal and interest respectively.

DIC also advised that these amounts have been admitted by the Liquidator and are listed among the other unsecured creditors of Clico Investment Bank Limited – In Compulsory Liquidation for which settlement can take place only after the secured creditors have been settled. In light of this, the NIBTT has adopted a prudent approach and maintained the full provision on this debt established in 2013. The NIBTT remains committed to exhausting all efforts to recover this debt.

By letter dated 18 April, 2018 the DIC advised that, pursuant to the Order of the High Court (CV2010-01442) dated 25 January 2018, the Liquidator has been ordered to pay liability instruments:

- i. Interest at a rate of 6% per annum to those creditors previously entitled to a contractual rate of more than 6% per annum, and to maintain the original rate where that rate of interest was less than 6% per annum, up to the date of the Winding Up Order namely, 17 October 2011.

The Liquidator has also been ordered to:

- ii. Convert to Trinidad and Tobago Dollars all foreign currency instruments as at the date of the Winding Up Order namely, 17 October 2011 and to make any and all dividend distribution in Trinidad and Tobago Dollars.

As a direct result of the above on 1 May 2018 an amount of TT\$358,177,860 was received and a second payment on 14 May 2018 to the value of TT\$46,367,839 was also recovered totalling \$404,545,699.

THE NATIONAL INSURANCE BOARD OF TRINIDAD AND TOBAGO

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

(Expressed in Trinidad and Tobago Dollars)
(Continued)

11. Other assets (continued)

Also in the year ended 30 June 2019, on 4 December 2018 an amount of TT\$18,568,106 was received and a second payment on 10 December 2018 to the value of TT\$2,403,730 was also recovered totalling \$20,971,836. Foreign exchange loss of \$809,000 was recorded as at 30 June 2019 in relation to the balance receivable.

12. Cash and cash equivalents	2019 S'000	2018 S'000
Cash at bank (TT\$)	1,965,228	2,776,470
Cash at bank (US\$)	86,122	167,764
Money Market Fund (TT\$)	2,514	2,487
Money Market Fund (US\$)	<u>364,574</u>	<u>441,154</u>
	<u>2,418,438</u>	<u>3,387,875</u>

13. Benefits fund

The benefits fund comprise the following funds:

- Long-term benefits fund which is held to cover retirement pensions, retirement grants, invalidity and survivors' benefits for qualifying persons.
- Short-term benefits fund which is held to cover sickness and maternity benefits and funeral grants for qualifying persons.
- Employment injury benefits fund which is held to cover employment injury benefits to eligible insured persons.

As described in Notes 2 and 4, the benefits fund balances do not represent NIBTT's liability to beneficiaries but instead reflects the allocation of the accumulated fund based on the application of certain ratios as advised by NIBTT's Actuary.

14. Revaluation reserve

The revaluation reserve reflects gains or losses on revaluation of freehold properties.

	2019 S'000	2018 S'000
Opening balance for the year	<u>72,624</u>	<u>72,624</u>
Closing balance for the year	<u>72,624</u>	<u>72,624</u>

THE NATIONAL INSURANCE BOARD OF TRINIDAD AND TOBAGO

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

(Expressed in Trinidad and Tobago Dollars)
(Continued)

	2019 \$'000	2018 \$'000
15. Other liabilities		
Sundry creditors and accruals	74,668	77,326
Provision for other payables	<u>15,704</u>	<u>16,618</u>
	<u>90,372</u>	<u>93,944</u>

16. Post-employment benefit

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

	2019 \$'000	2018 \$'000
<i>Net asset in statement of financial position</i>		
Present value of defined benefit obligation	979,692	967,372
Fair value of assets	<u>(997,542)</u>	<u>(973,908)</u>
Net defined benefit asset	<u>(17,850)</u>	<u>(6,536)</u>
<i>Movement in present value of defined benefit obligation</i>		
Defined benefit obligation at start of year	967,372	960,938
Current service cost	24,410	21,410
Interest cost	52,023	51,783
Members' contributions	4,180	6,735
Re-measurements		
-Experience adjustments	(24,724)	(34,099)
Benefits paid	<u>(43,569)</u>	<u>(39,395)</u>
Defined benefit obligation at end of year	<u>979,692</u>	<u>967,372</u>

The defined benefit obligation is allocated between the Plan's members as follows:

	2019	2018
Active	54%	54%
Deferred members	1%	1%
Pensioners	45%	45%

The weighted average duration of the defined benefit obligation 15.6 years.

97% of the value of the benefits for active members is vested.

24% of the defined benefit obligation for active members is conditional on future salary increases.

THE NATIONAL INSURANCE BOARD OF TRINIDAD AND TOBAGO

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

(Expressed in Trinidad and Tobago Dollars)

(Continued)

16. Post-employment benefit (continued)	2019 \$'000	2018 \$'000
<i>Movement in fair value of plan assets</i>		
Fair value of plan assets at start of year	973,908	949,804
Interest income	52,814	51,792
Return on plan assets, excluding interest income	(1,494)	(11,205)
Board contributions	11,703	16,177
Members' contributions	4,180	6,735
Benefits paid	<u>(43,569)</u>	<u>(39,395)</u>
Fair value of plan assets at end of year	<u>997,542</u>	<u>973,908</u>
Actual return on plan assets	<u>51,320</u>	<u>40,587</u>
<i>Asset allocation</i>		
Regionally listed equities (prices quoted on regional exchanges)	242,019	228,112
Overseas equities (developed markets outside of CARICOM)	148,058	143,881
TT\$ Gov't and Gov't Guaranteed bonds (no quoted market prices)	488,366	486,167
TT\$ corporate bonds (no quoted market prices)	73,544	66,788
US\$ bonds (no quoted market prices)	21,942	21,466
Mortgages (no quoted market prices)	97	91
Local equity/income mutual fund	3,965	3,901
Cash and cash equivalents	<u>19,551</u>	<u>23,502</u>
Fair value of plan assets at end of year	<u>997,542</u>	<u>973,908</u>

All asset values as at 30 June 2019 were provided by the Plan's Investment Manager (First Citizens Asset Management Limited).

The majority of the Plan's government bonds were issued by the Government of Trinidad and Tobago, which also guarantees many of the corporate bonds held by the Plan.

	2019 \$'000	2018 \$'000
<i>Expense recognised in profit or loss</i>		
Current service cost	24,410	21,410
Net Interest on net defined benefit liability	<u>(791)</u>	<u>(9)</u>
Net pension cost	<u>23,619</u>	<u>21,401</u>

THE NATIONAL INSURANCE BOARD OF TRINIDAD AND TOBAGO

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

(Expressed in Trinidad and Tobago Dollars)
(Continued)

	2019	2018
	\$'000	\$'000
16. Post-employment benefit (continued)		
<i>Re-measurements recognised in comprehensive income</i>		
Experience gains	(23,230)	(22,894)
Effect of asset ceiling	—	—
Total amount recognised in comprehensive income	<u>(23,230)</u>	<u>(22,894)</u>
<i>Reconciliation of opening and closing statement of financial position entries</i>		
Opening defined benefit (asset)/liability	(6,536)	11,134
Net pension cost	23,619	21,401
Re-measurements recognised in comprehensive income	(23,230)	(22,894)
Board contributions paid	<u>(11,703)</u>	<u>(16,177)</u>
Closing defined benefit asset	<u>(17,850)</u>	<u>(6,536)</u>
	2019	2018
Discount rate	5.5%	5.5%
General salary increases	4.0%	4.0%
Salary increases due to age, merit and promotion	1.0%	1.0%
Total individual salary increases	5.0%	5.0%
Future pension increases	3.0%	3.0%
Life expectancy at age 60 for current pensioner in years		
-Male	21.0	21.0
-Female	25.1	25.1
Life expectancy at age 60 for current members age 40 in years		
-Male	21.4	21.4
-Female	25.4	25.4
<i>Sensitivity analysis</i>	1%pa lower	1%pa higher
	\$000	\$000
Discount rate	165,388	162,885
Future salary increases	(28,036)	(29,229)
Future pension increases	(101,165)	(98,746)

An increase of 1 year in the assumed life expectancies shown above would increase the defined benefit obligation at 30 June 2019 by \$23.7 million (2018: \$22.7 million).

These sensitivities were calculated by re-calculating the defined benefit obligations using the revised assumptions.

THE NATIONAL INSURANCE BOARD OF TRINIDAD AND TOBAGO

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

(Expressed in Trinidad and Tobago Dollars)

(Continued)

16. Post-employment benefit (continued)

Funding

NIBTT meets the balance of the cost of funding the defined benefit pension plan and must pay contributions at least equal to those paid by members, which are fixed. The funding requirements are based on regular (at least every 3 years) actuarial valuations of the plan and the assumptions used to determine the funding required may differ from those set out above. NIBTT expects to pay contributions of \$12.2 million to the pension plan during 2019/20. However this amount could increase if outstanding pay negotiations are completed during the year.

17. Net realised investment income	2019 \$'000	2018 \$'000
Interest income	410,827	378,714
Recovery of investment note certificates (CIB) (Note 11)	21,780	404,546
Dividend income	600,618	384,684
Rental income	7,783	6,791
Miscellaneous income	5,936	3,778
Income – mutual funds	16,850	17,175
Income – foreign equity	87,887	70,488
Income – foreign bonds	25,759	18,106
Gain on sale of foreign equities	84,627	692,958
Loss from foreign exchange	(4,179)	(13,069)
Gain/(loss) on sale of mutual funds	<u>31,154</u>	<u>(4,167)</u>
Total realised investment income	1,289,042	1,960,004
Investment (expense)/income	<u>(34,826)</u>	<u>31,239</u>
Net realised investment income	<u>1,254,216</u>	<u>1,991,243</u>
18. Net unrealised investment income/(loss)		
Local equity	816,976	148,140
Foreign equity	129,073	(285,048)
Mutual funds	(2,493)	2,929
Investment property valuation	–	(4,050)
Foreign bonds	23,724	(24,408)
Local bonds	<u>9,625</u>	<u>10,524</u>
	<u>976,905</u>	<u>(151,913)</u>

THE NATIONAL INSURANCE BOARD OF TRINIDAD AND TOBAGO

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

(Expressed in Trinidad and Tobago Dollars)

(Continued)

	2019	2018
	\$'000	\$'000
19. Staff salaries, allowances and benefits		
Pension contributions	11,703	11,281
Salaries and other related expenses	116,559	113,761
Group health plan	2,144	2,208
National insurance contributions	7,119	7,011
Training	1,274	759
Travelling and subsistence	1,055	1,186
Other	<u>391</u>	<u>417</u>
	<u>140,245</u>	<u>136,623</u>
20. Other expenses		
Janitorial	4,139	2,888
Advertising and publicity	1,699	1,338
Bank charges	1,774	1,709
Electricity	2,400	3,397
Insurance	2,598	2,094
Legal and professional	12,808	6,529
Printing stationery and office supplies	2,625	2,126
Rent	6,380	6,627
Repairs and maintenance - equipment	2,402	2,680
Repairs and maintenance - premises	5,119	5,540
Security	8,485	8,088
Pension administration	2,742	4,256
Telephone	1,609	7,237
Other	<u>7,200</u>	<u>6,252</u>
	<u>61,980</u>	<u>60,761</u>

As at 30 June 2019, administrative expenses amounted to 4.67% (2018: 4.58%) of contribution income and this did not exceed the limit established by NIBTT of 7.5%.

21. Contingent liabilities and capital commitments

i. Pending litigation and outstanding appeals

As at 30 June 2019, there were certain legal proceedings outstanding against NIBTT. No provision has been made as professional advice indicates that it is unlikely that any significant loss will arise.

ii. Industrial relations

A provision of \$36 million (2018: \$20.3 million) has been made in the accounts for wage negotiations up to June 2018 for bargaining units A & B staff.

THE NATIONAL INSURANCE BOARD OF TRINIDAD AND TOBAGO

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

(Expressed in Trinidad and Tobago Dollars)
(Continued)

22. **Related party transactions and balances**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions. These transactions were carried out on normal terms and conditions at market rates.

The following table provides the total amount of balances and transactions, which have been entered into with related parties for the relevant financial year.

i. *Transactions with related parties*

During the years ended 30 June 2019 and 2018, NIBTT carried out the following significant transactions with related parties during the course of normal operations:

	2019 \$'000	2018 \$'000
Net investments/(redemptions) in debt of subsidiary companies	27,000	16,795
Interest received	<u>275,948</u>	<u>62,057</u>
	<u>302,948</u>	<u>78,852</u>

ii. *Balances due from related parties*

The amounts due from related companies comprise of the following:

Balance due	<u>378,007</u>	<u>378,511</u>
-------------	----------------	----------------

iii. *Transactions with key management personnel*

In addition to their salaries, NIBTT also provides non-cash benefits to executive officers and contributions to a post-employment defined benefit plan on their behalf. The key management personnel compensations are as follows:

	2019 \$'000	2018 \$'000
Short-term employee benefits	4,880	3,477
Post-employment benefits	<u>1,900</u>	<u>1,900</u>
Balance due	<u>6,780</u>	<u>5,377</u>

THE NATIONAL INSURANCE BOARD OF TRINIDAD AND TOBAGO

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

(Expressed in Trinidad and Tobago Dollars)

(Continued)

23. **Taxation**

The fund was established under the laws of Trinidad and Tobago and is not subject to income, capital gains or other corporate taxes. The fund's operations do not subject it to taxation in any other jurisdictions, except for withholding taxes imposed by certain countries on investment income and capital gains for investments domiciled in those countries.

24. **Financial risk management**

The NIBTT's activities expose it to credit risk, liquidity risk and market risk. Its principal financial instruments comprise investment securities, mortgage advances, other assets and cash and cash equivalents.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. NIBTT is mainly exposed to credit risk with respect to its investment securities (excluding equities), mortgage advances, other assets and cash and cash equivalents. Credit risk is the single largest risk for the Board due to the magnitude of the balances of these assets; management therefore carefully manages its exposure to credit risk. The executive management team therefore carefully manages its exposure to credit risk and reports to the Board of Directors regularly. The Board has established a credit quality review process involving regular analysis of the ability of borrowers and other counterparties to meet interest and capital repayment obligations.

The Board limits its exposure to credit risk by investing in liquid securities and with counterparties that have high credit quality. As a consequence, management's expectation of default is low. The Board limits its exposure with respect to its investment portfolio by investing only in securities issued by the Government of Trinidad and Tobago or institutions with high credit worthiness. The Board has documented investment policies which facilitate the management of credit risk on investment securities and resale agreements. The Board's exposure and the credit ratings of its counterparties are continually monitored.

In respect to the mortgage portfolio, constant monitoring is also employed. The necessary contact with mortgagors is maintained to ensure that payments are received in a timely manner, where necessary mortgage re-scheduling is done, which considers the borrowers new financial position. In the event where recovery may seem doubtful, specific loss allowances are made.

Exposure to credit risk on receivables is managed through regular analysis of the ability of continuing customers and new customers to meet repayment obligations.

Cash and cash equivalents are held in financial institutions which management regards as strong and there is no significant concentration. The strength of these financial institutions is continually reviewed by the Mark to Market Committee.

THE NATIONAL INSURANCE BOARD OF TRINIDAD AND TOBAGO

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

(Expressed in Trinidad and Tobago Dollars)
(Continued)

24. Financial risk management (continued)

Credit risk (continued)

The carrying amount of investment securities (excluding equities), mortgage advances, other assets and cash and cash equivalents represent the maximum credit exposure. The following table shows the maximum exposure to credit risk without taking account of any collateral or other credit enhancements:

	2019 \$'000	2018 \$'000
Bonds		
Mutual funds	8,974,082	8,531,244
Treasury bills	688,218	906,922
Fixed deposits	335,594	-
Mortgage advances	663,365	550,039
Contributions receivable	2,138	740
Other assets	410,889	363,163
Cash and cash equivalents	519,277	508,619
	<u>2,418,438</u>	<u>3,387,875</u>
Total credit risk exposure	<u>14,012,001</u>	<u>14,248,602</u>

Where financial instruments are recorded at fair value the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

The maximum exposure to credit risk for investment securities (excluding equities), mortgage advances, other assets and cash and cash equivalents at the reporting date by location was:

	2019 \$'000	2018 \$'000
Trinidad and Tobago	12,873,256	13,410,635
North America	<u>1,138,745</u>	<u>837,967</u>
Total geographic concentration	<u>14,012,001</u>	<u>14,248,602</u>

THE NATIONAL INSURANCE BOARD OF TRINIDAD AND TOBAGO

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

(Expressed in Trinidad and Tobago Dollars)

(Continued)

24. **Financial risk management (continued)**

Credit risk (continued)

The Board applied the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all contributions receivables.

To measure the expected credit losses, contribution receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of contributions over a period of 36 months before 30 June 2019 and the corresponding historical credit losses experienced within this year. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of registered employers to settle the receivables. The Board has identified the GDP and the unemployment rate to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Contribution receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Board, and a failure to make payments for a period of greater than 365 days past due. Impairment losses on contribution receivables are presented as net impairment losses within administrative expenditure. Subsequent recoveries of amounts previously written off are credited against the same line item.

Contribution receivables were not previously assessed for impairment.

THE NATIONAL INSURANCE BOARD OF TRINIDAD AND TOBAGO

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

(Expressed in Trinidad and Tobago Dollars)

(Continued)

24. Financial risk management (continued)

Credit risk (continued)

On that basis, the loss allowance as at 30 June 2019 and 1 July 2018 (on adoption of IFRS 9) was determined as follows:

	ECL rate %	Gross contributions receivable \$'000	ECL allowance \$'000	Net contributions receivable \$'000
30 June 2019				
Current	0.45	368,819	1,675	367,144
More than 30 days	8.83	18,291	1,614	16,677
More than 60 days	28.81	12,593	3,628	8,965
More than 90 days	43.51	23,123	10,065	13,058
More than 180 days	67.86	15,697	10,652	5,045
More than 365 days	100.00	<u>8,769</u>	<u>8,769</u>	<u>-</u>
		<u>447,292</u>	<u>36,403</u>	<u>410,889</u>
1 July 2018				
Current	0.49	330,456	1,603	328,853
More than 30 days	8.98	15,020	1,349	13,671
More than 60 days	26.67	8,074	2,315	5,759
More than 90 days	45.17	18,562	8,385	10,177
More than 180 days	69.80	15,572	10,869	4,703
More than 365 days	100.00	<u>11,239</u>	<u>11,239</u>	<u>-</u>
		<u>398,923</u>	<u>35,760</u>	<u>363,163</u>

THE NATIONAL INSURANCE BOARD OF TRINIDAD AND TOBAGO

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

(Expressed in Trinidad and Tobago Dollars)
(Continued)

24. Financial risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Board will encounter difficulty in meeting obligations associated with financial instruments when they fall due under normal and stress circumstances. To mitigate this risk the daily liquidity position for both operational and the payment of benefits is monitored to ensure that the bank accounts are adequately serviced. Transfers are done between bank accounts and the excess of contribution income over benefit payments are taken up and invested to earn above average interest rate margins through investing in high quality, high yielding assets with acceptable risk.

Parliament mandated that benefit payments be made from current monthly contributions as per the National Insurance Act.

The table below analyses the undiscounted cash flows of the Board's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date.

30 June 2019	Up to one year \$'000	One to five years \$'000	Over five years \$'000	Total \$'000
Financial assets				
Other liabilities	<u>90,372</u>	<u>—</u>	<u>—</u>	<u>90,372</u>
	<u>90,372</u>	<u>—</u>	<u>—</u>	<u>90,372</u>
30 June 2018	Up to one year \$'000	One to five years \$'000	Over five years \$'000	Total \$'000
Financial assets				
Other liabilities	<u>93,944</u>	<u>—</u>	<u>—</u>	<u>93,944</u>
	<u>93,944</u>	<u>—</u>	<u>—</u>	<u>93,944</u>

THE NATIONAL INSURANCE BOARD OF TRINIDAD AND TOBAGO

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

(Expressed in Trinidad and Tobago Dollars)
(Continued)

24. Financial risk management (continued)

Market risk – interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Board is primarily exposed to interest rate risk with respect to its fixed rate debentures, government securities and bonds.

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

Asset allocation - 2019	<1 mth \$'000	1-3 mths \$'000	3 mths- 1 yr \$'000	1 yr- 5 yrs \$'000	Over 5 yrs \$'000	Non- interest bearing \$'000	Total \$'000
Bonds	24,978	95,582	779,484	3,738,186	4,335,852	-	8,974,082
Treasury bills	-	134,662	200,932	-	-	-	335,594
Fixed deposits	-	180,000	483,365	-	-	-	663,365
Equities	-	-	-	-	-	12,724,451	12,724,451
Mutual funds	-	-	-	-	-	688,218	688,218
Other assets	-	-	-	-	-	930,166	930,166
Cash and cash equivalents	1,734,074	367,089	-	-	-	317,275	2,418,438
Total	1,759,052	777,333	1,463,781	3,738,186	4,335,852	14,660,110	26,734,314

Asset allocation - 2018	<1 mth \$'000	1-3 mths \$'000	3 mths- 1 yr \$'000	1 yr- 5 yrs \$'000	Over 5 yrs \$'000	Non- interest bearing \$'000	Total \$'000
Bonds	178,320	160,012	679,890	2,820,092	4,692,930	-	8,531,244
Fixed deposits	-	24,515	525,524	-	-	-	550,039
Equities	-	-	-	-	-	10,885,825	10,885,825
Mutual funds	-	-	-	-	-	906,922	906,922
Other assets	-	-	-	-	-	871,782	871,782
Cash and cash equivalents	2,502,728	626,180	-	-	-	258,967	3,387,875
Total	2,681,048	810,707	1,205,414	2,820,092	4,692,930	12,923,496	25,133,687

THE NATIONAL INSURANCE BOARD OF TRINIDAD AND TOBAGO

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019
(Expressed in Trinidad and Tobago Dollars)
(Continued)

24. Financial risk management (continued)

Market risk – interest rate risk (continued)

Fair value sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the year-end would have increase/(decrease) the total funds by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2019 and 2018.

	100bp increase \$'000	100bp decrease \$'000
June 2019	(447,185)	447,185
June 2018	(415,085)	415,085

Market risk – currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Board's exposure to the effects of fluctuations in foreign currency exchange rates arises mainly from its financial assets. The Board has no financial liabilities denominated in currencies other than the reporting currency. The table below summaries the Board's exposure to currency risks:

As at 30 June 2019	TT \$'000	US \$'000	Total \$'000
Assets			
Cash and cash equivalents	1,967,741	450,697	2,418,438
Bonds	6,904,378	2,069,704	8,974,082
Equities	8,557,870	4,166,581	12,724,451
Mutual funds	620,464	67,754	688,218
Fixed deposits	663,365	-	663,365
Treasury bills	-	335,594	335,594
Mortgage advances	2,138	-	2,138
Other assets	<u>930,166</u>	<u>-</u>	<u>930,166</u>
Total financial assets	<u>19,646,122</u>	<u>7,090,330</u>	<u>26,736,452</u>

THE NATIONAL INSURANCE BOARD OF TRINIDAD AND TOBAGO

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

(Expressed in Trinidad and Tobago Dollars)

(Continued)

24. Financial risk management (continued)

Market risk – currency risk (continued)

As at 30 June 2018	TT \$'000	US \$'000	Total \$'000
Assets			
Cash and cash equivalents	2,778,957	608,918	3,387,875
Bonds	6,607,456	1,923,788	8,531,244
Equities	6,926,966	3,958,859	10,885,825
Mutual funds	816,355	90,567	906,922
Fixed deposits	550,039	–	550,039
Mortgage advances	740	–	740
Other assets	871,782	–	871,782
Total financial assets	<u>18,552,295</u>	<u>6,582,132</u>	<u>25,134,427</u>

The following significant exchange rates were applied during the year:

	Average mid-rate		Reporting date spot rate	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
USD	6.7476	6.7519	6.7476	6.7519

Sensitivity analysis

A 1% strengthening/weakening of TTD against USD at year end would have decreased/increased the total funds by the amount shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2019 and 2018.

	Total funds year ended 30 June	
	2019 \$'000	2018 \$'000
TTD +/- 1%	70,903	59,215

THE NATIONAL INSURANCE BOARD OF TRINIDAD AND TOBAGO

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

(Expressed in Trinidad and Tobago Dollars)
(Continued)

24. **Financial risk management (continued)**

Market risk – equity price risk

Equity price risk is the risk that investments held in the portfolio will fluctuate due to changes in market price.

The Board invests in financial instruments that are traded on registered exchanges. These securities are susceptible to market price risk arising from uncertainties about future prices of the instruments. The Board has set investment objectives to reduce its market risk by setting limits to its exposure by geographical concentration and industry sector. Through ongoing daily control procedures, management closely monitors the exposure of the Board's investment portfolio to changes in market prices and is therefore able to mitigate the market risk resulting from fluctuations in underlying prices.

The table below summarises the Board's exposure to price risk by geographical concentrations:

	2019 \$'000	2018 \$'000
Trinidad and Tobago	8,877,969	7,246,100
Caribbean territories	58,240	59,500
North America	<u>3,788,242</u>	<u>3,580,225</u>
Total geographic concentration	<u>12,724,451</u>	<u>10,885,825</u>

25. **Staff complement**

The staff complement as at 30 June 2019 was 676 (2018: 645).

26. **Subsequent events**

There were no subsequent events noted by management up to the date of authorisation of the special purpose financial statements that require adjustment to or disclosure in these special purpose financial statements.

THE NATIONAL INSURANCE BOARD OF TRINIDAD AND TOBAGO

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

(Expressed in Trinidad and Tobago Dollars)

(Continued)

27. **Impact of initial application of IFRS 9**

NIBTT has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the special purpose financial statements. NIBTT did not early adopt any of IFRS 9 in previous years. As permitted by the transitional provisions of IFRS 9, NIBTT elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening fund balances of the current year. Consequently, for notes disclosures, the consequential amendments to IFRS 7 disclosures have also only been applied to the current period. The comparative period notes disclosures repeat those disclosures made in the prior year.

The adoption of IFRS 9 has resulted in changes in our accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 'Financial Instruments: Disclosures'.

Classification and measurement of financial assets and liabilities

Under IFRS 9, financial assets are subsequently measured at fair value through profit or loss (FVPL), amortised cost (AC) or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: (i) the business model for managing the assets; and (ii) whether the instruments' contractual cash flows represent 'solely payments of principal and interest'.

The assessment of NIBTT's classification for each group of financial assets was made as of the date of initial application on 1 July 2018. To reflect the differences between IFRS 9 and IAS 39, IFRS 7 Financial Instruments: Disclosures was updated and NIBTT has adopted it, together with IFRS 9, for the year beginning 1 July 2018. Changes include transition disclosures as shown in this Note.

THE NATIONAL INSURANCE BOARD OF TRINIDAD AND TOBAGO

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

(Expressed in Trinidad and Tobago Dollars)
(Continued)

27. Impact of initial application of IFRS 9 (continued)

A reconciliation between the carrying amounts under IAS 39 to the balances reported under IFRS 9 as of 1 July 2018 is, in the statement of financial position as follows:

Financial assets	IAS 39		Remeasurement			IFRS 9	
	Category	Amount \$'000	ECL \$'000	Other \$'000	Reclass \$'000	Amount \$'000	Category
Bonds	FVPL	8,531,244	-	-	-	8,531,244	FVPL
Equities	FVPL	10,885,825	-	-	-	10,885,825	FVPL
Mutual funds	FVPL	906,922	-	-	-	906,922	FVPL
Fixed deposits	FVPL	550,039	-	-	(550,039)	-	AC
Mortgage advances	AC	740	-	-	550,039	740	AC
Other assets:							
Contributions receivable	AC	363,163	(35,760)	35,760	-	363,163	AC
Other receivables	AC	508,619	-	-	-	508,619	AC
Cash and cash equivalents	AC	3,387,875	-	-	-	3,387,875	AC

There were no changes to the classification and measurement of financial liabilities.