

**FAMGUARD CORPORATION LIMITED**

**Consolidated Financial Statements  
31 December 2020**

# **FAMGUARD CORPORATION LIMITED**

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## APPOINTED ACTUARY'S REPORT

### To the Board of Directors and Shareholders of FamGuard Corporation Limited

I have valued the actuarial liabilities and other policy liabilities of FamGuard Corporation Limited for its consolidated statement of financial position at 31 December 2020 and the change in the consolidated statement of comprehensive income for the year ended 31 December 2020 in accordance with generally accepted actuarial practice including selection of appropriate assumptions and methods.

In my opinion, the amount of the actuarial and other policy liabilities makes appropriate provision for all policyholder obligations and the consolidated financial statements of FamGuard Corporation Limited fairly represent the results of the valuation.



Jean Mongrain  
Fellow, Canadian Institute of Actuaries  
Fellow, Society of Actuaries  
Member, Caribbean Actuarial Association  
February 11th, 2021



## Independent auditors' report

To the Shareholders of FamGuard Corporation Limited

### Report on the audit of the consolidated financial statements

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#### Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of FamGuard Corporation Limited (the Company) and its subsidiaries (together 'the Group') as at 31 December 2020, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

#### **What we have audited**

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2020;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

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#### 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 *Auditors' responsibilities for the audit of the consolidated financial statements* section of our report.

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

#### **Independence**

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.



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## Our audit approach

### Overview

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- Overall group materiality: \$959,500, which represents approximately 1% of the net assets of the Group.
  - Full scope audits were performed for the Company as well as the Group's primary operating entity, Family Guardian Insurance Company Limited and one other subsidiary. Audit procedures were performed over specific account balances for the remaining three subsidiaries. Our audit procedures covered approximately 100% of the Group's net assets and approximately 100% of total revenue.
  - Valuation of reserves for future policyholders' benefits
  - Impairment allowance for mortgage loans
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### Audit scope

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Our 2020 audit was planned and executed having regard to the fact that the operations of the Group were largely unchanged from the prior year. In light of this, our overall approach in terms of scoping and key audit matters remain unchanged.

### How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Family Guardian Insurance Company Limited, as the primary operating subsidiary of the Group, was classified as an individually financially significant component based on its overall contribution to the Group and a full scope audit was performed. Due to the nature of its insurance activities, this subsidiary also accounted for both of the key audit matters. Full scope audits were also performed for the Company and one other subsidiary, Family Guardian Insurance Agents and Brokers. For the remaining non-significant components, we performed an audit of specific account balances to ascertain whether any misstatements had occurred that would have a material impact on the consolidated financial statements of the Group.

All audit procedures were performed by PricewaterhouseCoopers Bahamas.



### **Materiality**

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

<b>Overall Group materiality</b>	\$959,500
<b>How we determined it</b>	Approximately 1% of the net assets of the Group
<b>Rationale for the materiality benchmark applied</b>	We considered the Group's financial stability, as represented by the net asset position, to be the most relevant benchmark in determining materiality and because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users and is a generally accepted benchmark. We chose approximately 1% which is within a range of acceptable benchmark thresholds.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above \$47,965 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

### **Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<b>Valuation of reserves for future policyholders' benefits</b>	
<i>See notes 3(r), 4(a) and 9 of the consolidated financial statements for disclosures of related accounting policies, judgements and estimates.</i>	



Reserves for future policyholders' benefits are the most significant provision on the Group's consolidated statement of financial position. As at 31 December 2020, these reserves totalled \$230,278,175 which represents 86% of total liabilities.

We focused in particular on the significant judgements related to uncertain future outcomes, notably the estimation of the total settlement value of the future policyholders' benefits. The key assumptions used to estimate these long-term liabilities include:

- economic assumptions being investment return and associated discount rates; and
- non-economic assumptions being mortality and morbidity, longevity and persistency (or lapse rates).

Management employs an independent external actuary to assist in determining the methodology and assumptions used in estimating the value of the future reserves for policyholders' benefits. The main approach adopted by management's external actuary is the Canadian Asset Liability Method ("CALM").

Our approach to addressing the matter, with the assistance of our own actuarial specialists, involved the following procedures, amongst others:

Tested, on a sample basis, the underlying policyholder data (including premium, age, gender and smoker status) to source documentation. This included agreeing that the data was transferred correctly from the administrative systems through to the valuation models and that the actuarial coding of product features was accurate based on information in the administrative systems or policy contracts.

Evaluated the methodology, models and assumptions utilized by management's actuarial experts against recognised actuarial practices and experience studies.

The non-economic assumptions were tested against the experience studies conducted by management's independent external actuary by evaluating the appropriateness of the methods employed and comparing them against industry approaches and results.

As the CALM method allocates appropriate assets to calculate the valuation discount rate, tested a sample of representative assets to test the accuracy of the cash flows projected, verifying the application of the stated economic assumptions and the accuracy of the underlying features of the asset modelled.

Reconciled the future policyholders' benefits calculated by the valuation models to the liabilities reported by management's actuary. Where manual adjustments were made, these were evaluated to ensure that they were appropriate for the business and



consistent with recognized actuarial practices.

The results of our procedures indicated that the methods and assumptions used by management for determining reserves for future policyholders' benefits were not unreasonable.

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### **Impairment allowance for mortgage loans**

*See notes 3(h), 4(e&f) and 6(d) of the consolidated financial statements for disclosures of related accounting policies, judgements and estimates.*

As at 31 December 2020, mortgage loans to customers, net of provision for impairment due to credit losses, represented \$61,891,836 or 17% of total assets of the Group. Impairment provisions on mortgage loans totalling \$2,644,224 were recognized as at the consolidated statement of financial position date.

We focused on management's impairment assessment on loans to customers as the assumptions used for estimating the amount of the provision for loan losses, including the amount and timing of future cash flows are complex and involve significant management judgement, including:

- classification of mortgage loans to customers as impaired, specifically the completeness of the population of mortgage loans to customers included in the impairment calculation;
- management's determination of a general provision and associated assumptions for mortgages which were past due but not impaired in light of the increased economic uncertainties resulting from the Covid-19 pandemic; and
- valuation of real estate property pledged as collateral for mortgage loans. This is the most significant repayment source for impaired mortgages. The collateral value depends on market trends as well as the circumstances of the specific property and involves judgement.

The following were determined to be the key assumptions:

Our approach to addressing the matter, involved the following procedures, amongst others:

Tested the calculation of the ageing of customers within the mortgage system by re-calculating, on a sample basis, the delinquency days based on the repayment history, to determine if they were appropriately included in the provision assessment.

Tested management's listing of potentially impaired mortgages and related collateral values by comparing the collateral values recorded by management to supporting valuation appraisal reports. For a sample of valuation reports, compared the key assumptions used by the independent appraisers to comparable actual sales data and recent sales of collateral by the Group.

For a sample of the valuation appraisal reports, assessed the competence and objectivity of management's appointed real estate appraisers, confirming that they were qualified and that they held no affiliation to the Group.

For a sample of mortgage loans, recalculated the assessed impairment provision based on the principal and

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- the valuation of the real estate property pledged as collateral;
  - the estimated costs to sell the collateral; and
  - time to liquidate the pledged collateral.

Management engaged a number of independent appraisers to assist in determining the valuation of real estate properties pledged as collateral.

accrued interest on the loans and the value of the collateral held.

Evaluated management's assumptions used within its general provision for mortgage loans which were past due but not impaired. Independently calculated a general provision based on historical days past due data.

The results of our procedures indicated that the methods and assumptions used by management for determining the impairment allowance for mortgage loans were not unreasonable.

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### Other information

Management is responsible for the other information. The other information comprises the FamGuard Corporation Limited 2020 Annual Report (but does not include the consolidated financial statements and our auditors' report thereon), which is expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated 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 consolidated 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 consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the FamGuard Corporation Limited 2020 Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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### Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

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



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## Auditors' responsibilities for the audit of the consolidated financial statements

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

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

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

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



We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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The engagement partner on the audit resulting in this independent auditors' report is Prince A. Rahming.

A handwritten signature in blue ink that reads 'Prince A. Rahming'.

**Chartered Accountants  
Nassau, Bahamas**

**30 April 2021**

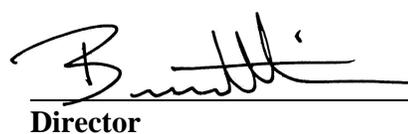
**FamGuard Corporation Limited**  
**(Incorporated under the laws of the Commonwealth of The Bahamas)**

**Consolidated Statement of Financial Position**  
**As at 31 December 2020**  
**(Expressed in Bahamian dollars)**

	Notes	2020	2019
		\$	\$
<b>ASSETS</b>			
Financial investment assets:			
Fair value through profit or loss	6	18,540,887	19,900,129
Available-for-sale	6	10,331,155	11,467,971
Held-to-maturity	6	177,729,365	143,441,417
Loans, net	6	<u>82,488,556</u>	<u>86,412,527</u>
Total financial investment assets		289,089,963	261,222,044
Cash on hand and at banks		18,663,649	20,295,541
Receivables and other assets, net	7,23	12,446,083	17,509,446
Reinsurance assets	9	2,451,215	3,536,748
Right-of-use assets	17	688,067	548,691
Property and equipment, net	8	<u>38,494,848</u>	<u>39,293,991</u>
<b>Total assets</b>		<b><u>361,833,825</u></b>	<b><u>342,406,461</u></b>
<b>LIABILITIES</b>			
Policy liabilities:			
Reserves for future policyholders' benefits	9	230,278,175	219,975,025
Other policyholders' funds	10	<u>24,274,672</u>	<u>20,426,183</u>
		254,552,847	240,401,208
Payables and accruals	11,19,23,24	11,060,397	14,118,955
Lease liabilities	17	<u>688,067</u>	<u>548,691</u>
<b>Total liabilities</b>		<b><u>266,301,311</u></b>	<b><u>255,068,854</u></b>
<b>EQUITY</b>			
Preference shares	14	5,000,000	5,000,000
Ordinary shares	14	2,000,000	2,000,000
Share premium	14	10,801,080	10,801,080
Revaluation reserve	13	19,503,360	19,070,327
Retained earnings		<u>58,228,074</u>	<u>50,466,200</u>
<b>Total equity</b>		<b><u>95,532,514</u></b>	<b><u>87,337,607</u></b>
<b>Total liabilities and equity</b>		<b><u>361,833,825</u></b>	<b><u>342,406,461</u></b>

These consolidated financial statements were approved by the Board of Directors on 23 March 2021, and signed on its behalf by:

  
 Director

  
 Director

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

# FamGuard Corporation Limited

## Consolidated Statement of Comprehensive Income For the Year Ended 31 December 2020 (Expressed in Bahamian dollars)

	Notes	2020 \$	2019 \$
<b>CONTINUING OPERATIONS</b>			
<b>INCOME:</b>			
Gross premium income	15	111,442,491	110,769,655
Premiums ceded to reinsurers	15,23	<u>(12,215,435)</u>	<u>(10,342,701)</u>
Net premium income	15	99,227,056	100,426,954
Annuity & other deposits		<u>11,713,079</u>	<u>13,365,355</u>
Net premium income and annuity deposits		110,940,135	113,792,309
Interest income		13,501,355	13,070,965
Dividend income		687,076	831,728
Realised gain on sale of financial assets		-	223,465
Unrealised (loss)/gain on financial assets	6	(1,451,418)	542,780
Realised loss on disposal of assets		-	(340,018)
Other operating income	20,23	<u>1,982,456</u>	<u>1,808,232</u>
<b>Total income</b>		<b><u>125,659,604</u></b>	<b><u>129,929,461</u></b>
<b>BENEFITS AND EXPENSES:</b>			
Benefits:			
Policyholders' benefits	16	69,186,133	86,300,969
Reinsurance recoveries	16,23	<u>(4,089,208)</u>	<u>(9,796,690)</u>
Net policyholders' benefits		65,096,925	76,504,279
Increase in reserves for future policyholders' benefits	9	<u>11,388,682</u>	<u>8,309,888</u>
<b>Total benefits</b>		<b><u>76,485,607</u></b>	<b><u>84,814,167</u></b>
Expenses:			
Operating expenses	18-19,21-23	22,264,049	24,021,938
Commissions	23	12,332,016	13,790,485
Depreciation expense	8,17	2,289,839	1,608,281
Bad debt expense, net	6,7	1,435,371	610,161
Interest on lease liabilities	17	<u>38,232</u>	<u>31,708</u>
<b>Total expenses</b>		<b><u>38,359,507</u></b>	<b><u>40,062,573</u></b>
<b>Total benefits and expenses</b>		<b><u>114,845,114</u></b>	<b><u>124,876,740</u></b>
<b>Net income from continuing operations</b>		<b><u>10,814,490</u></b>	<b><u>5,052,721</u></b>
<b>DISCONTINUED OPERATIONS</b>			
Net income from discontinued operations	30	<u>-</u>	<u>2,991,948</u>
<b>NET INCOME</b>		<b><u>10,814,490</u></b>	<b><u>8,044,669</u></b>

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

# FamGuard Corporation Limited

## Consolidated Statement of Comprehensive Income For the Year Ended 31 December 2020 (Expressed in Bahamian dollars) (Continued)

	Notes	2020 \$	2019 \$
<b>OTHER COMPREHENSIVE INCOME:</b>			
<i>Items that may be reclassified subsequently to net income:</i>			
Net change in fair value on available-for-sale financial assets	6,13	(1,136,817)	688,292
Realised gain reclassified to net income	13	-	(223,465)
Revaluation of property, and equipment	8,13	1,569,850	-
 <i>Items that will not be reclassified subsequently to net income:</i>			
Remeasurement of defined benefit obligation	24	<u>34,884</u>	<u>(3,535)</u>
Total other comprehensive income		<u>467,917</u>	<u>461,292</u>
 <b>Total comprehensive income</b>		 <b>11,282,407</b>	 <b>8,505,961</b>
 NET INCOME ATTRIBUTABLE TO:			
Ordinary shareholders		10,526,990	7,133,450
Preferred shareholders		287,500	287,500
Non-controlling interests	28	<u>-</u>	<u>623,719</u>
		<b><u>10,814,490</u></b>	<b><u>8,044,669</u></b>
 <b>Basic earnings per ordinary share</b>	25	 <b>1.05</b>	 <b>0.71</b>
 COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Ordinary shareholders		10,994,907	7,594,742
Preferred shareholders		287,500	287,500
Non-controlling interests		<u>-</u>	<u>623,719</u>
		<b><u>11,282,407</u></b>	<b><u>8,505,961</u></b>

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

## FamGuard Corporation Limited

### Consolidated Statement of Changes in Equity For the Year Ended 31 December 2020 (Expressed in Bahamian dollars)

	Notes	Share Capital Preference Shares Shares (Note 14) \$	Ordinary Shares (Note 14) \$	Share Premium (Note 14) \$	Revaluation Reserve (Note 13) \$	Retained Earnings \$	Total Attributable to Owners of the Parent \$	Non- Controlling Interests (Note 28) \$	Total \$
<b>Balance as at 31 December 2018</b>		5,000,000	2,000,000	10,801,080	18,605,500	46,536,285	82,942,865	40,401,208	123,344,073
<b>Comprehensive income</b>									
Net income		-	-	-	-	7,420,950	7,420,950	623,719	8,044,669
Other comprehensive income/ (loss)	13,23	-	-	-	464,827	(3,535)	461,292	-	461,292
<b>Total comprehensive income</b>		-	-	-	<b>464,827</b>	<b>7,417,415</b>	<b>7,882,242</b>	<b>623,719</b>	<b>8,505,961</b>
<b>Transactions with owners</b>									
Net equity impact of disposal of discontinued operations	28	-	-	-	-	-	-	(41,024,927)	(41,024,927)
Dividends declared and paid - Preference shares	14	-	-	-	-	(287,500)	(287,500)	-	(287,500)
Ordinary shares (\$0.32 per share)	25	-	-	-	-	(3,200,000)	(3,200,000)	-	(3,200,000)
<b>Total transactions with owners</b>		-	-	-	-	<b>(3,487,500)</b>	<b>(3,487,500)</b>	<b>(41,024,927)</b>	<b>(44,512,427)</b>
<b>Balance as at 31 December 2019</b>		<b>5,000,000</b>	<b>2,000,000</b>	<b>10,801,080</b>	<b>19,070,327</b>	<b>50,466,200</b>	<b>87,337,607</b>	<b>-</b>	<b>87,337,607</b>
<b>Comprehensive income</b>									
Net income		-	-	-	-	10,814,490	10,814,490	-	10,814,490
Other comprehensive income	13,24	-	-	-	433,033	34,884	467,917	-	467,917
<b>Total comprehensive income</b>		-	-	-	<b>433,033</b>	<b>10,849,374</b>	<b>11,282,407</b>	-	<b>11,282,407</b>
<b>Transactions with owners</b>									
Dividends declared and paid - Preference shares	14	-	-	-	-	(287,500)	(287,500)	-	(287,500)
Ordinary shares (\$0.28 per share)	25	-	-	-	-	(2,800,000)	(2,800,000)	-	(2,800,000)
<b>Total transactions with owners</b>		-	-	-	-	<b>(3,087,500)</b>	<b>(3,087,500)</b>	-	<b>(3,087,500)</b>
<b>Balance as at 31 December 2020</b>		<b>5,000,000</b>	<b>2,000,000</b>	<b>10,801,080</b>	<b>19,503,360</b>	<b>58,228,074</b>	<b>95,532,514</b>	<b>-</b>	<b>95,532,514</b>

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

## FamGuard Corporation Limited

### Consolidated Statement of Cash Flows Year Ended 31 December 2020 (Expressed in Bahamian dollars)

	Notes	2020 \$	2019 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net income from continuing operations		10,814,490	5,052,721
Adjustments for:			
Depreciation expense	8,17	2,289,839	1,608,281
Unrealised loss/(gain) on financial assets		1,451,418	(542,780)
Realised gain on sale of financial assets		-	(223,465)
Realised loss on disposal of property and equipment		817,016	-
Realised loss on disposal of assets		-	340,018
Decrease in reinsurance assets		1,085,533	1,635,308
Increase in loans provision	6	1,173,135	475,088
Change in reserves for future policyholders' benefits		10,303,150	6,674,580
Interest income		(13,501,355)	(13,070,965)
Dividend income		(687,076)	(831,728)
Operating income before working capital changes		13,746,150	1,117,058
Decrease/(increase) in receivables and other assets		5,063,363	(1,439,057)
(Decrease)/increase in payables and accruals		(3,058,558)	4,859,551
Increase in other policyholders' funds		3,848,489	1,398,745
		<u>19,599,444</u>	<u>5,936,297</u>
<b>Net cash from operating activities</b>			
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Pension forfeitures reinvested	6	(92,176)	(142,991)
Purchase of corporate bonds		(4,000,000)	(500,000)
Redemption of corporate bonds		631,351	881,351
Redemption of preference shares		473,498	794,188
Purchase of government bonds		(36,007,200)	(8,953,800)
Maturity of government bonds		4,978,969	10,266,500
Proceeds from equity securities		-	270,000
Net loans repaid/(issued)		3,013,666	(1,133,511)
Purchase of property and equipment	8	(900,449)	(2,376,373)
Proceeds from disposal of property and equipment		-	51,771
Interest received		13,095,233	12,918,297
Dividends received		687,076	831,728
		<u>(18,120,032)</u>	<u>12,907,160</u>
<b>Net cash (used in)/from investing activities</b>			

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

## FamGuard Corporation Limited

### Consolidated Statement of Cash Flows For the Year Ended 31 December 2020 (Expressed in Bahamian dollars) (Continued)

	Notes	2020 \$	2019 \$
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Payment of principal portion of lease liability		(23,804)	(16,120)
Dividends paid on ordinary shares		(2,800,000)	(3,200,000)
Dividends paid on preferred shares		(287,500)	(287,500)
<b>Net cash used in financing activities</b>		<u><b>(3,111,304)</b></u>	<u><b>(3,503,620)</b></u>
<b>Net (decrease)/increase in cash and cash equivalents from continuing operations</b>			
		<b>(1,631,892)</b>	<b>15,339,837</b>
Net cash and cash equivalents from discontinued operations	30	-	(4,897,440)
<b>CASH AND CASH EQUIVALENTS:</b>			
Beginning of year		<u>20,295,541</u>	<u>9,853,144</u>
End of year		<u><b>18,663,649</b></u>	<u><b>20,295,541</b></u>

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

# FamGuard Corporation Limited

## Notes to the Consolidated Financial Statements

31 December 2020

(Expressed in Bahamian dollars)

### 1. General Information

FamGuard Corporation Limited (the “Company”) is incorporated under the laws of the Commonwealth of The Bahamas and serves as an investment holding company with five wholly owned subsidiaries; Family Guardian Insurance Company Limited (FG), BahamaHealth Insurance Brokers Limited, FG Insurance Agents & Brokers Limited, FG Financial Limited and FG Capital Markets Limited (together, “the Group”). FG is the principal operating unit and is licensed as an insurance company under the Insurance Companies Act, 2009. FG sells life and health insurance products in The Bahamas.

Until the prior year, FG Financial Fund Limited SAC (the “Fund”) was also a subsidiary of the Group and was the umbrella Fund for its four Sub-Funds; FG Financial Preferred Income Fund, FG Financial Diversified Fund, FG Financial Growth Fund and FG Financial Global USD Bond Fund. Each Sub-Fund had its own investment strategy and was segregated from the other Sub-Funds within the umbrella Fund.

Effective 31 May 2019, the Group disposed of the Investment Fund Business of the Fund and its four sub-funds, the Securities Business of FG Capital Markets and the Pension Services Business of FG Financial Limited. The disposal was treated as a discontinued operation. Refer to Note 30 for details.

The registered office of the Company is located at the offices of E. Dawson Roberts & Co., Parliament and Shirley Streets, Nassau, The Bahamas. The ordinary shares of the Company are listed on The Bahamas International Securities Exchange (BISX).

### 2. New and Amended International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS)

#### *New standards, amendments and interpretations adopted by the Group*

Standards, amendments, and interpretations to published standards, that became effective for the Group’s financial year, beginning on 1 January 2020, were not relevant or not significant to the Group’s operations and accordingly did not have a material impact on the Group’s accounting policies or consolidated financial statements.

#### *New standards, amendments and interpretations issued but not yet effective*

With the exception of IFRS 9 *Financial Instruments* (IFRS 9) and IFRS 17 *Insurance Contracts* (IFRS 17), the application of new standards and amendments and interpretations to existing standards that have been published but are not yet effective are not expected to have a material impact on the Group’s accounting policies or financial statements in the financial period of initial application.

#### **IFRS 9 Financial Instruments**

IFRS 9 became effective for the Group’s financial year beginning on 1 January 2018 but was deferred under options provided by the IASB and accordingly are not reflected in the Group’s accounting policies or consolidated financial statements.

## FamGuard Corporation Limited

### Notes to the Consolidated Financial Statements

31 December 2020

(Expressed in Bahamian dollars)

(Continued)

#### 2. New and Amended International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) (Continued)

*New standards, amendments and interpretations issued but not yet effective (continued)*

##### **IFRS 9 Financial Instruments (continued)**

Under the Amendments to IFRS 4, the IASB approved a proposal to allow a temporary deferral of IFRS 9 implementation until the effective date of the new insurance contracts standard.

The temporary exemption permits companies whose activities are predominately connected with insurance to defer the application of IFRS 9 until the earlier of: (a) the application of the forthcoming insurance contracts standard; or (b) 1 January 2023. These entities will continue to apply IAS 39 during this period and will be required to make additional disclosures to enable users of the financial statements to make comparisons with entities applying IFRS 9.

A company's activities are predominantly connected with insurance if, and only if: (a) the amount of its insurance liabilities is significant compared with its total amount of liabilities; and (b) the percentage of its liabilities connected with insurance relative to its total amount of liabilities is: (i) greater than 90 per cent; or (ii) less than or equal to 90 per cent but greater than 80 per cent, and the company does not engage in a significant activity unconnected with insurance. Liabilities connected with insurance include investment contracts measured at FVPL, and liabilities that arise because the insurer issues, or fulfils obligations arising from, these contracts (such as deferred tax liabilities arising on its insurance contracts).

The Group has assessed its insurance liabilities and concluded that its activities are predominantly connected with insurance contracts. In this regard, management has assessed the following:

- The Group has not previously applied any version of IFRS 9.
- The total carrying amount of liabilities arising from contracts within the scope of IFRS 4 for the year ended 31 December 2015 (the date which precedes the issuance of the amendment to IFRS 4), represents 95% of total liabilities, which is considered significant.
- The total carrying amount of liabilities connected with insurance, which includes liabilities under IFRS 4 and investment contract liabilities measured at fair value under IAS 39, for the year ended 31 December 2015 is equivalent to 95% of total liabilities.

As a result, the Group qualifies for the temporary exemption from IFRS 9 and has applied IAS 39 rather than IFRS 9 to all of its financial assets. There has been no change in the Group's activities that warrant a reassessment of the above information.

The Amendment of IFRS 4 requires entities to disclose the fair value at the end of the reporting period and the change in fair value during the period for groups of financial assets with contractual cash flows that are solely payments of principal and interest ("SPPI") and other financial assets separately.

## FamGuard Corporation Limited

### Notes to the Consolidated Financial Statements

31 December 2020

(Expressed in Bahamian dollars)

(Continued)

## 2. New and Amended International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) (Continued)

*New standards, amendments and interpretations issued but not yet effective (continued)*

### **IFRS 9 Financial Instruments (continued)**

The Group has assessed that the following financial assets have contractual cash flows that meet the SPPI criteria:

- Government bonds
- Corporate bonds
- Preference Shares
- Loans
- Receivables and other assets

The fair value and change in fair value of the two groups of financial assets are disclosed in the following table:

### **Financial instruments with contractual cash flows that meet the SPPI criteria**

	Amortised Cost	FVOCI	FVTPL	Total (1)	Other financial instruments (2)
	\$	\$	\$	\$	\$
Government bonds	151,925,436	-	-	151,925,436	-
Corporate bonds	18,175,724	-	-	18,175,724	-
Preference shares	7,628,205	-	-	7,628,205	1,178,313
Loans	82,488,556	-	-	82,488,556	-
Receivables & other assets	11,304,791	-	-	11,304,791	-
Mutual funds & equities	-	-	-	-	27,693,729
<b>Total fair value of financial assets (excluding cash on hand and at banks)</b>	<b><u>271,522,712</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>271,522,712</u></b>	<b><u>28,872,042</u></b>

(1) For financial assets which pass the SPPI test, there was a fair value change of \$Nil.

(2) For other financial instruments, the change in fair value for the year was a loss of \$2,588,235

## FamGuard Corporation Limited

### Notes to the Consolidated Financial Statements

31 December 2020

(Expressed in Bahamian dollars)

#### 2. New and Amended International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) (Continued)

*New standards, amendments and interpretations issued but not yet effective (continued)*

##### **IFRS 9 Financial Instruments (continued)**

##### Credit risk exposure for assets that pass the SPPI test

The following table represents the entity's exposure to credit risk on financial assets that meet the SPPI criteria:

Exposure to credit risk	2020						Total \$
	AAA \$	AA \$	A \$	Credit Rating BBB \$	Below BBB \$	Unrated \$	
Government Bonds	-	-	-	151,925,436	-	-	151,925,436
Corporate Bonds	-	-	-	-	18,175,724	-	18,175,724
Preference Shares	-	-	-	-	7,628,205	-	7,628,205
Loans	-	-	-	-	-	82,488,556	82,488,556
Receivables & other assets	-	-	3,535,433	777,210	-	6,992,148	11,304,791
	<u>-</u>	<u>-</u>	<u>3,535,433</u>	<u>152,702,646</u>	<u>25,803,929</u>	<u>89,480,704</u>	<u>271,522,712</u>

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities, and replaces the guidance in IAS 39 *Financial Instruments: Recognition and Measurement* (IAS 39) that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income. The determination is made at initial recognition, and the basis of classification depends on the Group's business model for managing its financial assets and the contractual cash flow characteristics of the financial asset.

In addition, IFRS 9 will require the impairment of financial assets to be calculated using an expected credit loss model that replaces the incurred loss impairment model required by IAS 39. For financial liabilities, there were no changes to classification and measurement, except for the recognition of changes in own credit risk in other comprehensive income for financial liabilities designated at fair value through profit or loss. The Group has not yet assessed the full impact of adopting IFRS 9, which is effective for financial periods beginning on or after 1 January 2023 as described above.

##### **IFRS 17 Insurance Contracts**

In May 2017, the IASB issued IFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 *Insurance Contracts* (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the

## FamGuard Corporation Limited

### Notes to the Consolidated Financial Statements

31 December 2020

(Expressed in Bahamian dollars)

#### 2. New and Amended International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) (Continued)

*New standards, amendments and interpretations issued but not yet effective (continued)*

##### **IFRS 17 Insurance Contracts (continued)**

type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required.

The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

#### 3. Significant Accounting Policies

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

##### **(a) Basis of preparation**

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The consolidated financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed separately in Note 4 to the consolidated financial statements.

# FamGuard Corporation Limited

## Notes to the Consolidated Financial Statements

31 December 2020

(Expressed in Bahamian dollars)

(Continued)

### 3. Significant Accounting Policies (Continued)

#### (a) Basis of preparation (continued)

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss, available-for-sale financial assets and certain classes of property and equipment measured at fair value.

#### (b) Principles of consolidation

The consolidated financial statements incorporate the financial statements of the Group, entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Group:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

# FamGuard Corporation Limited

## Notes to the Consolidated Financial Statements

31 December 2020

(Expressed in Bahamian dollars)

(Continued)

### 3. Significant Accounting Policies (Continued)

#### (b) Principles of consolidation (continued)

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Company's equity. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interest's share of changes in equity since the date of the combination.

Net income and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interest in the subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying

amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary and any non-controlling interest and other components of equity. A gain or loss is recognised in the consolidated statement of comprehensive income and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to net income or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or joint venture.

A listing of the Group's subsidiaries is set out in Note 29.

# FamGuard Corporation Limited

## Notes to the Consolidated Financial Statements

31 December 2020

(Expressed in Bahamian dollars)

(Continued)

### 3. Significant Accounting Policies (Continued)

#### (c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the board of directors who is considered as the chief operating decision maker. The board of directors assesses the financial performance and position of the Group, and makes strategic decisions.

#### (d) Foreign currency translation

##### *i) Functional and presentation currency*

Items included in the financial statements of the Group's entities are measured using the currency of the primary economic environment in which the entities operates (functional currency), the Bahamian dollar. The consolidated financial statements are presented in Bahamian dollars, which is also the Group's functional currency.

##### *ii) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are recognised in the consolidated statement of comprehensive income. Translation differences on monetary financial assets measured at fair value through profit or loss are included as part of the fair value gains and losses.

#### (e) Cash and cash equivalents

For purposes of presentation in the consolidated statement of cash flows, cash and cash equivalents consist of cash on hand, demand balances with banks and bank term deposits with contractual maturities of three months or less from the date of acquisition.

#### (f) Receivables and other assets

Receivables and other assets are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Individual receivables which are known to be uncollectible are written off by reducing the carrying amount directly. The other assets are assessed collectively to determine whether there is objective evidence that an impairment has been incurred but not yet identified. For these receivables, the estimated impairment losses are recognised in a separate provision for impairment. The Group considers that there is evidence of impairment if any of the following indicators are present: significant financial difficulties of the debtor; probability that the debtor will enter bankruptcy or financial reorganisation; and default or delinquency in payments (more than 30 days overdue).

## FamGuard Corporation Limited

### Notes to the Consolidated Financial Statements

31 December 2020

(Expressed in Bahamian dollars)

(Continued)

### 3. Significant Accounting Policies (Continued)

#### (f) Receivables and other assets (continued)

Receivables for which an impairment provision was recognised are written off against the provision when there is no expectation of recovering additional cash. Impairment losses are recognised in the consolidated statement of comprehensive income within provision for doubtful accounts.

Subsequent recoveries of amounts previously written off are credited against provision for doubtful accounts.

#### (g) Investments and other financial assets

##### *Classification*

The Group classifies its financial assets into the following categories: (i) financial assets 'at fair value through profit or loss' (FVTPL), (ii) 'held-to-maturity' (HTM), (iii) 'available-for-sale' (AFS) and (iv) 'loans and receivables'. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period.

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

Financial assets are classified at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL at initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designated as at FVTPL.

# FamGuard Corporation Limited

## Notes to the Consolidated Financial Statements

31 December 2020

(Expressed in Bahamian dollars)

(Continued)

### 3. Significant Accounting Policies (Continued)

#### (g) Investments and other financial assets (continued)

##### *Classification (Continued)*

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

They are presented as current assets if they are expected to be sold within 12 months after the end of the reporting period; otherwise they are presented as non-current assets.

##### *ii) Held-to-maturity*

The Group classifies investments as held-to-maturity if: they are non-derivative financial assets; they are quoted in an active market; they have fixed or determinable payments and fixed maturities; and the Group intends to, and is able to, hold them to maturity.

##### *iii) Available-for-sale*

Investments are designated as available-for-sale financial assets if they do not have fixed maturities and fixed or determinable payments, and management intends to hold them for the medium to long-term. Financial assets that are not classified into any of the other categories (at FVPL, loans and receivables or held-to-maturity investments) are also included in the available-for-sale category. These financial assets are presented as non-current assets unless they mature, or management intends to dispose of them within 12 months of the end of the reporting period.

##### *iv) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not traded in an active market, other than those that the Group intends to sell in the short term. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. Accounts receivables are generally due for settlement within 30 days and therefore are all classified as current.

# FamGuard Corporation Limited

## Notes to the Consolidated Financial Statements

31 December 2020

(Expressed in Bahamian dollars)

(Continued)

### 3. Significant Accounting Policies (Continued)

#### (g) Investments and other financial assets (continued)

##### *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to net income as gains or losses from investment securities.

##### *Measurement*

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in net income.

Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised as follows:

- for 'financial assets at fair value through profit or loss' – in net income within unrealised gains on investment assets as at FVTPL.
- for available-for-sale financial assets – in other comprehensive income.

Dividends on financial assets at fair value through profit or loss and available-for-sale equity instruments are recognised in the consolidated statement of comprehensive income as part of dividend income when the Group's right to receive payments is established.

Interest on available-for-sale securities, held-to-maturity investments and loans and receivables calculated using the effective interest method is recognised in the consolidated statement of comprehensive income as part of interest income.

##### *Impairment*

The Group assesses, at the end of each reporting period, whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial

# FamGuard Corporation Limited

## Notes to the Consolidated Financial Statements

31 December 2020

(Expressed in Bahamian dollars)

(Continued)

### 3. Significant Accounting Policies (Continued)

#### (g) Investments and other financial assets (continued)

##### *Impairment (continued)*

recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired. In consideration of these factors, Management's policy defines a significant decline as a decline in value of more than forty percent (40%) and a prolonged decline as a decline in value for more than 24 months.

##### *Assets carried at amortised cost*

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in net income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in net income. Impairment testing of trade receivables is described in Note 4(f).

#### (h) Loans

##### *Policy loans*

Policy loans arise when the Group extends money to the policyholder. Automatic premium loans arise under the terms of a life insurance contract should the premium become past due on the contract.

Policy loans and automatic premium loans are measured at amortised cost. Management assesses provisions at each reporting date, based on the difference between the cash surrender value and the outstanding loan balance (principal plus accrued interest).

# FamGuard Corporation Limited

## Notes to the Consolidated Financial Statements

31 December 2020

(Expressed in Bahamian dollars)

(Continued)

### 3. Significant Accounting Policies (Continued)

#### (h) Loans (continued)

##### *Mortgages*

Mortgage and commercial loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money directly to a borrower with no intention of trading the receivable. Mortgage loans are secured by first demand mortgages and provide for monthly repayments at variable interest rates over periods of up to thirty years on residential loans and up to twenty years on commercial loans.

Mortgage and commercial loans are measured at amortised cost, less specific and collective provisions on certain non-current loans, and deferred commitment fees. Specific provisions are made on non-current loans for mortgages over three months in arrears, based on management's evaluation of the respective loans. A specific provision for current loans and non-current loans less than three months in arrears is established if there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the mortgage loan. Significant financial difficulties of the borrower, probability that the borrower will enter financial reorganisation, and default or delinquency in payments are considered indicators that the mortgage loan is impaired.

The amount of the specific provision for loans is the difference between the loan's carrying amount and the recoverable amount, being the present value of estimated future cash flows, including recoveries from guarantees and collateral, discounted at the effective interest rate at inception of the loan.

For the purpose of a collective evaluation of impairment, mortgage and commercial loans are grouped together on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group.

The amount of the provision for loan loss is recognised in the consolidated statement of comprehensive income. If the amount of the provision subsequently decreases due to an event occurring after the write-down, the release of the provision is recognised in the consolidated statement of comprehensive income. Payments on loans past due are first applied to the interest outstanding. Accrued interest on non-performing loans is fully provided for.

# FamGuard Corporation Limited

## Notes to the Consolidated Financial Statements

31 December 2020

(Expressed in Bahamian dollars)

(Continued)

### 3. Significant Accounting Policies (Continued)

#### (i) Property and equipment

Freehold land and buildings are shown at fair value, based on periodic, normally triennial, valuations by external independent appraisers, less accumulated depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is adjusted to the revalued amount of the asset. All other property and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the reporting period in which they are incurred.

Increases in the carrying amounts arising on revaluation of land and buildings are recognised in other comprehensive income and accumulated in revaluation reserves in shareholder's equity. To the extent that the increase reverses a decrease previously recognised in net income, the increase is first recognised in net income. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to net income.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives as follows:

Freehold buildings	2.5% per annum
Freehold land improvement	10% per annum
Furniture and equipment	10% - 20% per annum
Motor vehicles	25% per annum
Computer hardware and software	20% - 33% per annum
Leasehold improvements	Shorter of period of the leases and estimated economic life of the improvements

# FamGuard Corporation Limited

## Notes to the Consolidated Financial Statements

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(Expressed in Bahamian dollars)

(Continued)

### 3. Significant Accounting Policies (Continued)

#### (i) Property and equipment (continued)

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the consolidated statement of comprehensive income. When revalued assets are sold, it is Group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

#### (j) Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

#### (k) Impairment of non-financial assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

#### (l) Financial liabilities

Financial liabilities are classified at initial recognition, as financial liabilities at FVTPL, loans and borrowings or trade and other payables, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans, borrowings and insurance payables, net of directly attributable transaction costs. The Group's financial liabilities include insurance contracts without a Discretionary Participation Feature (DPF), trade and other payables.

# FamGuard Corporation Limited

## Notes to the Consolidated Financial Statements

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(Continued)

### 3. Significant Accounting Policies (Continued)

#### (l) Financial liabilities (continued)

Subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at FVTPL includes financial liabilities held for trading and financial liabilities designated upon initial recognition at FVTPL. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Financial liabilities designated upon initial recognition at FVTPL are designated at the initial date of recognition, and only if the criteria in IAS 39 are satisfied. The Group has designated insurance contracts without DPF as financial liabilities at FVTPL upon initial recognition.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in net income when the liabilities are derecognised as well as through the effective interest amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the effective interest. The effective interest amortisation is included in finance cost in the consolidated statement of comprehensive income.

Trade and other payables, including balances due to insurer, represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated statement of comprehensive income.

#### (m) Other provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

## FamGuard Corporation Limited

### Notes to the Consolidated Financial Statements

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(Expressed in Bahamian dollars)

(Continued)

### 3. Significant Accounting Policies (Continued)

#### (m) Other provisions (continued)

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

#### (n) Employee benefits

##### *i) Pension obligations*

The Group has a defined contribution pension plan for eligible agents and employees whereby the Group pays contributions to a pension plan separately administered by the Group. The Group has no further payment obligations once the contributions have been paid. The plan requires participants to contribute 5% of their gross earnings and commissions and the Group contributes 5% of eligible earnings. The Group's contributions to the defined contribution pension plan are recognised in the consolidated statement of comprehensive income in the year to which they relate.

##### *ii) Postretirement medical benefit plan*

The Group provides supplementary health insurance benefits to qualifying employees upon retirement. The entitlement to these benefits is usually based on the employee remaining in service up to retirement age and the completion of a minimum service period. The benefits under this plan are contributory. For the postretirement medical benefit plan, the cost of providing benefits is determined using the projected unit credit method, with independent actuarial valuations being carried out at the end of each annual reporting period. The post-retirement plan is a contributory plan. Retirees are assumed to pay the full retiree costs, less the Group's subsidy. The employee's subsidy for medical costs is set to a fixed dollar amount.

Defined benefit costs are categorised as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- Net interest expense or income; and
- Remeasurement.

The Group presents the first two components of the defined benefit costs in the consolidated statement of comprehensive income in operating expenses. Curtailment gains and losses are accounted for as past service costs. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

Remeasurement, comprising actuarial gains and losses, is reflected immediately in the consolidated statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in

## FamGuard Corporation Limited

### Notes to the Consolidated Financial Statements

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(Expressed in Bahamian dollars)

(Continued)

### 3. Significant Accounting Policies (Continued)

#### (n) Employee benefits (continued)

##### ii) *Postretirement medical benefit plan (continued)*

other comprehensive income is reflected immediately in retained earnings and will not be reclassified to the consolidated statement of comprehensive income.

Past service cost is recognised in the consolidated statement of comprehensive income in the period of a plan amendment. The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plan.

##### iii) *Share-based payments*

The Group operates an Executive Incentive Plan for key management employees. Under this plan, eligible employees are granted common shares of the Company as special awards for a promotion to or upon hiring at the executive level. The Group makes cash awards to the plan as the need arises and the plan purchases shares on the open market at market value. The shares vest over a period of years, depending on the type of award granted. The share based payments are measured at the fair value of the equity instruments at the grant date. The cost of these benefits to the Group amounted to \$ Nil (2019: \$ Nil) and are included in employee salary and benefit expenses.

#### (o) Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

#### (p) Product classification

Insurance contracts are defined as those containing significant insurance risk if, and only if, an insured event could cause an insurer to make significant additional payments in any scenario, excluding scenarios that lack commercial substance, at the inception of the contract. Such contracts remain insurance contracts until all rights and obligations are extinguished or expire. Contracts can be reclassified as insurance contracts after inception if insurance risk becomes significant. Any contracts not considered to be insurance contracts under IFRS are classified as investment contracts.

# FamGuard Corporation Limited

## Notes to the Consolidated Financial Statements

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(Expressed in Bahamian dollars)

(Continued)

### 3. Significant Accounting Policies (Continued)

#### (q) Reserves for insurance contracts

The provisions for actuarial liabilities of long-term insurance contracts are determined using accepted actuarial practices established by the Canadian Institute of Actuaries (“CIA”) and are determined by the Group’s Appointed Actuary. These liabilities consist of the amounts that, together with future premiums and investment income, are required to provide for future policy benefits and expenses on insurance and annuity contracts.

The Group uses the Canadian Asset Liability Method (“CALM”) in computing its actuarial reserves on long-term contracts. CALM involves the projection of future interest rate scenarios in order to determine the amount of assets needed to provide for all future obligations.

Projected net cash flows from these assets and the policy liabilities being supported by these assets are combined with projected cash flows from future asset purchases to determine expected rates of return on these assets for future years. Investment strategies are based on the target investment policies for the segment and the reinvestment returns are derived from current and projected market rates for fixed income investments. Investment return assumptions for each asset class make provision for expected future asset credit loss, expected investment management expenses and a margin for adverse deviation.

Liabilities for deferred annuity policies with a 5% minimum interest rate guarantee are calculated using CALM. Liabilities for other deferred annuities are computed as the value of accrued invested funds. Reserves for immediate payout annuities are calculated using CALM.

Claims reserves for group health policies are estimated from incurred claims and the history of prior claim payments. Liabilities for other short-term health policies, renewable at the option of the Group, comprise unearned premiums plus a contingency reserve for claims.

#### (r) Insurance contracts

##### i) Classification

Insurance contracts comprises of life and health insurance contracts which include term, whole life and universal life insurance contracts, group life insurance policies, health insurance contracts and annuities. The Group issues contracts that transfer insurance risk, financial risk or both. Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. As a general guideline, the Group defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

# FamGuard Corporation Limited

## Notes to the Consolidated Financial Statements

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(Expressed in Bahamian dollars)

(Continued)

### 3. Significant Accounting Policies (Continued)

#### (r) Insurance contracts (continued)

##### *i) Classification (continued)*

A number of insurance contracts contain a Discretionary Participation Feature (DPF). This feature entitles the holder to receive, as a supplement to guaranteed benefits, additional benefits or bonuses:

- that are likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the Group; and
- that are contractually based on:
  - (i) the performance or a specified pool of contracts or a specified type of contract; and
  - (ii) realised and/or unrealised investment returns on a specified pool of assets held by the Group.

The amount and timing of the distribution to individual contract holders is at the discretion of the Group, subject to the advice of the Appointed Actuary.

##### *ii) Recognition and measurement*

Insurance contracts, including those with a DPF, are classified into four main categories, depending on the duration of risk and whether or not the terms and conditions are fixed.

##### *Short-term insurance contracts*

These contracts are group and individual health and hospitalisation contracts, and short-duration life insurance contracts. These contracts protect policyholders from the consequences of events (such as death, disability or sickness) that would affect the ability of the policyholder or his/her dependents to maintain their current level of income. Guaranteed benefits paid on occurrence of the specified insurance event are either fixed or are linked to the extent of the economic loss suffered by the policyholder. There are no maturity or surrender benefits.

Premiums are recognised as revenue proportionately over the period of coverage. Claims and loss adjustment expenses are recognised in the consolidated statement of comprehensive income as incurred, based on the estimated liability for compensation owed to policyholders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the consolidated statement of financial position date, even if they have not yet been reported to the Group. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Group and statistical analyses for the claims incurred but not reported.

# FamGuard Corporation Limited

## Notes to the Consolidated Financial Statements

31 December 2020

(Expressed in Bahamian dollars)

(Continued)

### 3. Significant Accounting Policies (Continued)

#### (r) Insurance contracts (continued)

##### ii) Recognition and measurement (continued)

###### *Long-term insurance contracts with fixed and guaranteed terms*

These contracts insure events associated with human life (for example death, or survival) over a long duration. Premiums are recognised as revenue when they become payable by the policyholder. Premiums are shown before deduction of commission.

Benefits payable to beneficiaries are recorded as an expense when they are incurred. A liability for contractual benefits that are expected to be incurred is recorded when the premiums are recognised. The liability is based on assumptions as to mortality, persistency, maintenance expenses and investment income. A margin for adverse deviations is included in the assumptions.

###### *Long-term insurance contracts without fixed and guaranteed terms*

These contracts insure events associated with human life (for example death, or survival) over a long duration. Premiums are recognised as revenue when they become payable by the policyholder. These liabilities, however, are increased by credited interest (in the case of universal life contracts) or change in the unit prices (in the case of unit-linked contracts) and are decreased by policy administration fees, mortality and surrender charges and any withdrawals. Premiums are shown before deduction of commission.

Benefits payable to beneficiaries are recorded as an expense when they are incurred.

Liabilities for universal life policies, including unit-linked contracts and deferred annuities with a 5% minimum interest rate guarantee, are based on assumptions as to future mortality, persistency, maintenance expenses, investment income, and crediting interest rates. A margin for adverse deviations is included in the assumptions. Liabilities for other deferred annuities are computed as the value of accrued invested funds.

###### *Long-term insurance contracts with fixed and guaranteed terms and with DPF*

These contracts insure events associated with human life (for example death, or survival) over a long duration. Premiums are recognised as revenue when they become payable by the policyholder. Premiums are shown before deduction of commission.

Benefits payable to beneficiaries are recorded as an expense when they are incurred.

A liability for contractual benefits that are expected to be incurred is recorded when the premiums are recognised. The liability is based on assumptions as to mortality, persistency, maintenance expenses and investment income. A margin for adverse deviations is included in the assumptions.

# FamGuard Corporation Limited

## Notes to the Consolidated Financial Statements

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(Expressed in Bahamian dollars)

(Continued)

### 3. Significant Accounting Policies (Continued)

#### (r) Insurance contracts (continued)

##### ii) Recognition and measurement (continued)

*Long-term insurance contracts with fixed and guaranteed terms and with DPF (continued)*

In addition, these contracts also participate in the profits of the Group. As the Group declares the bonus to be paid, it is credited to the individual policyholders.

#### (s) Reinsurance transactions

In the normal course of its life and health insurance business, the Group seeks to limit its exposure to loss on any single insured and to recover benefits paid, by ceding premiums to reinsurers under excess coverage and quota share contracts. Contracts entered into that meet the classification requirements for insurance contracts in Note 3(r) are classified as reinsurance contracts held.

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

Reinsurance payables are recorded in accounts payable and accruals in the consolidated statement of financial position.

#### (t) Non-premium revenue recognition

Fee and non-insurance commission income are recognised on an accrual basis when the service has been provided and the performance obligation met. Commissions earned on insurance policies are recognised when the policies are written and the Group has no further significant service obligations associated with the policy. The recognition of profit commissions is dependent on the loss experience underlying the relevant policies.

Dividend income from investments is recognised when the shareholder's right to receive payments has been established, provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

# FamGuard Corporation Limited

## Notes to the Consolidated Financial Statements

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(Expressed in Bahamian dollars)

(Continued)

### 3. Significant Accounting Policies (Continued)

#### (t) Non-premium revenue recognition (continued)

Income which forms an integral part of the effective interest rate of a loan (i.e., commitment fees) is deferred and recognised as income over the life of the loan.

#### (u) Commission expense

Commission expense is comprised of commissions earned by the Group's sales force, external agents and brokers on insurance and investment products sold. Commission expense is recognised when incurred.

#### (v) Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

##### *Group as a lessee*

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

##### i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are initially recognised at the present value of the lease liability, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

## FamGuard Corporation Limited

### Notes to the Consolidated Financial Statements

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(Expressed in Bahamian dollars)

(Continued)

### 3. Significant Accounting Policies (Continued)

#### (v) Leases (continued)

##### ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments, including insubstance fixed payments, less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. Refer to Note 4(i) for how the Group determines the rate. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are presented on the consolidated statement of financial position (see Note 17).

##### iii) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

#### (w) Policy dividends on deposits

Policy dividends on deposits comprise dividends declared on policies, together with accrued interest, but not withdrawn from the Group.

## FamGuard Corporation Limited

### Notes to the Consolidated Financial Statements

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(Expressed in Bahamian dollars)

(Continued)

### 3. Significant Accounting Policies (Continued)

#### (x) Taxation

Under the current laws of The Bahamas, the country of domicile of the Group, there are no income, capital gains or other corporate taxes imposed. The Group is subject to tax on gross premium income at a rate of 3% and Value Added Taxes, applied at a rate of 12% on goods and services purchased.

#### (y) Earnings per share

Basic earnings per share is calculated by dividing net income available to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares purchased by the Group and held as treasury shares. There are no dilutive transactions that would have an impact on earnings per share.

#### (z) Dividend distribution

Dividend distribution to the Group's shareholders is recognised in the consolidated financial statements in the year in which the dividends are declared by the Board of Directors. Dividends declared after the year end, but before the approval of the consolidated financial statements, are disclosed as a subsequent event.

#### (aa) Issues and redemptions of participating shares

Up to 31 May 2019, the Group issued participating, non-voting shares which were redeemable for cash equal to a proportionate share of the net assets of the Fund. These were classified as non-controlling interests in the consolidated statement of financial position. These shares were recorded at prices calculated monthly, based on the net asset value of the Fund. Participation in the Fund was limited to eligible investors as described in the Fund's Prospectus.

#### (ab) Related parties

Related parties are defined as follows:

- (i) Controlling shareholders;
- (ii) Subsidiaries;
- (iii) Associates;
- (iv) Individuals owning, directly or indirectly, an interest in the voting power that gives them significant influence over the enterprise, i.e. normally more than 20% of shares (plus close family members of such individuals);
- (v) Key management personnel - persons who have authority for planning, directing and controlling the enterprise (plus close family members of such individuals);
- (vi) Directors; and,
- (vii) Enterprises owned by the individuals described in (i), (iv), (v), and (vi).

# FamGuard Corporation Limited

## Notes to the Consolidated Financial Statements

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(Expressed in Bahamian dollars)

(Continued)

### 3. Significant Accounting Policies (Continued)

#### (ac) Discontinued operations

A discontinued operation is a component of the Group that has been disposed of and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such line of business or area of operations, or is a subsidiary acquired exclusively with a view of resale. The results of discontinued operations are presented separately in the consolidated statement of comprehensive income.

### 4. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

#### *Critical judgments in applying the Group's accounting policies*

In the process of applying the Group's accounting policies, which are described above, judgments made by management that have the most significant effect on the amounts recognised in the consolidated financial statements are discussed below.

#### *a. Classification of insurance contracts*

The classification of contracts with policyholders is dependent on critical judgements made by the Group. Insurance contracts are defined as those containing significant insurance risk if, and only if, an insured event could cause an insurer to make significant additional payments in any scenario, excluding scenarios that lack commercial substance, at inception of the contract. A contract is classified as an insurance contract if it transfers significant risk. As a general rule, the Group defines as a significant insurance risk, the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

## FamGuard Corporation Limited

### Notes to the Consolidated Financial Statements

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(Continued)

#### 4. Critical Accounting Judgments and Key Sources of Estimation Uncertainty (Continued)

##### *Critical judgments in applying the Group's accounting policies (continued)*

##### *b. Control over the Fund*

Until its deconsolidation on 31 May 2019, the Group consolidated FG Financial Fund Limited SAC, an affiliated umbrella fund.

In taking the decision to consolidate the Fund, Management assessed whether or not the Group had control over the Fund based on the requirements of IFRS 10 *Consolidated Financial Statements* (IFRS 10). In its determination, Management concluded that the Group had the ability to direct the relevant activities of the Fund unilaterally given that the majority of the Board members of the Fund also served as Directors of the Group and the Fund's Board was selected by 100% of the voting rights held by a subsidiary in the Group. The Group also obtained exposure or rights to variable returns through its direct investment and the investment of other related parties (de facto agents). It was therefore concluded that the Group had the power to direct the relevant activities of the Fund and exposure or rights to variable returns resulting in control over FG Financial Fund Limited SAC. Effective 31 May 2019, as part of the disposal of its Investment Management Business, the Group transferred the management shares which represented 100% of the voting shares in the Fund to the acquirer, and the members of the Board of Directors were replaced by new directors appointed by the acquirer. Thereafter the Group determined that as it no longer had the power to direct the relevant activities of the Fund it was no longer appropriate to consolidate the Fund's financial statements.

##### *Key sources of estimation uncertainty-critical accounting estimates*

The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as the disclosure of contingent assets and liabilities, at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Certain amounts included in or affecting the Group's financial statements and related disclosure must be estimated, requiring the Group to make assumptions with respect to values or conditions which cannot be known with certainty at the time the consolidated financial statements are prepared. A "critical accounting estimate" is one which is both important to the portrayal of the Group's financial condition and requires management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

The Group evaluates such estimates on an ongoing basis, based upon historical results and experience, consultation with experts, trends and other methods considered reasonable in the particular circumstances, as well as the forecasts as to how these might change in the future.

# FamGuard Corporation Limited

## Notes to the Consolidated Financial Statements

31 December 2020

(Expressed in Bahamian dollars)

(Continued)

### 4. Critical Accounting Judgments and Key Sources of Estimation Uncertainty (Continued)

#### *Key sources of estimation uncertainty-critical accounting estimates (continued)*

##### *a. Estimate of future payments and premiums arising from long-term insurance contracts.*

The determination of the liabilities under long-term insurance contracts is dependent on estimates made by the Appointed Actuary. Estimates are made as to the expected number of deaths for each of the years in which the Group is exposed to risk. The Group bases these estimates on mortality tables that reflect recent historical mortality experience, adjusted where appropriate to reflect the Group's own experience. For contracts that insure the risk of longevity, appropriate but not excessively prudent allowance is made for expected mortality improvements. The estimated number of deaths determines the value of the benefit payments and the value of the valuation premiums. The main source of uncertainty is that epidemics such as AIDS and COVID-19, and wide-ranging lifestyle changes, such as changes in eating, smoking and exercise habits, could result in future mortality being significantly worse than in the past for the age groups in which the Group has significant exposure to mortality risk. However, continuing improvements in medical care and social conditions could result in improvements in longevity in excess of those allowed for in the estimates used to determine the liability for contracts where the Group is exposed to longevity risk.

##### *b. Estimates of future payments arising from short-term insurance contracts.*

The determination of the liabilities under short-term insurance contracts is dependent on estimates made by the Group. Estimates are made for the expected cost of claims incurred but not yet reported (IBNR) at the statement of financial position date.

A significant period of time can pass before a claim cost can be established with certainty. As a result, the claim cost is estimated using various actuarial claims projection techniques. The main assumption used in applying these techniques is the Group's past claims experience, which is used to project future claims cost.

##### *c. Impairment of non-financial assets*

The Group has made significant investments in tangible and intangible assets. These assets are tested for impairment when circumstances indicate there may be potential impairment. Factors considered important which could trigger an impairment review include the following: significant fall in market values; significant underperformance relative to historical or projected future operating results; significant changes in the use of the assets or the strategy for the overall business, including assets that are decided to be phased out or replaced and assets that are damaged or taken out of use; significant negative industry or economic trends; and significant cost overruns in the development of assets.

Estimating recoverable amounts of assets must, in part, be based on management evaluations, including estimates of future performance, revenue generating capacity of the assets, assumptions of the future market conditions and the success in marketing of new products and services. Changes in circumstances and in management's evaluations and assumptions may give rise to impairment losses in the relevant periods.

## FamGuard Corporation Limited

### Notes to the Consolidated Financial Statements

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(Continued)

#### 4. Critical Accounting Judgments and Key Sources of Estimation Uncertainty (Continued)

##### *Key sources of estimation uncertainty-critical accounting estimates (Continued)*

##### *d. Revaluation of property and equipment*

The Group measures its land and buildings at revalued amounts triennially, with changes in fair value being recognised in the revaluation reserve in the consolidated statement of financial position. An independent valuation of the Group's land and buildings is performed to determine the fair value with reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location, and the condition of the respective property.

##### *e. Loan loss provision*

To cover any shortfalls from mortgage loans, the Group records specific provisions on non-current loans, based on the assessed value of the underlying collateral and other determinants of net realisable value, including independent appraisal and an assessment of the forced sale value of the underlying collateral. The methods used to calculate collective impairment allowance on homogenous groups of loans which are past due and not disclosed in Note 3(h).

##### *f. Impairment of financial assets*

The Group determines that financial assets are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Group evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology and operational and financing cash flow. Impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and financing and operational cash flows.

##### *g. Retirement benefit obligation*

The Group's retirement benefit obligation is discounted at a rate determined by reference to market yields at the end of the reporting period on high quality Government bonds. Significant judgment is required when determining the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds include whether there is a deep market in the bonds, quality of the bonds and the identification of outliers which are excluded.

Other key assumptions for retirement benefit obligations include medical, dental and vision cost trend rates and mortality rates. Medical rates are determined by the current year's average per capita costs for all participants. Average per capita costs for retirees was estimated by age groupings. The Group bases the estimates for mortality on tables that reflect recent historical mortality experience, adjusted where appropriate to reflect the Group own experience.

# FamGuard Corporation Limited

## Notes to the Consolidated Financial Statements

31 December 2020

(Expressed in Bahamian dollars)

(Continued)

### 4. Critical Accounting Judgments and Key Sources of Estimation Uncertainty (Continued)

#### *Key sources of estimation uncertainty-critical accounting estimates (Continued)*

##### *h. Fair value of securities not quoted in an active market*

The fair value of securities not quoted in an active market may be determined by the Group, based on historical experience and other factors that are considered to be relevant. Where no market data is available, the Group may value positions using its own models, which are usually based on valuation methods and techniques generally recognised as standard within the industry. The inputs into these models are primarily recent similar arm's length market transactions, if available, and reference to the current fair value of another instrument that is substantially the same.

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

##### *i. Leases- Estimation of incremental borrowing rate*

The Group is unable to readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease.

The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

# FamGuard Corporation Limited

## Notes to the Consolidated Financial Statements

31 December 2020

(Expressed in Bahamian dollars)

(Continued)

### 5. Management of Insurance and Financial Risk

The Group issues contracts that transfer insurance risk, financial risk or both. The Group's activities expose it to a variety of financial risks, including the effects of changes in equity market prices and interest rates. The Group's overall risk management approach focuses on the unpredictability of insured events and financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

#### a. Fair value of financial assets and liabilities

The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Underlying the definition of fair value is the presumption that the Group is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

In the opinion of management, the estimated fair value of financial assets and financial liabilities at the statement of financial position date were not materially different from their carrying values.

The following table depicts the classification of financial assets and financial liabilities:

	2020					Total
	FVTPL	Loans and Receivables	Held- to- Maturity	Available- for- Sale	All Other Financial Liabilities	
	\$	\$	\$	\$	\$	\$
<b>FINANCIAL ASSETS</b>						
Cash and cash equivalents	-	18,663,649	-	-	-	18,663,649
Financial investment assets	18,540,887	82,488,556	177,729,365	10,331,155	-	289,089,963
Reinsurance assets	-	2,451,215	-	-	-	2,451,215
Receivables and other assets	-	11,304,791	-	-	-	11,304,791
<b>Total financial assets</b>	<b>18,540,887</b>	<b>114,908,211</b>	<b>177,729,365</b>	<b>10,331,155</b>	<b>-</b>	<b>321,509,618</b>
<b>FINANCIAL LIABILITIES</b>						
Other Policyholders' funds	-	-	-	-	24,274,672	24,274,672
Payables and accruals	-	-	-	-	11,060,397	11,060,397
Lease liabilities	-	-	-	-	688,067	688,067
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>36,023,136</b>	<b>36,023,136</b>

## FamGuard Corporation Limited

### Notes to the Consolidated Financial Statements

31 December 2020

(Expressed in Bahamian dollars)

(Continued)

#### 5. Management of Insurance and Financial Risk (Continued)

##### a. Fair value of financial assets and liabilities (continued)

	2019					
	FVTPL	Loans and	Held- to-	Available-	All Other	Total
	\$	Receivables	Maturity	For- Sale	Financial	\$
		\$	\$	\$	Liabilities	\$
					\$	
<b>FINANCIAL ASSETS</b>						
Cash and cash equivalents	-	20,295,541	-	-	-	20,295,541
Financial investment assets	19,900,129	86,412,527	143,441,417	11,467,971	-	261,222,044
Reinsurance assets	-	3,536,748	-	-	-	3,536,748
Receivables and other assets	-	17,023,686	-	-	-	17,023,686
	<u>-</u>	<u>17,023,686</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,023,686</u>
<b>Total financial assets</b>	<b><u>19,900,129</u></b>	<b><u>127,268,502</u></b>	<b><u>143,441,417</u></b>	<b><u>11,467,971</u></b>	<b><u>-</u></b>	<b><u>302,078,019</u></b>
<b>FINANCIAL LIABILITIES</b>						
Other Policyholders' funds	-	-	-	-	20,426,183	20,426,183
Payables and accruals	-	-	-	-	14,118,955	14,118,955
Lease liabilities	-	-	-	-	548,691	548,691
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>548,691</u>	<u>548,691</u>
<b>Total financial liabilities</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>35,093,829</u></b>	<b><u>35,093,829</u></b>

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, or for which fair value is disclosed, grouped into levels 1 to 3 based on the degree to which the fair value is observable. These instruments are reported at fair value on a recurring basis (i.e., at the end of each reporting period).

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

## FamGuard Corporation Limited

### Notes to the Consolidated Financial Statements

31 December 2020

(Expressed in Bahamian dollars)

(Continued)

#### 5. Management of Insurance and Financial Risk (Continued)

##### a. Fair value of financial assets and liabilities (continued)

	2020			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b>FINANCIAL INVESTMENT ASSETS</b>				
FVTPL	18,540,887	-	-	18,540,887
Available- for- sale	-	10,331,155	-	10,331,155
Held- to- maturity	-	177,729,365	-	177,729,365
Loans & Receivables	-	82,488,556	-	82,488,556
	<u>18,540,887</u>	<u>270,549,076</u>	<u>-</u>	<u>289,089,963</u>
	2019			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b>FINANCIAL INVESTMENT ASSETS</b>				
FVTPL	19,900,129	-	-	19,900,129
Available- for- sale	-	11,467,971	-	11,467,971
Held- to- maturity	-	143,441,417	-	143,441,417
Loans & Receivables	-	86,412,527	-	86,412,527
	<u>19,900,129</u>	<u>241,321,915</u>	<u>-</u>	<u>261,222,044</u>

The Company's financial investment assets which are carried at amortised cost predominantly have interest rates which reset to market rates and accordingly their fair values approximates their carrying values. For long-term financial investment assets with fixed interest rates, despite a change in market rates since the issuance of the financial instruments, there has been no observable change in fair values, accordingly, the carrying values approximate fair values.

All other financial instruments are short-term in nature and accordingly their values approximate their carrying values.

##### b. Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts, where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than expected. Insurance events are random and the actual number and amounts of claims and benefits will vary from year to year from the estimate established via statistical techniques.

## FamGuard Corporation Limited

### Notes to the Consolidated Financial Statements

31 December 2020

(Expressed in Bahamian dollars)

(Continued)

#### 5. Management of Insurance and Financial Risk (Continued)

##### *b. Insurance risk (continued)*

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

The Group seeks to limit its exposure to loss on any single insured and to recover benefits paid, by ceding premiums to reinsurers under excess coverage and quota share contracts. Under the excess coverage contracts, the Group retains a range of \$75,000 to \$100,000 (2019: \$75,000 to \$100,000) coverage per individual life and individual accidental death benefit. The Group also seeks to limit the exposure to catastrophic loss on the portfolio of insureds by ceding premiums to a reinsurer. The Group retains coverage up to \$500,000 under this policy.

Under the quota share contracts, the Group retains 50% of the face amount per individual life and accidental death benefit to a maximum of \$100,000 on any one life insured. Individual and group medical retention limit is retained at \$300,000 (2019: \$225,000) per member.

##### *Long-term insurance contracts*

For contracts where death is the insured risk, the most significant factors that could increase the overall frequency and severity of claims are epidemics, such as AIDS and COVID-19, and wide ranging lifestyle changes, such as changes in eating, smoking and exercise habits resulting in earlier or more claims than expected.

The Group manages these risks through its underwriting strategy and reinsurance arrangements. The underwriting strategy is intended to ensure that the risks underwritten are well diversified in terms of type and level of insured benefits.

The Group's underwriting strategy includes medical selection with benefits limited to reflect the health condition of applicants and retention limits on any single life insured.

The table below indicates the concentration of insured benefits across four bands of insured benefits per coverage insured.

	2020	2019
	\$	\$
0 - 9,999	122,456,081	123,726,848
10,000 - 24,999	347,028,277	355,480,308
25,000 - 49,999	135,997,195	138,182,598
50,000 and over	994,341,115	1,040,723,663
	<u>1,599,822,668</u>	<u>1,658,113,417</u>

# FamGuard Corporation Limited

## Notes to the Consolidated Financial Statements

31 December 2020

(Expressed in Bahamian dollars)

(Continued)

### 5. Management of Insurance and Financial Risk (Continued)

#### *b. Insurance risk (continued)*

##### *Short-term insurance contracts*

The following tables show the estimate of claims by calendar year, net of reinsurance, for the past 10 years. The top half of the table shows how the estimate of total incurred claims for each calendar year varies based on when the estimate is made. Generally, the estimate becomes closer to the final reality in each subsequent year, as a smaller percentage of claims remain unpaid. The lower portion of the table reconciles the current estimate of incurred claims (less those claims already paid) with the amount included in the consolidated statement of financial position on 31 December 2020.

## FamGuard Corporation Limited

### Notes to the Consolidated Financial Statements

(Expressed in Bahamian dollars)

31 December 2020

(Continued)

#### 5. Management of Insurance and Financial Risk (Continued)

	Year claim is incurred										Total
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Estimate of ultimate gross claims											
End of year incurred	<u>40,557</u>	<u>36,610</u>	<u>34,811</u>	<u>36,567</u>	<u>43,834</u>	<u>39,830</u>	<u>45,109</u>	<u>55,709</u>	<u>60,896</u>	<u>38,946</u>	<u>432,869</u>
One year later	<u>39,517</u>	<u>35,453</u>	<u>34,136</u>	<u>35,711</u>	<u>43,971</u>	<u>40,703</u>	<u>46,899</u>	<u>55,583</u>	<u>60,051</u>		
Two years later	<u>39,564</u>	<u>35,382</u>	<u>33,913</u>	<u>35,885</u>	<u>43,968</u>	<u>40,820</u>	<u>46,966</u>	<u>55,660</u>	-		
Three years later	<u>39,547</u>	<u>35,301</u>	<u>33,954</u>	<u>35,888</u>	<u>44,072</u>	<u>40,825</u>	<u>46,970</u>	-	-		
Four years later	<u>39,541</u>	<u>35,315</u>	<u>33,914</u>	<u>35,900</u>	<u>44,066</u>	<u>40,828</u>	-	-	-		
Current (31 December 2020) estimate of ultimate claims	39,541	35,315	33,914	35,900	44,066	40,828	46,970	55,660	60,051	38,946	431,191
Cumulative payments (through 31 December 2020)	39,541	35,315	33,914	35,900	44,066	40,826	46,967	55,630	59,882	31,924	423,965
Current (31 December 2020) statement of financial position liability	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2</u>	<u>3</u>	<u>30</u>	<u>169</u>	<u>7,022</u>	<u>7,226</u>

## FamGuard Corporation Limited

### Notes to the Consolidated Financial Statements

31 December 2020

(Expressed in Bahamian dollars)

(Continued)

#### 5. Management of Insurance and Financial Risk (Continued)

	Year claim is incurred										Total \$'000
	2011 \$'000	2012 \$'000	2013 \$'000	2014 \$'000	2015 \$'000	2016 \$'000	2017 \$'000	2018 \$'000	2019 \$'000	2020 \$'000	
Estimate of ultimate net claims											
End of year incurred	<u>37,645</u>	<u>34,607</u>	<u>32,832</u>	<u>34,718</u>	<u>41,712</u>	<u>38,260</u>	<u>42,528</u>	<u>51,055</u>	<u>53,468</u>	<u>37,993</u>	<u>404,818</u>
One year later	<u>36,260</u>	<u>33,963</u>	<u>31,617</u>	<u>33,682</u>	<u>41,296</u>	<u>38,927</u>	<u>42,846</u>	<u>50,290</u>	<u>52,374</u>		
Two years later	<u>36,308</u>	<u>34,157</u>	<u>31,496</u>	<u>33,807</u>	<u>41,294</u>	<u>39,024</u>	<u>42,897</u>	<u>50,371</u>			
Three years later	<u>36,294</u>	<u>34,077</u>	<u>31,533</u>	<u>33,812</u>	<u>41,397</u>	<u>39,028</u>	<u>42,901</u>				
Four years later	<u>36,289</u>	<u>34,091</u>	<u>31,495</u>	<u>33,824</u>	<u>41,392</u>	<u>39,032</u>					
Current (31 December 2020) estimate of ultimate claims	36,289	34,091	31,495	33,824	41,392	39,032	42,901	50,371	52,374	37,993	399,762
Cumulative payments (through 31 December 2020)	36,289	34,091	31,495	33,824	41,392	39,029	42,898	50,344	52,221	31,653	393,236
Current (31 December 2020) statement of financial position liability	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3</u>	<u>3</u>	<u>27</u>	<u>153</u>	<u>6,340</u>	<u>6,526</u>

## FamGuard Corporation Limited

### Notes to the Consolidated Financial Statements

31 December 2020

(Expressed in Bahamian dollars)

(Continued)

#### 5. Management of Insurance and Financial Risk (Continued)

##### *c. Market risk*

###### *Cash flow and fair value interest rate risk*

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

Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise.

The Board sets limits on the level of mismatch of interest rate re-pricing that may be undertaken, which is monitored regularly.

Mortgage loans and held-to-maturity financial assets are subject to floating interest rates. If future interest rates were increased or decreased by 1%, interest income in the consolidated statement of comprehensive income would increase or decrease by \$2,370,465 (2019: \$2,071,463).

##### *d. Price risk*

Price risk is the risk that the value of the financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security, its issuer or factors affecting all securities traded in the market. The Group manages its risk through the Investment Committee, which monitors the price movement of securities on BISX.

If future market prices for equity securities measured at FVTPL were to increase or decrease by 10% this would result in an increase or decrease in other comprehensive income of \$1,033,116 (2019: \$1,028,966) and net income of \$1,854,089 (2019: \$1,990,013). Management mitigates this risk by diversification of its portfolio.

## FamGuard Corporation Limited

### Notes to the Consolidated Financial Statements

31 December 2020

(Expressed in Bahamian dollars)

(Continued)

#### 5. Management of Insurance and Financial Risk (Continued)

##### *e. Credit risk*

The Group has exposure to credit risk, which is the risk that a counter-party will be unable to pay amounts in full when due. Key areas represented by aggregate amounts disclosed on the face of the consolidated statement of financial position where the Group is exposed to credit risk are:

- Cash and term deposits placed with banks
- Mortgage loans and loans to policyholders
- Amounts due from reinsurers
- Amounts due from insurance policyholders
- Debt instruments

The Group's cash and term deposits are mainly placed with well-known high quality banks. Mortgage loans and loans to policyholders are fully collateralised by the relevant property assets and cash surrender values respectively.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Group's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Group remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their publicly available financial information prior to finalisation of any contract. The Group has one main reinsurer for its long-term insurance contracts, a large multinational corporation that has an AM Best Rating of A+ and a Standard & Poors (S&P) rating of AA-.

The Group invests in debt instruments which have been issued or guaranteed by the The Government of the Bahamas and companies that are in good standing and have had no history of default on payment of principal or interest. The Group minimises its exposure to credit risk by holding a diversified portfolio of debt instruments with established maximum holding limits for each investment asset group. The Group also has established limits on investments held with any one institution.

##### *f. Liquidity risk*

The Group is exposed to daily calls on its available cash resources from claims arising from insurance contracts. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost.

The Group maintains sufficient liquidity (cash and marketable securities) to meet all contractual liabilities as they fall due. The following table shows the undiscounted payout pattern, net of premiums, of the actuarial liabilities.

# FamGuard Corporation Limited

## Notes to the Consolidated Financial Statements

31 December 2020

(Expressed in Bahamian dollars)

(Continued)

### 5. Management of Insurance and Financial Risk (Continued)

#### f. Liquidity risk (continued)

	Not Classified	Up to 1 year	2020 1 to 5 years	6 to 10 years	Over 10 years	Total
	\$	\$	\$	\$	\$	\$
Short- term insurance contracts	-	8,775,058	-	-	-	8,775,058
Long- term with fixed and guaranteed terms	719,205	(6,310,852)	(7,655,170)	14,265,398	361,673,643	362,692,224
Long- term without fixed and guaranteed terms	72,997,635	1,807,478	9,875,135	13,973,585	69,169,856	167,823,689
Long- term without fixed and guaranteed terms and with DPF	-	562,760	3,897,380	7,623,727	57,308,357	69,392,224
<b>Total</b>	<b>73,716,840</b>	<b>4,834,444</b>	<b>6,117,345</b>	<b>35,862,710</b>	<b>488,151,856</b>	<b>608,683,195</b>
			2019			
	Not Classified	Up to 1 year	1 to 5 years	6 to 10 years	Over 10 years	Total
	\$	\$	\$	\$	\$	\$
Short- term insurance contracts	-	9,187,462	-	-	-	9,187,462
Long- term with fixed and guaranteed terms	794,605	(6,879,416)	(10,527,662)	11,506,165	354,333,504	349,227,196
Long- term without fixed and guaranteed terms	70,082,252	1,248,834	6,936,816	12,269,764	71,191,317	161,728,983
Long- term without fixed and guaranteed terms and with DPF	-	337,343	3,374,074	7,109,276	57,231,025	68,051,718
<b>Total</b>	<b>70,876,857</b>	<b>3,894,223</b>	<b>(216,772)</b>	<b>30,885,205</b>	<b>482,755,846</b>	<b>588,195,359</b>

Amounts not classified consist mainly of deferred annuity fund balances.

# FamGuard Corporation Limited

## Notes to the Consolidated Financial Statements

31 December 2020

(Expressed in Bahamian dollars)

(Continued)

### 5. Management of Insurance and Financial Risk (Continued)

#### f. Liquidity risk (continued)

The following table shows the expected recovery or settlement of financial assets and financial liabilities:

	Not Classified \$	2020				Total \$
		Up to 1 year \$	1 to 5 years \$	6 to 10 years \$	Over 10 years \$	
<b>ASSETS</b>						
Cash on hand & at bank	-	18,663,649	-	-	-	18,663,649
Reinsurance assets	2,451,215	-	-	-	-	2,451,215
Receivables & other assets	5,964,072	6,482,011	-	-	-	12,446,083
Financial investment assets						
FVTPL securities	-	18,540,887	-	-	-	18,540,887
AFS Securities	-	10,331,155	-	-	-	10,331,155
HTM Securities	-	6,454,862	33,506,843	24,266,283	113,501,377	177,729,365
Loans	18,504,371	1,304,279	3,618,130	10,311,088	48,750,688	82,488,556
	<b>26,919,658</b>	<b>61,776,843</b>	<b>37,124,973</b>	<b>34,577,371</b>	<b>162,252,065</b>	<b>322,650,910</b>
<b>LIABILITIES</b>						
Other policyholders' funds	-	24,274,672	-	-	-	24,274,672
Payables and accruals	-	11,060,397	-	-	-	11,060,397
Lease liabilities	-	-	43,454	644,613	-	688,067
	<b>-</b>	<b>35,335,069</b>	<b>43,454</b>	<b>644,613</b>	<b>-</b>	<b>36,023,136</b>

## FamGuard Corporation Limited

### Notes to the Consolidated Financial Statements 31 December 2020 (Expressed in Bahamian dollars) (Continued)

#### 5. Management of Insurance and Financial Risk (Continued)

##### f. Liquidity risk (continued)

	Not Classified \$	2019				Total \$
		Up to 1 year \$	1 to 5 years \$	6 to 10 years \$	Over 10 years \$	
<b>ASSETS</b>						
Cash on hand & at bank	-	20,295,541	-	-	-	20,295,541
Reinsurance assets	3,536,748	-	-	-	-	3,536,748
Receivables & other assets	10,220,818	6,802,868	-	-	-	17,023,686
Financial investment assets						
FVTPL securities	-	19,900,129	-	-	-	19,900,129
AFS Securities	-	11,467,971	-	-	-	11,467,971
HTM Securities	-	7,089,629	25,048,627	21,122,162	90,180,999	143,441,417
Loans	17,853,022	2,989,799	3,351,349	10,948,811	51,269,546	86,412,527
	<b>31,610,588</b>	<b>68,545,937</b>	<b>28,399,976</b>	<b>32,070,973</b>	<b>141,450,545</b>	<b>302,078,019</b>
<b>LIABILITIES</b>						
Other policyholders' funds	-	20,426,183	-	-	-	20,426,183
Payables and accruals	-	14,118,955	-	-	-	14,118,955
Lease Liabilities	-	34,753	513,938	-	-	548,691
	-	<b>34,579,891</b>	<b>513,938</b>	-	-	<b>35,093,829</b>

##### g. Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to shareholders through optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2019.

External capital requirements are enforced and regulated by the Insurance Commission of The Bahamas. These requirements are established to ensure sufficient solvency margins are maintained. The Group exceeded both the statutory margin and minimum ratio requirements of qualified admissible assets.

The capital structure of the Group consists of cash and cash equivalents and equity, comprising issued capital, reserves and retained earnings.

## FamGuard Corporation Limited

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#### 6. Financial Investment Assets

Financial investment assets comprise the following:

	2020	2019
	\$	\$
<b>(a) Fair value through profit or loss (FVTPL):</b>		
At beginning of year	19,900,129	12,670,798
Addition due to loss of control of mutual funds (Note 30)	-	5,955,593
Subscriptions	92,176	142,991
Change in unrealised (loss)/gain on investment	<u>(1,451,418)</u>	<u>1,130,747</u>
<b>At end of year</b>	<b><u>18,540,887</u></b>	<b><u>19,900,129</u></b>
<b>(b) Available for sale (AFS):</b>		
At beginning of year	10,289,659	9,871,366
Sale of equities	-	(270,000)
Net change in fair value on AFS financial assets	<u>(1,136,817)</u>	<u>688,293</u>
	<u>9,152,842</u>	<u>10,289,659</u>
Investment in redeemable preference shares	1,170,000	1,741,000
Maturity of preference shares	-	(571,000)
Add: Accrued interest receivable	8,313	8,312
	<u>1,178,313</u>	<u>1,178,312</u>
<b>At end of year</b>	<b><u>10,331,155</u></b>	<b><u>11,467,971</u></b>

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#### 6. Financial Investment Assets (Continued)

The Company and its subsidiaries have interests in various structured entities that are not consolidated by us. A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. We have an interest in a structured entity when we have a contractual or non-contractual involvement that exposes us to variable returns from the performance of the entity. Our interest includes investments in mutual funds that are listed on The Bahamas International Securities Exchange ("BISX"). Maximum exposure to loss is equal to the carrying amount disclosed in Note 6 of the financial statements.

Held-to-maturity securities have interest rates ranging from 4.13% to 10.0% per annum (2019: 4.25% to 10.0%) and scheduled maturities between 2021 and 2050 (2019: 2020 and 2048).

	<b>2020</b>	<b>2019</b>
	\$	\$
<b>(c) Held- to- maturity (HTM):</b>		
Bahamas Government bonds	134,354,306	103,326,075
Bahamas Mortgage Corporation bonds	9,300,000	9,300,000
Education Loan Authority bonds	3,800,000	3,800,000
Clifton Heritage bonds	2,004,800	2,004,800
Bridge Authority bonds	<u>307,400</u>	<u>307,400</u>
Government bonds, at amortised cost	149,766,506	118,738,275
Add: Accrued interest receivable	<u>2,158,930</u>	<u>1,791,510</u>
	<u>151,925,436</u>	<u>120,529,785</u>
Redeemable preferred shares, at amortised cost	7,591,726	8,065,224
Add: Accrued interest receivable	<u>36,479</u>	<u>36,652</u>
	<u>7,628,205</u>	<u>8,101,876</u>
Corporate bonds, at amortised cost	18,114,339	14,688,913
Add: Accrued interest receivable	<u>61,385</u>	<u>120,843</u>
	<u>18,175,724</u>	<u>14,809,756</u>
<b>At end of year</b>	<b><u>177,729,365</u></b>	<b><u>143,441,417</u></b>

# FamGuard Corporation Limited

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(Expressed in Bahamian dollars)

(Continued)

### 6. Financial Investment Assets (Continued)

In 2011, in accordance with the Insurance Act 2005 (Amended), the Group established a Trust Account (the “Family Guardian Statutory Deposit Trust”) in which \$2,000,000 of Bahamas Government Registered Stocks have been placed in Trust. This amount, which is included in Held to Maturity financial investment assets, is restricted for regulatory purposes; however, the interest income on these stocks accrues to the Group.

In accordance with amendments dated 13 October 2008 to IAS 39 and IFRS 7 *Financial Instruments: Disclosures*, the Group opted to reclassify its investment in equities at that date from fair value through profit or loss to available-for-sale with effect from 1 July 2008. The carrying value of the investments in the reclassified equities is equivalent to the fair value and as at 31 December 2020 is \$8,553,054 (2019: \$9,045,443).

The accumulated gain or fair value loss that would have been recognised in net income since the reclassification had the investment in equities not been reclassified is \$2,191,097 gain (2019: \$2,683,486 gain) taking into consideration impairment losses previously transferred to net income.

## FamGuard Corporation Limited

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(Continued)

#### 6. Financial Investment Assets (Continued)

	2020	2019
	\$	\$
<b>(d) Loans:</b>		
(i) Policy loans comprise:		
Policy loans	15,315,515	14,613,945
Automatic premium loans	4,015,382	3,698,798
	<u>19,330,897</u>	<u>18,312,743</u>
Less: Specific provision for credit risk	(826,526)	(456,274)
Add: Accrued interest receivable	991,597	932,950
	<u><b>19,495,968</b></u>	<u><b>18,789,419</b></u>
(ii) Mortgage loans comprise:		
Commercial:		
Current	74,262	652,881
Past due but not impaired	115,363	113,099
Over 90 days	609,436	434,549
Residential:		
Current	52,087,846	55,771,939
Past due but not impaired	6,379,973	8,075,699
Over 90 days	5,351,933	3,094,200
	<u>64,618,813</u>	<u>68,142,367</u>
Less: Specific provision for credit risk	(1,865,009)	(2,049,215)
General provision for credit risk	(779,215)	-
Deferred commitment fees	(408,329)	(439,267)
	<u>61,566,260</u>	<u>65,653,885</u>
Add: Accrued interest receivable	325,576	329,267
	<u>61,891,836</u>	<u>65,983,152</u>
(iii) Margin loans	<u>1,100,752</u>	<u>1,639,956</u>
<b>Total loans</b>	<u><b>82,488,556</b></u>	<u><b>86,412,527</b></u>

## FamGuard Corporation Limited

### Notes to the Consolidated Financial Statements

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(Expressed in Bahamian dollars)

(Continued)

#### 6. Financial Investment Assets (Continued)

Policy loans and automatic premium loans (APLs) are allowed on Ordinary Life policies. An interest rate ranging from 0% to 11% (2019: 0% to 11%) per annum is charged on policy loans and APLs.

Movements in the mortgage loan loss provisions are as follows:

	\$
Balance as at 31 December 2018	1,729,834
Bad debt expense	458,821
Recovery of bad debt	<u>(139,440)</u>
Balance as at 31 December 2019	2,049,215
Bad debt expense	917,396
Recovery of bad debt	<u>(322,387)</u>
<b>Balance as at 31 December 2020</b>	<b><u><u>2,644,224</u></u></b>

An interest rate of 5.25% per annum (2019: 5.25%) is charged on residential mortgage loans to directors, officers, and staff with two or more years of service. Included in total loans are mortgages to related parties which carry interest rates between 5.0% to 5.75% (2019: 5.0% to 7.75%) in the amount of \$692,185 (2019: \$1,395,584). Related party interest income from mortgages for the year ended 31 December 2020 is \$44,700 (2019: \$82,123) and related party interest receivable on mortgages as at 31 December 2020 is \$1,754 (2019: \$4,929).

As at 31 December 2020, the Group had non-performing mortgage loans of \$5,961,396 (2019: \$3,528,749) for which interest of \$1,336,521 (2019: \$1,447,728) had not been recognised in the consolidated statement of comprehensive income. Management has determined that mortgage loans totaling \$6,495,336 (2019: \$8,188,796) are past due but not considered impaired.

The Group has reviewed the potential impact of the COVID-19 pandemic on the allowance for loan losses. As part of this review, the Group introduced a collectively assessed provision for customers. The collective provision was performed on the basis of similar credit risk, which was determined by the grouping of past due status, as all loans have similar characteristics and are based in The Bahamas. The collective provision considered the future cash flows based on the Group's historical loss experience for the assets with credit risk characteristics similar to those in the group.

## FamGuard Corporation Limited

### Notes to the Consolidated Financial Statements

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(Expressed in Bahamian dollars)

(Continued)

#### 6. Financial Investment Assets (Continued)

During the year, the Group sold properties under power of sale. The fair value of the collateral sold under power of sale was \$412,000 (2019: \$313,000). The unrecoverable portion of the principal was provided for and is included in net bad debt expenses in the consolidated statement of comprehensive income.

#### 7. Receivables and Other Assets

Receivables and other assets comprise:

	<b>2020</b>	<b>2019</b>
	\$	\$
Reinsurance recoveries	4,822,780	9,720,818
Other receivables and other assets	1,659,886	2,210,858
Premium receivables	3,732,793	3,869,407
Receivables from general insurance clients	1,318,443	743,840
Prepayments and deposits	<u>1,141,292</u>	<u>985,760</u>
	12,675,194	17,530,683
Less: allowance for doubtful accounts	<u>(229,111)</u>	<u>(21,237)</u>
	<b><u>12,446,083</u></b>	<b><u>17,509,446</u></b>

The movement in allowance for doubtful accounts is as follows:

	<b>2020</b>	<b>2019</b>
	\$	\$
Balance, beginning of year	21,237	53,981
Bad debt expense	815,589	164,727
Bad debt written off	<u>(607,715)</u>	<u>(197,471)</u>
<b>Balance, end of year</b>	<b><u>229,111</u></b>	<b><u>21,237</u></b>

Due to the short-term nature of the accounts receivable, their carrying amount is considered to approximate its fair value.

Management has deemed \$473,069 (2019: \$997,999) of premium receivables and receivables from general insurance clients to be past due but not impaired.

## FamGuard Corporation Limited

### Notes to the Consolidated Financial Statements

31 December 2020

(Expressed in Bahamian dollars)

(Continued)

#### 8. Property and Equipment

The movement of property and equipment for the year is as follows:

	2020								
	Freehold Land	Freehold Buildings	Furniture & Equipment	Motor Vehicles	Computer Hardware & Software	Freehold Building Improvements	Leasehold Improvements	Work in Progress	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Year ended 31 December 2020</b>									
Opening net book amount	10,255,002	18,894,372	387,014	26,137	5,163,487	14,300	37,631	4,390,465	39,168,408
Additions		17,540	68,073	-	368,323	-	-	446,513	900,449
Revaluations	520,289	1,049,561	-	-	-	-	-	-	1,569,850
Transfers/ adjustments	-	155,695	74,179	-	(150,780)	-	-	(139,902)	(60,808)
Disposals - cost	-	-	-	-	-	-	-	(817,016)	(817,016)
Depreciation charge	-	(710,068)	(178,041)	(7,744)	(1,355,882)	(2,383)	(11,917)	-	(2,266,035)
<b>Closing net book amount</b>	<b><u>10,775,291</u></b>	<b><u>19,407,100</u></b>	<b><u>351,225</u></b>	<b><u>18,393</u></b>	<b><u>4,025,148</u></b>	<b><u>11,917</u></b>	<b><u>25,714</u></b>	<b><u>3,880,060</u></b>	<b><u>38,494,848</u></b>
As at 31 December 2020									
Cost or revaluation	10,775,291	19,407,100	5,547,718	98,691	10,792,028	14,300	37,631	-	46,672,759
Work in progress	-	-	-	-	-	-	-	3,880,060	3,880,060
Accumulated depreciation	-	-	(5,196,493)	(80,298)	(6,766,880)	(2,383)	(11,917)	-	(12,057,971)
<b>Net book amount</b>	<b><u>10,775,291</u></b>	<b><u>19,407,100</u></b>	<b><u>351,225</u></b>	<b><u>18,393</u></b>	<b><u>4,025,148</u></b>	<b><u>11,917</u></b>	<b><u>25,714</u></b>	<b><u>3,880,060</u></b>	<b><u>38,494,848</u></b>

## FamGuard Corporation Limited

### Notes to the Consolidated Financial Statements

31 December 2020

(Expressed in Bahamian dollars)

(Continued)

#### 8. Property and Equipment (Continued)

The movement of property and equipment for the year is as follows:

	2019								Total
	Freehold Land	Freehold Buildings	Furniture & Equipment	Motor Vehicles	Computer Hardware & Software	Freehold Building Improvements	Leasehold Improvements	Work in Progress	
	\$	\$	\$	\$	\$		\$	\$	\$
<b>Year ended 31 December 2019</b>									
Opening net book amount	10,255,002	18,912,702	430,496	33,881	1,003,160	-	-	7,063,065	37,823,889
Additions	-	24,045	62,752	-	1,331,586	14,300	37,631	2,040,433	3,510,747
Revaluations	-	-	-	-	-	-	-	-	-
Transfers	-	416,345	99,522	-	3,780,357	-	-	(4,373,015)	(76,791)
Disposals - cost	-	-	-	-	-	-	-	(340,018)	(340,018)
Depreciation charge	-	(458,720)	(205,756)	(7,744)	(951,616)	-	-	-	(1,623,836)
<b>Closing net book amount</b>	<b>10,255,002</b>	<b>18,894,372</b>	<b>387,014</b>	<b>26,137</b>	<b>5,163,487</b>	<b>14,300</b>	<b>37,631</b>	<b>4,390,465</b>	<b>39,293,991</b>
as at 31 December 2019									
Cost or revaluation	10,255,002	19,649,014	5,409,077	98,690	10,574,486	14,300	1,069,672	6,595,908	53,791,732
Work in progress	-	-	-	-	-	-	-	(2,205,443)	-
Accumulated depreciation	-	(754,642)	(5,022,063)	(72,553)	(5,410,999)	-	(1,032,041)	-	(12,292,298)
<b>Net book amount</b>	<b>10,255,002</b>	<b>18,894,372</b>	<b>387,014</b>	<b>26,137</b>	<b>5,163,487</b>	<b>14,300</b>	<b>37,631</b>	<b>4,390,465</b>	<b>39,293,991</b>

## FamGuard Corporation Limited

### Notes to the Consolidated Financial Statements

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#### 8. Property and Equipment (Continued)

The Group's freehold land and buildings are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The last revaluation of the Group's land and buildings was performed 31 December 2020 and was performed by a qualified independent property appraiser.

The fair value of the land and buildings were determined based on valuations using the Income Capitalisation method, Sales method and the Cost method which were used to derive an "as is" value, which was determined to be the assets' highest and best use.

Freehold land and buildings were revalued this year. Had the Group's land and buildings been measured on a historical cost basis, their carrying amount would have been \$18,544,966 (2019: \$18,544,966).

Details of the Group's freehold land and buildings, as per the fair value hierarchy at 31 December 2020, is as follows:

	<b>2020</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	\$	\$	\$	\$
Freehold land	-	-	10,775,291	10,775,291
Freehold buildings	-	-	19,407,354	19,407,354
	<u>-</u>	<u>-</u>	<u>30,182,645</u>	<u>30,182,645</u>
	<b>2019</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	\$	\$	\$	\$
Freehold land	-	-	10,255,002	10,255,002
Freehold buildings	-	-	18,894,372	18,894,372
	<u>-</u>	<u>-</u>	<u>29,149,374</u>	<u>29,149,374</u>

The assets are required to be measured at fair value on a recurring basis. There were no transfers between the various levels during the year.

## FamGuard Corporation Limited

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31 December 2020

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#### 9. Reserves for Future Policyholders' Benefits

The Group uses the Canadian Asset Liability Method ("CALM") in computing its actuarial reserves on long-term contracts. CALM involves the projection of future interest rate scenarios in order to determine the amount of assets needed to provide for all future obligations.

As at 31 December 2020, the aggregate reserves for future policyholders' benefits and related insurances in-force are summarised as follows:

	Reserves		Insurances in force	
	2020	2019	2020	2019
	\$	\$	\$	\$
Ordinary life	101,957,732	95,666,975	2,344,240,577	2,436,502,634
Annuities	79,208,775	77,020,075	-	-
Home service life	38,195,971	35,648,902	557,869,682	566,689,304
Accident and health	10,915,697	11,639,073	-	-
Gross liabilities	230,278,175	219,975,025	2,902,110,259	3,003,191,938
Reinsurance assets	(2,451,215)	(3,536,748)	-	-
	<b>227,826,960</b>	<b>216,438,277</b>	<b>2,902,110,259</b>	<b>3,003,191,938</b>

## FamGuard Corporation Limited

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(Continued)

#### 9. Reserves for Future Policyholders' Benefits (Continued)

The reserves for future policyholders' benefits are determined annually by actuarial valuation and represent an estimate of the amount required, together with future premiums and investment income, to provide for future benefits and expenses payable on insurance and annuity contracts. The reserves are calculated using assumptions for future policy lapse rates, mortality, morbidity rates, maintenance expenses and interest rates. The assumptions also include provisions for adverse deviation to recognise uncertainty in establishing the assumptions and to allow for possible deterioration in experience. The process of determining the provision necessarily involves risks that the actual results will deviate from the assumptions made.

Policy liabilities are calculated using best estimate assumptions with margins for adverse deviation.

##### (i) *Mortality and Morbidity*

Assumptions for Home Service life business are based on Group experience. Assumptions for other business lines are based on industry experience, as the Group does not have sufficient of its own experience. A margin is added for adverse deviation equal to 15 per 1,000 divided by the expectation of life for mortality and 8% to 10% for morbidity. If future mortality and morbidity rates were to differ by 10% from that assumed, the liability would increase by \$5,491,723 (2019: \$5,571,626) or decrease by \$5,619,748 (2019: \$5,690,288).

##### (ii) *Investment Yields*

Assets are allocated to support the policyholder liabilities. Using CALM, policy liabilities are equal to the carrying value of assets whose cash flows, combined with cash flows from future investments, are sufficient to meet future obligations with respect to policies in effect as at the measurement date. Since future reinvestment rates cannot be accurately predicted, they are subject to sensitivity tests based on various scenarios, as required under CALM. The results used are those produced under the most adverse plausible scenario.

Under CALM, the rates of return on future investments are already subject to various sensitivity tests. The base scenario dictates a convergence toward a median historical interest rates curves, whereas the Group's most adverse plausible scenario assumes future yield curve equal to 80% of the yield curve of the Base Scenario. If future interest rates were to differ by 100 basis points from that assumed, without changing the policyholder dividend scale, the liability would increase by \$20,283,943 (2019: \$20,508,979) or decrease by \$27,025,847 (2019: \$27,787,328).

## FamGuard Corporation Limited

### Notes to the Consolidated Financial Statements

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(Expressed in Bahamian dollars)

(Continued)

#### 9. Reserves for Future Policyholders' Benefits (Continued)

##### (iii) *Persistency*

Lapse rates are based on the Group's experience where credible experience is available and industry experience is used where credible Group experience is not available. A margin for adverse deviation is added by increasing or decreasing lapse rates, whichever is adverse, by 20% on Home Service business and 15% on Ordinary business. If future lapse rates were to differ by 10% from that assumed, the liability would increase by \$1,790,124 (2019: \$1,698,780) or decrease by \$2,151,755 (2019: \$2,036,473).

##### (iv) *Expenses*

Expenses are based on best estimates of Group experience. Expenses are increased 10% as a margin for adverse deviation. Expenses are assumed to increase annually at a rate of 2.0% (2019: 2.0%) initially, decreasing to 1.75% (2019: 1.75%) over 20 years. If future expenses were to differ by 10% from that assumed, the liability would increase by \$3,969,531 (2019: \$3,956,635) or decrease by \$3,953,331 (2019: \$3,938,882).

##### (v) *Ongoing Review*

Actuarial assumptions are continuously reviewed, based on emerging Group and industry experience and revised if appropriate and material.

##### (vi) *Margins for Adverse Deviation Assumptions*

The basic assumptions made in establishing policy liabilities are best estimates for a range of possible outcomes. To recognise the uncertainty in establishing these best estimates, to allow for possible deterioration in experience and to provide greater comfort that the reserves are adequate to pay future benefits, the Appointed Actuary is required to include a margin in each assumption.

The impact of these margins is to increase reserves and decrease the income that would be recognised on inception of the policy. The Canadian Institute of Actuaries prescribes a range of allowable margins. The Group uses assumptions at the conservative end of the range, taking into account the risk profiles of the business.

## FamGuard Corporation Limited

### Notes to the Consolidated Financial Statements

31 December 2020

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(Continued)

#### 9. Reserves for Future Policyholders' Benefits (Continued)

The movements in reserves for future policyholders' benefits and other policyholders' benefits (namely insurance liabilities), by line of business, are summarised below:

##### a. Short-term insurance contracts:

	2020	2019
	\$	\$
Liabilities at beginning of year	9,187,466	6,921,975
Change in Data, Methods, and Assumptions	1,887,727	-
Usual change in In-Force Business and New Business	<u>(2,300,135)</u>	<u>2,265,491</u>
<b>Liabilities at end of year</b>	<b><u>8,775,058</u></b>	<b><u>9,187,466</u></b>

##### b. Long-term insurance contracts with fixed and guaranteed terms:

	2020	2019
	\$	\$
Liabilities at beginning of year	76,478,312	74,091,348
Changes in Data, Methods, and Assumptions	713,812	(3,420,954)
New Business	(2,855,350)	(3,001,289)
Usual change in In-Force Business	<u>7,032,681</u>	<u>8,809,207</u>
<b>Liabilities at end of year</b>	<b><u>81,369,455</u></b>	<b><u>76,478,312</u></b>

##### c. Long-term insurance contracts without fixed and guaranteed terms:

	2020	2019
	\$	\$
Liabilities at beginning of year	106,888,309	103,224,444
Changes in Data, Methods, and Assumptions	419,503	(1,052,644)
New Business	6,416,744	5,904,500
Usual change in In-Force Business	<u>(544,555)</u>	<u>(1,187,991)</u>
<b>Liabilities at end of year</b>	<b><u>113,180,001</u></b>	<b><u>106,888,309</u></b>

## FamGuard Corporation Limited

### Notes to the Consolidated Financial Statements

31 December 2020

(Expressed in Bahamian dollars)

(Continued)

#### 9. Reserves for Future Policyholders' Benefits (Continued)

##### *d. Long-term insurance contracts with fixed and guaranteed terms and with Discretionary Participation Features (DPF):*

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Liabilities at beginning of year	23,884,190	23,890,622
Changes in Data, Methods, and Assumptions	172,572	(349,835)
New Business	(219,355)	(623,430)
Usual change in In-Force Business	665,039	966,833
<b>Liabilities at end of year</b>	<b><u>24,502,446</u></b>	<b><u>23,884,190</u></b>

##### **Total for all lines of business:**

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Liabilities at beginning of year	216,438,277	208,128,389
Changes in Data, Methods, and Assumptions	3,193,614	(4,823,433)
New Business	3,342,039	2,279,781
Usual change in In-Force Business	4,853,030	10,853,540
<b>Liabilities at end of year</b>	<b><u>227,826,960</u></b>	<b><u>216,438,277</u></b>

## FamGuard Corporation Limited

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(Continued)

#### 10. Other Policyholders' Funds

Other policyholders' funds are comprised of the following:

	2020	2019
	\$	\$
Benefits payable to policyholders	18,055,679	14,276,533
Accrued policyholder dividends	3,765,993	3,623,787
Unapplied Premiums	903,412	914,121
Advance premiums	1,549,588	1,611,742
	<u>24,274,672</u>	<u>20,426,183</u>

#### 11. Payables and Accruals

Payables and accruals are comprised of the following:

	2020	2019
	\$	\$
General payables and accruals	6,090,925	10,650,702
Employee liabilities	3,376,715	2,518,231
Reinsurance payable	1,592,757	950,022
	<u>11,060,397</u>	<u>14,118,955</u>

The carrying amount of payables and accruals are considered to approximate its fair value.

#### 12. Bank Overdraft Facilities

The Group has bank overdraft facilities of \$250,000 (2019: \$250,000). Amounts utilised under the facilities attract interest at Nassau prime rate of 4.25% plus 1.5% (2019: 4.25% plus 1.5%).

## FamGuard Corporation Limited

### Notes to the Consolidated Financial Statements

31 December 2020

(Expressed in Bahamian dollars)

(Continued)

#### 13. Revaluation Reserve

Revaluation reserve is comprised of the following:

	<b>Financial Investment Assets (AFS) Revaluation \$</b>	<b>Fixed Assets Revaluation \$</b>	<b>Total Revaluation Reserve \$</b>
<b>Balance as at 31 December 2018</b>	2,535,077	16,070,423	18,605,500
Realised gains reclassified to net income	(223,465)	-	(223,465)
Unrealised gains on available-for-sale investments	688,292	-	688,292
<b>Balance as at 31 December 2019</b>	<u>2,999,904</u>	<u>16,070,423</u>	<u>19,070,327</u>
Unrealised loss available-for-sale investments	(1,136,817)	-	(1,136,817)
Revaluation of property and equipment	<u>-</u>	<u>1,569,850</u>	<u>1,569,850</u>
<b>Balance as at 31 December 2020</b>	<u><b>1,863,087</b></u>	<u><b>17,640,273</b></u>	<u><b>19,503,360</b></u>

#### 14. Share Capital

The Group's share capital is comprised as follows:

	<b>Variable Rate Cumulative Redeemable Preference Shares of \$1,000 each par value</b>		<b>Ordinary Shares of \$0.20 each par value</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Authorised	<u>10,000</u>	<u>10,000</u>	<u>15,000,000</u>	<u>15,000,000</u>
Issued and fully paid	<u>5,000,000</u>	<u>\$5,000,000</u>	<u>2,000,000</u>	<u>\$2,000,000</u>
Shares outstanding at beginning of year	<u>5,000</u>	<u>10,000</u>	<u>10,000,000</u>	<u>10,000,000</u>
Shares outstanding at end of year	<u>5,000</u>	<u>5,000</u>	<u>10,000,000</u>	<u>10,000,000</u>

## FamGuard Corporation Limited

### Notes to the Consolidated Financial Statements

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(Expressed in Bahamian dollars)

(Continued)

#### 14. Share Capital (Continued)

The Variable Rate Cumulative Redeemable Preference Shares (preference shares) carry a dividend rate of Nassau prime plus 1.5% per annum payable semi-annually. Dividends are declared by the Board of Directors at their sole discretion. The preference shares have no predetermined maturity date, yet the Group may call for the redemption of all or part of the issue on or after December 31, 2005 upon 90 days written notice at the sole discretion of the Group. The preference shares rank with respect to the payment of dividends and distributions on liquidation: (1) senior to the Group's ordinary shares and (2) subordinate to any debentures, debt obligations, or policyholder claims currently or which the Group may enter into.

The holders of the preference shares have no equity ownership or voting rights. There were no outstanding cumulative preference share dividends at the end of the year.

The excess of the issue and purchase price of the ordinary and preference shares over the par value less the costs incurred with the tender offer have been credited to the share premium account.

#### 15. Net Premium Income

Net premium income is comprised of:

	2020	2019
	\$	\$
Short-term insurance contracts	78,200,001	76,814,439
Long-term insurance contracts with fixed and guaranteed terms	24,166,070	24,445,935
Long-term insurance contracts without fixed and guaranteed terms	6,084,228	6,628,322
Long-term insurance contracts with fixed and guaranteed terms and with discretionary participation feature (DPF)	<u>2,992,192</u>	<u>2,880,959</u>
Premium revenue arising from insurance contracts issued	111,442,491	110,769,655
Premiums ceded for short-term and long-term contracts to reinsurers	<u>(12,215,435)</u>	<u>(10,342,701)</u>
	<b><u>99,227,056</u></b>	<b><u>100,426,954</u></b>

## FamGuard Corporation Limited

### Notes to the Consolidated Financial Statements

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(Expressed in Bahamian dollars)

(Continued)

#### 16. Policyholders' Benefits

Policyholders' benefits for the year ended 31 December 2020 by insurance contracts were as follows:

	2020			2019		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	\$	\$	\$	\$	\$	\$
Short-term insurance contracts	42,880,258	(2,133,776)	40,746,482	60,439,830	(8,084,684)	52,355,146
Long-term insurance contracts with fixed and guaranteed terms	11,027,596	(1,955,432)	9,072,164	8,949,325	(1,712,006)	7,237,319
Long-term insurance contracts without fixed and guaranteed terms	12,156,826	-	12,156,826	14,330,999	-	14,330,999
Long-term insurance contracts with fixed and guaranteed terms and with discretionary participation feature (DPF)	3,121,453	-	3,121,453	2,580,815	-	2,580,815
	<u>69,186,133</u>	<u>(4,089,208)</u>	<u>65,096,925</u>	<u>86,300,969</u>	<u>(9,796,690)</u>	<u>76,504,279</u>

## FamGuard Corporation Limited

### Notes to the Consolidated Financial Statements

31 December 2020

(Expressed in Bahamian dollars)

(Continued)

#### 17. Leases

Amounts recognised in the statement of financial position:

	2020	2019
	\$	\$
<b>Right-of-use assets</b>		
Land & buildings	<u>688,067</u>	<u>548,691</u>
<b>Lease liabilities</b>		
Current	43,454	34,753
Non-current	<u>644,613</u>	<u>513,938</u>
	<u>688,067</u>	<u>548,691</u>

Additions to the right-of-use assets during 2020 were \$160,229 (2019: \$267,703).

Amounts recognised in the statement of comprehensive income:

	2020	2019
	\$	\$
<b>Depreciation charge on right-of-use assets</b>		
Buildings	<u>23,804</u>	<u>16,120</u>
<b>Interest expense on lease liabilities</b>		
Buildings	<u>38,232</u>	<u>31,708</u>

The Group leases certain office premises under non-cancellable operating leases. Lease terms are negotiated on an individual basis and range from 12 months to 20 years. In prior periods, the Group's leases were classified as operating leases. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding lease liability at the date on which the leased asset was available for use by the group. Right-of-use assets and lease liabilities that arise from leases are initially measured at present value. Lease liabilities include the net present value of fixed payments, the exercise price of a purchase option if the group is reasonable certain to exercise that option, and payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

## **FamGuard Corporation Limited**

### **Notes to the Consolidated Financial Statements**

**31 December 2020**

**(Expressed in Bahamian dollars)**

**(Continued)**

#### **17. Leases (Continued)**

Lease payments are discounted using the incremental borrowing rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. To determine the incremental borrowing rate, the Group uses recent third party financing received as a starting point and adjust the rate to reflect changes in financing conditions.

The Group is exposed to potential increases in future lease payments, which are not included in the lease liability. When adjustments to lease payments take effect, the lease liability is reassessed and adjusted against the right-of-use assets.

#### **18. Taxation**

There are no corporate, income or capital gains taxes levied in The Bahamas and the Group, therefore, pays no taxes on its net income. However, taxes based on gross premium income, levied at 3%, for the year ended 31 December 2020 amounted to \$3,343,363 (2019: \$3,323,178) and is included within operating expenses in the consolidated statement of comprehensive income.

The Group is also subject to Value Added Tax (“VAT”) on taxable supplies at a standard rate of 12%. The Group is eligible for input tax deductions, based on an apportionment formula using the premiums for standard rated taxable and exempt supplies. VAT incurred by the Group in excess of the input tax deductions is included in operating expenses in the consolidated statement of comprehensive income.

#### **19. Pension Plan**

The Group’s pension costs, net of forfeitures in respect to the Plan for the year ended 31 December 2020, amounted to \$810,582 (2019: \$860,589) and are included in operating expenses in the consolidated statement of comprehensive income.

## FamGuard Corporation Limited

### Notes to the Consolidated Financial Statements

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(Expressed in Bahamian dollars)

(Continued)

#### 20. Other Operating Income

The Group derives revenue from contracts with customers for the transfer of services over time and at a point in time. Until 31 May 2020, the Group provided investment management services to individual and group clients. Fees for services were calculated based on a percentage of the value of assets managed and billed to the group customers quarterly. Revenue from investment management services was recognised over time as the services were provided to clients. Transaction based fees for redemptions were charged to the individual customer's account when the transaction took place. In addition, the Group charged a non-refundable upfront fee when opening a group pension account. Revenue was recognised for both fees at a point in time.

Commissions are earned by the Group on non-life and medical insurance policies and are recognised when the policies are written, as the Group has no further significant performance obligations associated with the policies. Commissions are calculated as a percentage of the insurance premiums for which the policy was sold and are recognised at a point in time.

Set out below is the disaggregation of the Group's revenue from contracts by major product line. This presentation is consistent with the revenue information that is disclosed for each reportable segment under IFRS 8 *Operating Segments*.

	<b>Other 2020</b>			
	<b>Investment Management Services</b>	<b>Pension Administration</b>	<b>Insurance Broker Services</b>	<b>Total Other</b>
	\$	\$	\$	\$
<b>Revenue from External Customers</b>	-	-	1,048,290	1,048,290
<b>Timing of revenue recognition</b>				
Services transferred at a point in time	-	-	1,048,290	1,048,290
Services transferred over time	-	-	-	-
<b>Total revenue from contracts with customers</b>	<b>-</b>	<b>-</b>	<b>1,048,290</b>	<b>1,048,290</b>

## FamGuard Corporation Limited

### Notes to the Consolidated Financial Statements 31 December 2020 (Expressed in Bahamian dollars) (Continued)

#### 20. Other Operating Income (Continued)

	Other 2019			Total Other \$
	Investment Management Services \$	Pension Administration \$	Insurance Broker Services \$	
Revenue from External Customers	66,890	27,702	917,436	1,012,028
<b>Timing of revenue recognition</b>				
Services transferred at a point in time	22,106	6,298	917,436	945,840
Services transferred over time	44,784	21,404	-	66,188
<b>Total revenue from contracts with customers</b>	<b>66,890</b>	<b>27,702</b>	<b>917,436</b>	<b>1,012,028</b>

#### 21. Operating Expenses

Operating expenses consists of the following:

	2020 \$	2019 \$
Employee salaries & benefits	12,039,720	11,976,044
Premium Tax & Statutory expenses	3,829,737	3,854,088
Premises & Maintenance	2,002,665	1,474,748
Professional fees	1,500,671	3,456,464
Marketing & Public Relations	745,930	1,689,764
Other Expenses	2,145,326	1,570,830
<b>Balance at end of year</b>	<b>22,264,049</b>	<b>24,021,938</b>

#### 22. Commitments and Contingent Liabilities

Outstanding commitments to extend credit under mortgage loan agreements amounted to \$1,368,995 as at 31 December 2020 (2019: \$3,669,745).

The Group is a defendant in several legal actions arising in the normal course of its business affairs. Management believes that the resolution of these matters will not have a material impact on the Group's financial position.

## FamGuard Corporation Limited

### Notes to the Consolidated Financial Statements

31 December 2020

(Expressed in Bahamian dollars)

(Continued)

#### 22. Commitments and Contingent Liabilities (Continued)

The Group is contingently liable for \$5,000 (2019: \$5,000) in respect of customs bonds and customs guarantees.

#### 23. Related Party Balances and Transactions

Related parties of the Group are those defined in Note 3(ab).

Balances and transactions not disclosed elsewhere in these consolidated financial statements are disclosed below:

	<b>2020</b>	<b>2019</b>
	\$	\$
<i>Other related party balances:</i>		
Receivables and other assets	<u>295,897</u>	<u>401,337</u>
Reinsurance assets	<u>190,657</u>	<u>190,657</u>
Payables and accruals	<u>504,480</u>	<u>289,139</u>
<i>Other related party transactions:</i>		
Premiums ceded to reinsurer	<u>2,970,065</u>	<u>3,662,472</u>
Reinsurance recoveries	<u>214,274</u>	<u>273,815</u>
Management fees	<u>132,000</u>	<u>132,000</u>
<i>Compensation of key management personnel:</i>		
	<b>2020</b>	<b>2019</b>
	\$	\$
Salaries and other short-term employee benefits	2,513,914	2,364,416
Commissions	<u>297,250</u>	<u>273,333</u>
	<u>2,811,164</u>	<u>2,637,749</u>

## **FamGuard Corporation Limited**

### **Notes to the Consolidated Financial Statements**

**31 December 2020**

**(Expressed in Bahamian dollars)**

**(Continued)**

#### **23. Related Party Balances and Transactions (Continued)**

##### *Directors' remuneration:*

In 2020, the total remuneration of the directors was \$463,770 (2019: \$498,500).

##### *Employees' incentive plan:*

The Group sponsors a plan as an on-going incentive system for its key employees. The plan holds 17,399 shares (2019: 20,400 shares) of the Group and these shares are awarded to the plan participants on an annual basis for services rendered in the previous year or as special awards for a promotion or upon hiring at the executive level. The Group makes cash awards as the need arises to the plan and the plan purchases the shares as needed on the open market at market value. The shares vest over a period of 10 years.

#### **24. Post-Retirement Medical Benefit**

The Group introduced a post-retirement medical plan on 1 January 1999 for employees who retire after that date. Employees at age 65 or older with 10 or more years of service to the Group are eligible for subsidised post-retirement medical benefits. The Group's contributions will be provided as premium payments are due, for retired participants. Retirees are assumed to pay the full retiree costs, less the Group's subsidy. The employer contribution subsidy for medical costs is set to a fixed dollar amount.

The most recent actuarial valuation was carried out by an independent actuary. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

## FamGuard Corporation Limited

Notes to the Consolidated Financial Statements  
31 December 2020  
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(Continued)

### 24. Post-Retirement Medical Benefit (Continued)

Amounts recognised in the consolidated statement of comprehensive income consists of:

	<b>Other post employment benefits</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<b>Components of benefit cost recognised in statement of comprehensive income:</b>		
Current service cost	155,161	139,419
Interest cost	85,691	79,962
Actuarial loss	-	-
Past service cost recognised	-	-
<b>Net benefit cost recognised in statement of comprehensive income</b>	<b><u>240,852</u></b>	<b><u>219,381</u></b>
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<b>Components of benefit cost recognised in statement of comprehensive income:</b>		
Remeasurement on the defined benefit liability:		
Actuarial (gain)/loss due to experience	(34,884)	3,535
Actuarial loss due to liability assumption changes	-	-
Actuarial loss due to financial assumption changes	-	-
<b>Actuarial gain on DBO</b>	<b><u>(34,884)</u></b>	<b><u>3,535</u></b>

## FamGuard Corporation Limited

Notes to the Consolidated Financial Statements  
31 December 2020  
(Expressed in Bahamian dollars)  
(Continued)

### 24. Post-Retirement Medical Benefit (Continued)

	2020	2019
	\$	\$
<b>Total benefit cost recognised in statement of comprehensive income:</b>		
Cost recognised in net income	240,852	219,381
Remeasurement effects recognised in other comprehensive income	<u>(34,884)</u>	<u>3,535</u>
<b>Total benefit cost recognised in statement of comprehensive income</b>	<b><u>205,968</u></b>	<b><u>222,916</u></b>

The current service cost, interest expense and past service cost for the year are included in the employee benefits expense in the statement of comprehensive income. The re-measurement of the net defined benefit liability is included in other comprehensive income.

There are no assets associated with the Group's post-retirement medical benefit plan.

### Funded Status

The funded status at the end of the year, and the related amounts recognised in the consolidated statement of financial position are as follows:

	<b>Other post employment benefits</b>	
	2020	2019
	\$	\$
<b>Funded status, end of year</b>		
Benefit obligation, funded plans	(1,887,080)	(1,803,331)
Unrecognised net actuarial loss	<u>-</u>	<u>-</u>
<b>Net amount recognised, end of year</b>	<b><u>(1,887,080)</u></b>	<b><u>(1,803,331)</u></b>

## FamGuard Corporation Limited

### Notes to the Consolidated Financial Statements

31 December 2020

(Expressed in Bahamian dollars)

(Continued)

#### 24. Post-Retirement Medical Benefit (Continued)

Amounts recognised in the consolidated statement of financial position of:

	<b>Other post employment benefits</b>	
	<b>2020</b>	<b>2019</b>
	\$	\$
Liabilities	<u>(1,887,080)</u>	<u>(1,803,331)</u>
<b>Experience adjustments</b>		
DBO, end of year	<u>(1,887,080)</u>	<u>(1,803,331)</u>
<b>Funded status</b>	<u><b>(1,887,080)</b></u>	<u><b>(1,803,331)</b></u>
	<b>Other post employment benefits</b>	
	<b>2020</b>	<b>2019</b>
	\$	\$
<b>Change in plan assets</b>		
Fair value of plan assets, beginning of year	-	-
Employer contribution	122,219	109,507
Plan participant contribution	<u>(122,219)</u>	<u>(109,507)</u>
<b>Fair value of plan assets, end of year</b>	<u>-</u>	<u>-</u>

## FamGuard Corporation Limited

### Notes to the Consolidated Financial Statements

31 December 2020

(Expressed in Bahamian dollars)

(Continued)

#### 24. Post-Retirement Medical Benefit (Continued)

The weighted average assumptions used to determine the defined benefit obligation at the end of the year were as follows:

	2020	2019
Discount rate	4.50%	4.50%
Medical cost trend rate	N/A	N/A
Mortality	RP2000	RP2000

#### Expected employer contributions

The Group expects to contribute \$120,225 (2019: \$109,711) to the post-retirement benefits plan in 2020. This benefit is expected to be paid from corporate assets.

#### 25. Earnings per Ordinary Share

Basic earnings per share is calculated by dividing the net income for the year attributable to ordinary shareholders of the parent by the weighted average number of ordinary shares issued and outstanding at the consolidated statement of financial position date.

Earnings per ordinary share are comprised of the following:

	2020	2019
	\$	\$
Weighted average number of ordinary shares outstanding	10,000,000	10,000,000
Profit attributable to ordinary shareholders		
From continuing operations	10,526,990	4,765,221
From discontinued operations	-	2,368,229
	<u>10,526,990</u>	<u>7,133,450</u>
Basic and diluted earnings per ordinary share		
From continuing operations	1.05	0.48
From discontinued operations	-	0.23
<b>Basic and diluted earnings per ordinary share</b>	<b><u>1.05</u></b>	<b><u>0.71</u></b>

## FamGuard Corporation Limited

Notes to the Consolidated Financial Statements  
31 December 2020  
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(Continued)

### 26. Business Segments

The Group is organised into three main business segments; life insurance, health insurance and other. All other segments are deemed insignificant to the Group's operations.

The Group identifies its reportable operating segments by product line consistent with the reports used by Management. These segments and their respective products are as follows:

- *Life Insurance* - offers a range of ordinary life insurance and industrial life insurance.
- *Health Insurance* - offers a range of group medical, individual medical, sick and accident, and hospitalisation insurance.
- *Other* - offers a range of services including investment management, pension management and administration, corporate advisory services, and mutual fund management, (refer to Discontinued Operations Note 30).

Transactions between segments are carried out at arm's length. No inter-segment transactions occurred in 2020 and 2019. The revenue from external parties reported to Management is measured in a manner consistent with that in the consolidated statement of comprehensive income. The amounts provided to Management with respect to total assets and liabilities are measured in a manner consistent with that in the consolidated statement of financial position. All activities of the Group are deemed to be operating within the same geographical area.

Segment net income represents the net income earned by each segment after allocation of central administration costs and salaries, investment income, and other gains and losses. This is the measure reported to Management for the purpose of assessment of segment performance. No single customer contributed 10% or more to the Group's revenue for both 2020 and 2019. All assets are allocated to reportable segments. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

## FamGuard Corporation Limited

### Notes to the Consolidated Financial Statements

31 December 2020

(Expressed in Bahamian dollars)

(Continued)

#### 26. Business Segments (Continued)

The segment results for the period ended 31 December rounded to the nearest thousand are as follows:

	<b>2020</b>			
	(\$000)			
	<u>LIFE</u>	<u>HEALTH</u>	<u>OTHER</u>	<u>TOTAL</u>
	\$	\$	\$	\$
<b>Income</b>				
Net premium income	31,621	67,606	-	99,227
Annuity & other deposits	11,713	-	-	11,713
Investment income	12,340	355	42	12,737
Other income	675	259	1,048	1,982
<b>Total income</b>	<b>56,349</b>	<b>68,220</b>	<b>1,090</b>	<b>125,659</b>
Policyholder benefits	37,069	39,417	-	76,486
Expenses	20,064	16,133	2,162	38,359
<b>Total expenses</b>	<b>57,133</b>	<b>55,550</b>	<b>2,162</b>	<b>114,845</b>
Net income/(loss) from continuing operations	(784)	12,670	(1,072)	10,814
Net income from discontinued operations	-	-	-	-
<b>Net income/(loss)</b>	<b>(784)</b>	<b>12,670</b>	<b>(1,072)</b>	<b>10,814</b>
<b>TOTAL ASSETS</b>	<b>337,064</b>	<b>16,773</b>	<b>7,997</b>	<b>361,834</b>
<b>TOTAL LIABILITIES</b>	<b>252,214</b>	<b>12,550</b>	<b>1,537</b>	<b>266,301</b>

## FamGuard Corporation Limited

### Notes to the Consolidated Financial Statements

31 December 2020

(Expressed in Bahamian dollars)

(Continued)

#### 26. Business Segments (Continued)

	2019			
	(\$000)			
	LIFE	HEALTH	OTHER	TOTAL
	\$	\$	\$	\$
<b>Income</b>				
Net premium income	32,885	67,542	-	100,427
Annuity & other deposits	13,365	-	-	13,365
Investment income	14,062	564	43	14,669
Other income	754	136	578	1,468
<b>Total income</b>	<b>61,066</b>	<b>68,242</b>	<b>621</b>	<b>129,929</b>
Policyholder benefits	31,426	53,388	-	84,814
Expenses	21,639	15,436	2,988	40,063
<b>Total expenses</b>	<b>53,065</b>	<b>68,824</b>	<b>2,988</b>	<b>124,877</b>
Net income/(loss) from continuing operations	8,001	(582)	(2,367)	5,052
Net income from discontinued operations	-	-	2,992	2,992
<b>Net income/(loss)</b>	<b>8,001</b>	<b>(582)</b>	<b>625</b>	<b>8,044</b>
TOTAL ASSETS	319,895	17,871	4,640	342,406
TOTAL LIABILITIES	240,528	13,438	1,103	255,069

## FamGuard Corporation Limited

### Notes to the Consolidated Financial Statements

31 December 2020

(Expressed in Bahamian dollars)

(Continued)

#### 27. Dividends

Dividends to the Company's ordinary shareholders are recognised as a liability in the period in which they are declared by the Board of Directors. Dividends paid to ordinary shareholders of the Company totaled \$2,800,000 (2019: \$3,200,000) and represented \$0.28 per share (2019: \$0.32).

#### 28. Non-Controlling Interests

Non-controlling interests are comprised of 400,000,000 non-voting, redeemable participating shares (the "Shares") of a par value of \$0.001 each. Of these shares, 100,000,000 are linked exclusively to a Segregated Account designated as Class A, 100,000,000 are linked exclusively to a Segregated Account designated as Class B, 100,000,000 are linked exclusively to a Segregated Account designated as Class C, and 100,000,000 are linked exclusively to a Segregated Account designated as class D.

The movement is as follows:

	2020	2019
	\$	\$
Balance at beginning of year	-	40,401,208
Share of profit for the year	-	623,719
Additional non-controlling interests arising from net contributions from investors	-	-
Net equity impact of disposal of discontinued operations	-	(41,024,927)
<b>Balance at end of year</b>	<b>-</b>	<b>-</b>

## FamGuard Corporation Limited

### Notes to the Consolidated Financial Statements

31 December 2020

(Expressed in Bahamian dollars)

(Continued)

#### 29. Subsidiaries

Details of the Group's material subsidiaries at the end of the reporting period are as follows:

Name of Entity	Principal Activity	Place of Incorporation	Ownership Interest	
			2020	2019
Family Guardian Insurance Company Limited	Life & Health Insurance Administration of Pension and Mutual Funds	The Bahamas	100%	100%
FG Financial Limited		The Bahamas	100%	100%
FG Capital Markets Limited	Investment Brokerage & Advisory	The Bahamas	100%	100%
FG Insurance Agents & Brokers Limited	General Insurance Agency	The Bahamas	100%	100%
BahamaHealth Insurance Brokers Limited	Health Insurance Administration	The Bahamas	100%	100%
FG Financial Fund Limited SAC:				
FG Financial Growth Fund	Mutual Fund	The Bahamas	-	-
FG Financial Preferred Income Fund	Mutual Fund	The Bahamas	-	-
FG Financial Diversified Fund	Mutual Fund	The Bahamas	-	-
FG Financial Global USD Bond Fund	Mutual Fund	The Bahamas	-	-

See Note 30, for details surrounding the sale of the Group's investment in FG Financial Fund Limited SAC.

#### 30. Discontinued Operations

On 8 February 2019, the Board of Directors of the Group authorised a single coordinated plan for management to sell: the Securities Business of FG Capital Markets Limited; the Investment Fund Business of FG Financial Limited SAC and the Pension Services Business of FG Financial which collectively, represented a separate major line of business of the Group. On 1 April 2019, FG Financial Limited, FG Financial Limited SAC and FG Capital Markets Limited entered into a Portfolio Acquisition Agreement with a third party to sell the portfolio of businesses for a total consideration of \$1.95 million. The transaction was completed on 31 May 2019.

In preparing the 31 December 2019 consolidated financial statements of the Group, management determined that the aforementioned transaction met the definition of a Discontinued Operation and as such applied the Presentation requirements of IFRS 5 *Non-current assets held for Sale and Discontinued Operations* (IFRS 5).

## FamGuard Corporation Limited

### Notes to the Consolidated Financial Statements

31 December 2020

(Expressed in Bahamian dollars)

(Continued)

#### 30. Discontinued Operations (Continued)

The financial performance and cash flow information presented are for the 5 months ended 31 May 2020 and the year ended 31 December 2019.

	2020	2019
	\$	\$
Revenue	-	1,111,155
Unrealised gain on financial assets	-	587,967
Expenses	-	(657,174)
Gain on sale of discontinued operations	-	1,950,000
<b>Income from discontinued operations</b>	<b>-</b>	<b>2,991,948</b>

The carrying amount of the assets and liabilities of the discontinued operations are indicated in the table below:

	Investment Fund Business	Brokerage and Pension Business	2020
	\$	\$	\$
Cash	-	-	-
Financial investment assets	-	-	-
Receivables and other assets	-	-	-
<b>Total Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>
Payables & accruals	-	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>
	Investment Fund Business	Brokerage and Pension Business	2019
	\$	\$	\$
Cash	2,712,124	3,592,520	6,304,644
Financial investment assets	58,385,940	-	58,385,940
Receivables and other assets	1,075,376	-	1,075,376
<b>Total Assets</b>	<b>62,173,440</b>	<b>3,592,520</b>	<b>65,765,960</b>
Payables & accruals	1,503,214	3,592,520	5,095,734
<b>Total Liabilities</b>	<b>1,503,214</b>	<b>3,592,520</b>	<b>5,095,734</b>
<b>Net Assets</b>	<b>60,670,226</b>	<b>-</b>	<b>60,670,226</b>

## FamGuard Corporation Limited

### Notes to the Consolidated Financial Statements

31 December 2020

(Expressed in Bahamian dollars)

(Continued)

#### 30. Discontinued Operations (Continued)

As part of the disposal of the Investment Fund Business, the Group transferred the management shares of FG Financial Fund Limited SAC which represented 100% of the voting shares of the Funds to the acquirer and the members of the board of directors were replaced. Thereafter, the Group no longer had the power to direct the relevant activities of the Fund under the requirements of IFRS 10. As of this date, the Fund was deconsolidated. The Group, through one of its subsidiaries continued to retain a direct interest in the Fund which is classified as financial assets through profit or loss in the consolidated statement of financial position.

At the completion date, in addition to the management shares, the Group transferred selected liabilities and corresponding assets of equal value to the acquirer, effectively resulting in \$Nil net assets being sold as part of the transaction. Thereafter, the Group surrendered all licences related to the affected businesses.

The resulting gain or loss on the transaction is presented below:

	2020	2019
	\$	\$
Consideration received	-	1,950,000
Carrying amount of net assets sold	-	-
<b>Gain on sale of discontinued operations</b>	<b>-</b>	<b>1,950,000</b>

The gain/loss on the deconsolidation of the investment fund business is noted below:

	2019
	\$
Fair value of interest retained	19,092,098
Less:	
Net assets deconsolidated	60,670,226
Non-controlling interest	(41,578,128)
Carrying amount of retained interest	19,092,098
<b>Gain/(loss) on deconsolidation of subsidiary</b>	<b>-</b>

## FamGuard Corporation Limited

### Notes to the Consolidated Financial Statements

31 December 2020

(Expressed in Bahamian dollars)

(Continued)

#### 30. Discontinued Operations (Continued)

The net cash flows from the discontinued operations are presented below:

	2020	2019
	\$	\$
Net cash used in operating activities	-	(6,106,033)
Net cash from investing activities	-	899,592
Net cash from financing activities	-	309,001
<b>Net cash (used by)/from the discontinued operation</b>	<b>-</b>	<b>(4,897,440)</b>

#### 31. Coronavirus (COVID-19)

The COVID-19 pandemic has presented unique challenges and has caused widespread disruptions to business and economic activities globally. The Group has responded to those challenges in a number of ways as further disclosed below:

##### *Business continuity planning*

The Group throughout the course of the pandemic has activated its risk management practices to manage the business disruption the COVID-19 outbreak had and potentially continues to have on its operations and may have on its financial performance.

The Group continues to closely monitor the situation and take certain measures to ensure the safety and security of the Group's staff and uninterrupted service to its clients. The Group is taking these measures with the objective to maintain services levels, address customer complaints as they may arise, and continue to meet client needs as they would do in normal scenarios.

As a result of the measures, the Group, has been able to operate without any major impact to its customers.

##### *Valuation estimates and judgements*

The Group has considered potential impacts of the current economic volatility in determination of the reported amounts of the Group's financial assets and these are considered to represent management's

## FamGuard Corporation Limited

### Notes to the Consolidated Financial Statements

31 December 2020

(Expressed in Bahamian dollars)

(Continued)

#### 31. Coronavirus (COVID-19) (Continued)

##### *Valuation estimates and judgements (continued)*

best assessment based on observable information. Markets however remain volatile and the recorded amounts remain sensitive to market fluctuations.

##### *Policy Reserves*

Medical claims utilisation declined during the pandemic, as lockdowns and other social distancing restrictions prevented members from accessing care. As a result, the Group increased its reserve margins for claims Incurred But Not Reported (IBNR) in anticipation that once pandemic restrictions were lifted, members will be able to resume normal medical care. No estimates or judgements, as a result of the pandemic, were adjusted in determining the reserve for future policyholder benefits for long term liabilities.

##### *Payment Relief Programs*

The Group introduced for its mortgage customers relief measures to customers in good standing or those approved by the Group to assist them in managing the economic challenges of the pandemic, through payment deferrals over a defined period. This resulted in the original maturity of the mortgages being extended by the deferral period with no other substantial changes to the contractual terms of the financial assets.

Additionally, in accordance with the Emergency Powers (COVID19) (No.2 Amendment) (No. 9) Order, 2020, the obligation to pay any general, health, and life insurance policy premium was deferred from 17 March 2020 for the duration of the state of public emergency and extending a period of sixty days thereafter. This deferment was applicable to persons who are unable to pay the premium as a result of the termination of their employment or are unable to access electronic or any remote means to pay premiums. A provision for doubtful accounts was established by the Group for policies which were deferred as a part of this process.

##### *Provision for Loan Losses*

The Group has reviewed the potential impact of the COVID-19 pandemic on the inputs and assumptions used in the determination of the allowance for loan losses. As part of this review, the Group introduced a collectively assessed provision for customers which were past due but not impaired.

The Group has assessed a collective provision for those loans which were not specifically assessed by the Group. The collective provision was performed on the basis of similar credit risk, and based on the Group's historical loss experience in determining the expected future cash flows.

## **FamGuard Corporation Limited**

### **Notes to the Consolidated Financial Statements**

**31 December 2020**

**(Expressed in Bahamian dollars)**

**(Continued)**

#### **31. Coronavirus (COVID-19) (Continued)**

##### *Overall Assessment*

Even with the introduction of vaccines, there remain significant uncertainties in assessing the duration of the COVID-19 pandemic its economic impact. As at the consolidation statement of financial position date, the Group has not experienced a significant impact to its financial performance or operations, however, the Group continues to monitor the situation closely given the prolonged nature of the pandemic and is ready to take additional mitigating actions that may be required.

#### **32. Subsequent Events**

##### **Dividends**

On 11 February 2021, the Board of Directors declared a fourth quarter dividend of \$0.08 per share or \$800,000 to shareholders of record as at 24 February 2021 and paid 2 March 2021.