# FAMILY GUARDIAN INSURANCE COMPANY LIMITED

**Financial Statements**
**31 December 2017**

# FAMILY GUARDIAN INSURANCE COMPANY LIMITED

## TABLE OF CONTENTS

## APPOINTED ACTUARY'S REPORT

**To the Board of Directors of Family Guardian Insurance Company**

I have valued the actuarial liabilities and other policy liabilities of Family Guardian Insurance Company for its statement of financial position at 31 December 2017 and the change in the statement of profit or loss and other comprehensive income for the year ended 31 December 2017 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 Family Guardian Insurance Company fairly represent the results of the valuation.

Jean Mongrain
Fellow, Canadian Institute of Actuaries
Fellow, Society of Actuaries
Member, Caribbean Actuarial Association
March 14, 2018

pwc

# Independent auditors' report

To the Shareholder of Family Guardian Insurance Company Limited

## Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Family Guardian Insurance Company Limited (the Company) as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

***What we have audited***

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2017;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies.

## 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 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 Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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

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

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

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

## Auditors’ responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Company’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 Company’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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

## Other Matters

*Prior auditor*

The financial statements of the Company for the year ended 31 December 2016 were audited by another firm of auditors whose report, dated 26 April 2017, expressed an unmodified opinion on those statements.

*Restriction of Use*
This report, including the opinion, has been prepared for and only for the Company in accordance with the terms of our engagement letter and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

---

PricewaterhouseCoopers
**Chartered Accountants**
**Nassau, Bahamas**

**4 June 2018**

# Family Guardian Insurance Company Limited
**(Incorporated under the laws of the Commonwealth of The Bahamas)**

## Statement of Financial Position
**As at 31 December 2017**
**(Expressed in Bahamian dollars)**

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| **ASSETS** | | |
| Cash on hand and at banks | 10,564,683 | 8,302,909 |
| Receivables and other assets, net (Notes 7 and 21) | 18,714,734 | 21,781,896 |
| Financial investment assets (Note 6) | | |
| Fair value through profit or loss – affiliate mutual funds | 18,179,718 | 16,729,005 |
| Available-for-sale | 12,860,400 | 11,871,846 |
| Held-to-maturity | 137,880,900 | 131,569,128 |
| Loans | 83,717,605 | 81,746,872 |
| | 252,638,623 | 241,916,851 |
| Reinsurance assets (Note 9) | 6,520,948 | 7,979,721 |
| Property, plant and equipment (Note 8) | 24,113,540 | 11,918,748 |
| **Total assets** | **312,552,528** | **291,900,125** |
| **LIABILITIES** | | |
| Policy liabilities | | |
| Reserves for future policyholders' benefits (Note 9) | 207,261,508 | 201,292,443 |
| Other policyholders' funds (Note 10) | 18,072,481 | 17,638,441 |
| | 225,333,989 | 218,930,884 |
| Payables and accruals (Notes 11, 21 and 22) | 16,437,742 | 7,931,412 |
| **Total liabilities** | **241,771,731** | **226,862,296** |
| **EQUITY** | | |
| Ordinary shares (Note 14) | 1,707,462 | 1,707,462 |
| Share premium (Note 14) | 11,401,314 | 11,401,314 |
| Revaluation reserve (Note 13) | 7,294,278 | 6,121,564 |
| Retained earnings | 50,377,743 | 45,807,489 |
| **Total equity** | **70,780,797** | **65,037,829** |
| **Total liabilities and equity** | **312,552,528** | **291,900,125** |

These financial statements were approved by the Board of Directors on 25 May 2018, and signed on its behalf by:

Director

Director

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

# Family Guardian Insurance Company Limited

**Statement of Comprehensive Income**
**For the Year Ended 31 December 2017**
**(Expressed in Bahamian dollars)**

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| **INCOME** | | |
| Gross premium income (Note 15) | 103,090,427 | 101,069,634 |
| Premium ceded to reinsurers (Notes 15 and 21) | (10,423,366) | (10,316,803) |
| Net premium income (Note 15) | 92,667,061 | 90,752,831 |
| Annuity deposits | 7,099,037 | 12,224,103 |
| **Net premium income and annuity deposits** | **99,766,098** | **102,976,934** |
| Interest income (Note 21) | 12,106,665 | 12,060,872 |
| Dividend income | 977,890 | 980,855 |
| Net realised gain on sale of financial assets | 141,683 | (227,455) |
| Net unrealised gain on financial assets – affiliate mutual funds (Note 6) | 526,719 | 256,486 |
| Other operating income (Note 21) | 846,594 | 1,437,788 |
| **Total income** | **114,365,649** | **117,485,480** |
| **BENEFITS AND EXPENSES** | | |
| **Benefits** | | |
| Policyholders' benefits (Note 16) | 67,832,963 | 66,264,008 |
| Reinsurance recoveries (Notes 16 and 21) | (2,749,895) | (4,913,622) |
| **Net policyholders' benefits** | **65,083,068** | **61,350,386** |
| Increase in reserves for future policyholders' benefits (Note 9) | 7,427,838 | 14,702,664 |
| **Total benefits** | **72,510,906** | **76,053,050** |
| **Expenses** | | |
| Operating expenses (Notes 17, 19, 21 and 22) | 20,483,553 | 20,422,786 |
| Commissions (Note 21) | 11,688,318 | 11,986,590 |
| Depreciation expense (Note 8) | 1,499,524 | 1,361,112 |
| Bad debt expense, net (Notes 6 and 7) | 572,086 | 271,856 |
| **Total expenses** | **34,243,481** | **34,042,344** |
| **Total benefits and expenses** | **106,754,387** | **110,095,394** |
| **Net income (Note 23)** | **7,611,262** | **7,390,086** |

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

# Family Guardian Insurance Company Limited

**Statement of Comprehensive Income**
**For the Year Ended 31 December 2017**
**(Expressed in Bahamian dollars)**
**(Continued)**

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| **OTHER COMPREHENSIVE INCOME** | | |
| *Items that may be reclassified subsequently to profit or loss:* | | |
| Net change in fair value on available-for-sale financial assets (Note 13) | 1,412,671 | 569,620 |
| Realised gain reclassified to net income (Note 13) | - | 63,800 |
| Revaluation of property, plant and equipment | (239,957) | - |
| *Items that will not be reclassified subsequently to profit or loss:* | | |
| Remeasurement of defined benefit obligation (Note 22) | (41,008) | (192,038) |
| Total other comprehensive income | 1,131,706 | 441,382 |
| **Total comprehensive income for the year** | **8,742,968** | **7,831,468** |

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

# Family Guardian Insurance Company Limited

## Statement of Changes in Equity
## For the Year Ended 31 December 2017
## (Expressed in Bahamian dollars)

| | Notes | Ordinary Shares (Note 14) $ | Share Premium (Note 14) $ | Revaluation Reserve (Note 13) $ | Retained Earnings $ | Total $ |
|---|---|---|---|---|---|---|
| **Balance as at 31 December 2015** | | **1,707,462** | **11,401,314** | **5,488,144** | **43,509,441** | **62,106,361** |
| **Transactions with owners** | | | | | | |
| Dividends declared and paid: | | | | | | |
| Ordinary shares ($2.87 per share) | | - | - | - | (4,900,000) | (4,900,000) |
| Total transactions with owners | | - | - | - | (4,900,000) | (4,900,000) |
| **Comprehensive income** | | | | | | |
| Net income | | - | - | - | 7,390,086 | 7,390,086 |
| Other comprehensive income | 13, 22 | - | - | 633,420 | (192,038) | 441,382 |
| **Total comprehensive income** | | **-** | **-** | **633,420** | **7,198,048** | **7,831,468** |
| **Balance as at 31 December 2016** | | **1,707,462** | **11,401,314** | **6,121,564** | **45,807,489** | **65,037,829** |
| **Transactions with owners** | | | | | | |
| Dividends declared and paid: | | | | | | |
| Ordinary shares ($1.76 per share) | | - | - | - | (3,000,000) | (3,000,000) |
| Total transactions with owners | | - | - | - | (3,000,000) | (3,000,000) |
| **Comprehensive income** | | | | | | |
| Net income | | - | - | - | 7,611,262 | 7,611,262 |
| Other comprehensive income | 13, 22 | - | - | 1,172,714 | (41,008) | 1,131,706 |
| **Total comprehensive income** | | - | - | 1,172,714 | 7,570,254 | 8,742,968 |
| **Balance as at 31 December 2017** | | **1,707,462** | **11,401,314** | **7,294,278** | **50,377,743** | **70,780,797** |

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

# Family Guardian Insurance Company Limited

## Statement of Cash Flows
## For the Year Ended 31 December 2017
## (Expressed in Bahamian dollars)

| | 2017 | 2016 |
|---|---|---|
| | $ | $ |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Net income | 7,611,262 | 7,390,086 |
| Adjustments for: | | |
| Depreciation expense (Note 8) | 1,499,524 | 1,361,112 |
| Unrealised gain on investment assets (Note 6) | (526,719) | (256,486) |
| Realised (gain)/loss on sale of investment assets (Note 6) | (141,683) | 227,455 |
| Decrease in reinsurance assets | 1,458,773 | 698,134 |
| (Decrease)/increase in loan provision (Note 6) | (214,300) | 274,668 |
| Change in reserve for policyholders' benefits | 5,969,065 | 14,004,530 |
| Interest income | (12,106,665) | (12,060,872) |
| Dividend income | (977,890) | (980,855) |
| Operating profit before working capital changes | 2,571,367 | 10,657,772 |
| Decrease/(increase) in receivables and other assets | 3,148,712 | (1,146,879) |
| Increase in payables and accruals | (1,915,928) | 1,570,079 |
| Increase/(decrease) increase in other policyholders' funds | 434,040 | (632,043) |
| **Net cash from operating activities** | **4,238,191** | **10,448,929** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Placement of bank term deposits greater than three months | - | (3,500,000) |
| Maturity of bank term deposits greater than three months | 2,500,000 | 2,000,000 |
| Purchase of Corporate Bonds | (3,000,000) | - |
| Redemption of Corporate Bonds | 821,351 | 761,351 |
| Redemption of Preference Shares | 544,950 | 115,950 |
| Purchase of Government Bonds & Notes (Note 6) | (21,913,903) | (33,679,340) |
| Maturity of Government Bonds & Notes (Note 6) | 15,270,765 | 21,294,454 |
| Purchase of available-for-sale securities (Note 6) | (18,620) | - |
| Subscription of shares in mutual funds (Note 6) | (750,000) | - |
| Pension forfeitures reinvested (Note 6) | (173,994) | (78,106) |
| Net Loans (issued)/repaid | (1,587,413) | 98,901 |
| Purchase of property, plant and equipment (Note 8) | (3,635,073) | (1,926,902) |
| Proceeds from disposal of property, plant, and equipment (Note 8) | 500 | 8,518 |
| Interest received | 11,987,130 | 11,185,005 |
| Dividends received | 977,890 | 980,855 |
| **Net cash from/(used in) investing activities** | **1,023,583** | **(2,739,314)** |

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

# Family Guardian Insurance Company Limited

## Statement of Cash Flows
## For the Year Ended 31 December 2017
## (Expressed in Bahamian dollars)
## (Continued)

| | 2017 | 2016 |
|---|---|---|
| | $ | $ |
| **CASH FLOWS FROM FINANCING ACTIVITY** | | |
| Dividends paid on ordinary shares | (3,000,000) | (4,900,000) |
| **Net cash from financing activity** | **3,000,000** | **4,900,000** |
| **Net increase in cash and cash equivalents** | **2,261,774** | **2,809,615** |
| Cash and cash equivalents, beginning of year | 8,302,909 | 5,493,294 |
| **Cash and cash equivalents, end of year** | **10,564,683** | **8,302,909** |

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

# Family Guardian Insurance Company Limited

**Notes to the Financial Statements**
**31 December 2017**
**(Expressed in Bahamian dollars)**

## 1. General Information

Family Guardian Insurance Company Limited (the "Company") is incorporated under the Companies Act, 1992 of the Commonwealth of The Bahamas to sell life insurance, health insurance and annuities and is a wholly owned subsidiary of FamGuard Corporation Limited ("FamGuard" or the Parent), also incorporated in The Bahamas. The Company is licensed as an Insurance Companies Act, 1969.

The registered office of the Company is located at the offices of E. Dawson Roberts & Co., Parliament and Shirley Streets, Nassau, Bahamas.

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

*New standards, amendments and interpretations adopted by the Company*

Standards and amendments and interpretations to published standards that became effective for the Company's financial year beginning on 1 January 2017 were either not relevant or not significant to the Company's operations and accordingly did not have a material impact on the Company's accounting policies or financial statements.

*New standards, amendments and interpretations not yet adopted by the Company*

With the exception of IFRS 9 *Financial Instruments* (IFRS 9), IFRS 15 *Revenue from Contracts with Customers* (IFRS 15), IFRS 16 *Leases* (IFRS 16), IFRS 17 *Insurance Contracts* (IFRS 17) and IFRS 4 *Insurance contracts* (IFRS 4), 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 Company's accounting policies or financial statements in the financial period of initial application.

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 Company'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. The Company is in the process of assessing the full impact of adopting IFRS 9, which is effective for financial periods beginning on or after 1 January 2018.

# Family Guardian Insurance Company Limited

**Notes to the Financial Statements**
**31 December 2017**
**(Expressed in Bahamian dollars)**
**(Continued)**

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

*New standards, amendments and interpretations not yet adopted by the Company (continued)*

IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with its customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard is effective for annual periods beginning on or after 1 January 2018, and replaces IAS 18 *Revenue* and IAS 11 *Construction Contracts* and related interpretations. The Company is in the process of assessing the full impact of adopting IFRS 15.

IFRS 16 defines a lease as a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration. Lessees are required to recognise a lease liability reflecting future lease payments and a 'right-of-use' asset for most leases, with an optional exemption for certain short-term leases and leases of low value assets. The asset will be amortised over the term of the lease, and the lease liability measured at amortised cost. Accounting for lessors does not substantially differ from IAS 17 *Leases*. The Company has not yet assessed the full impact of adopting IFRS 16, which is effective for financial periods beginning on or after 1 January 2019.

IFRS 17 *Insurance contracts* (IFRS 17) was issued in May 2017. Whereas the current standard, IFRS 4, allows insurers to use their local GAAP, IFRS 17 defines clear and consistent rules that will significantly increase the comparability of financial statements. For insurers, the transition to IFRS 17 will have an impact on financial statements and on key performance indicators.

Under IFRS 17, the 'general model' requires entities to measure an insurance contract, at initial recognition, at the total of the fulfilment cash flows (comprising the estimated future cash flows, an adjustment to reflect the time value of money and an explicit risk adjustment for non-financial risk) and the contractual service margin. The fulfilment cash flows are remeasured on a current basis each reporting period. The unearned profit (contractual service margin) is recognised over the coverage period.

Aside from this general model, the standard provides, as a simplification, the 'premium allocation approach'. This simplified approach is applicable for certain types of contract, including those with a coverage period of one year or less.

# Family Guardian Insurance Company Limited

**Notes to the Financial Statements**
**31 December 2017**
**(Expressed in Bahamian dollars)**
**(Continued)**

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

*New standards, amendments and interpretations not yet adopted by the Company (continued)*

For insurance contracts with direct participation features, the 'variable fee approach' applies. The variable fee approach is a variation on the general model. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the contractual service margin. As a consequence, the fair value changes are not recognised in profit or loss in the period in which they occur but over the remaining life of the contract.

The new standard is applicable for annual periods beginning on or after 1 January 2021. Early application is permitted for entities that apply IFRS 9, 'Financial instruments', and IFRS 15, 'Revenue from contracts with customers', at or before the date of initial application of IFRS 17. The standard can be applied retrospectively in accordance with IAS 8, but it also contains a 'modified retrospective approach' and a 'fair value approach' for transition, depending on the availability of data.

Amendment to IFRS 4, *Insurance contracts*, addresses the concerns of insurance companies about the different effective dates of IFRS 9, '*Financial instrument*s', and IFRS 17. The amendment to IFRS 4 provides two different solutions for insurance companies: a temporary exemption from IFRS 9 for entities that meet specific requirements (applied at the reporting entity level); and the 'overlay approach'. Both approaches are optional. IFRS 4 (including the amendments that have now been issued) will be superseded by the forthcoming new insurance contracts standard. Accordingly, both the temporary exemption and the 'overlay approach' are expected to cease to be applicable when the new insurance standard becomes effective. The Group has not yet assessed the full impact of adopting amendment to IFRS 4.

Management has not yet assessed whether the relevant adoption of these standards and interpretations in future periods will have a material impact on the financial statements of the Company.

# Family Guardian Insurance Company Limited

**Notes to the Financial Statements**
**31 December 2017**
**(Expressed in Bahamian dollars)**
**(Continued)**

## 3. Significant Accounting Policies

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

### (a) Basis of preparation

The financial statements of the Company 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 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 Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed separately in Note 4 to the financial statements.

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

### (b) 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 Company, and makes strategic decisions.

### (c) Foreign currency translation

*i) Functional and presentation currency*

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

# Family Guardian Insurance Company Limited

**Notes to the Financial Statements**
**31 December 2017**
**(Expressed in Bahamian dollars)**
**(Continued)**

## 3. Significant Accounting Policies (Continued)

### (c) Foreign currency translation (continued)

*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 statement of comprehensive income.

### (d) Cash and cash equivalents

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

### (e) Accounts receivable and other assets

Accounts receivable 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 Company 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).

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 statement of comprehensive income within the provision for doubtful accounts. Subsequent recoveries of amounts previously written off are credited against provision for doubtful accounts.

# Family Guardian Insurance Company Limited

**Notes to the Financial Statements**
**31 December 2017**
**(Expressed in Bahamian dollars)**
**(Continued)**

## 3. Significant Accounting Policies (Continued)

### (f) Investments and other financial assets

***Classification***

The Company 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) loans and receivables and (iv) available-for-sale (AFS). 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.

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 Company 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 Company'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.

# Family Guardian Insurance Company Limited

**Notes to the Financial Statements**
**31 December 2017**
**(Expressed in Bahamian dollars)**
**(Continued)**

## 3. Significant Accounting Policies (Continued)

### (f) 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 Company 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 Company intends to, and is able to, hold them to maturity. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which would be classified as current assets.

*iii) 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 Company 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.

*iv) 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.

## 3. Significant Accounting Policies (Continued)

### (f) 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 Company 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 Company 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 Company 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 at FVTPL; and
- 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 net income as part of dividends income when the Company’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 statement of comprehensive income as part of interest income.

# Family Guardian Insurance Company Limited

**Notes to the Financial Statements**
**31 December 2017**
**(Expressed in Bahamian dollars)**
**(Continued)**

## 3. Significant Accounting Policies (Continued)

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

**Impairment**

The Company 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 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.

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 Company 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).

### (g) Loans

*Policy loans*

Policy loans arise when the Company 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.

# Family Guardian Insurance Company Limited

**Notes to the Financial Statements**
**31 December 2017**
**(Expressed in Bahamian dollars)**
**(Continued)**

## 3. Significant Accounting Policies (Continued)

### (g) Loans (continued)

Policy loans and automatic premium loans are carried at the balance outstanding plus accrued interest. No provision for loss on these loans is deemed necessary by management because these loans are fully collateralised by the cash surrender value of the policies.

*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 Company 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 stated at the principal balance outstanding plus accrued interest, less specific 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 Company 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. The amount of the provision for loan loss is recognised in the 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 statement of comprehensive income. Payments on loans past due are first applied to the interest outstanding. Accrued interest on non-current loans is excluded from interest income.

# Family Guardian Insurance Company Limited

**Notes to the Financial Statements**
**31 December 2017**
**(Expressed in Bahamian dollars)**
**(Continued)**

## 3. Significant Accounting Policies (Continued)

### (h) Property, plant 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, plant and equipment are 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 Company 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 profit or loss 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 shareholders' equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, 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 |
| 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 |

# Family Guardian Insurance Company Limited

**Notes to the Financial Statements**
**31 December 2017**
**(Expressed in Bahamian dollars)**
**(Continued)**

## 3. Significant Accounting Policies (Continued)

### (h) Property, plant 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 profit or loss. When revalued assets are sold, it is Company policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

### (i) Impairment of 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 Company's 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.

# Family Guardian Insurance Company Limited

**Notes to the Financial Statements**
**31 December 2017**
**(Expressed in Bahamian dollars)**
**(Continued)**

## 3. Significant Accounting Policies (Continued)

### (j) Accounts payable

Accounts payable, represent liabilities for goods and services provided to the Company prior to the end of the 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.

### (k) Financial liabilities

Financial liabilities are classified at initial recognition, as financial liabilities at FVTPL, loans and borrowings, 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 Company's financial liabilities include insurance contracts without Discretionary Participation Feature (DPF), trade and other payables.

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. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

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 Company has designated insurance contracts without DPF as financial liabilities at FVTPL upon initial recognition. Gains or losses on designated or held for trading liabilities are recognised in fair value gains and losses in the statement of comprehensive income.

# Family Guardian Insurance Company Limited

**Notes to the Financial Statements**
**31 December 2017**
**(Expressed in Bahamian dollars)**
**(Continued)**

## 3. Significant Accounting Policies (Continued)

### (k) Financial liabilities (continued)

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 profit or loss 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 statement of comprehensive income.

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 statement of comprehensive income.

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

### (l) Other provisions

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.

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.

# Family Guardian Insurance Company Limited

**Notes to the Financial Statements**
**31 December 2017**
**(Expressed in Bahamian dollars)**
**(Continued)**

## 3. Significant Accounting Policies (Continued)

### (m) Employee benefits

*i) Pension obligations*

The Company has a defined contribution pension plan for eligible agents and employees whereby the Company pays contributions to a pension plan separately administered by the Company. The Company 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 Company contributes 5% of eligible earnings. The Company's contributions to the defined contribution pension plan are recognised in the statement of comprehensive income in the year to which they relate.

*ii) Postretirement medical benefit plan*

For the postretirement medical benefit plan, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period.

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 Company presents the first two components of defined benefit costs in the 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 statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in the statement of comprehensive income in the period of a plan amendment.

# Family Guardian Insurance Company Limited

**Notes to the Financial Statements**
**31 December 2017**
**(Expressed in Bahamian dollars)**
**(Continued)**

## 3. Significant Accounting Policies (Continued)

### (m) Employee benefits (continued)

*ii) Postretirement medical benefit plan (continued)*

The retirement benefit obligation recognised in the statement of financial position represents the actual deficit or surplus in the Company'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.

### (n) 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.

### (o) 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.

### (p) Reserves for insurance contracts

The provisions for actuarial liabilities of long-term insurance contracts is determined using accepted actuarial practices established by the Canadian Institute of Actuaries ("CIA") and are determined by the Company'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.

# Family Guardian Insurance Company Limited

**Notes to the Financial Statements**
**31 December 2017**
**(Expressed in Bahamian dollars)**
**(Continued)**

## 3. Significant Accounting Policies (Continued)

### (p) Reserves for insurance contracts (continued)

In 2016, the Company changed its actuarial reserving methodology for long-term insurance contracts to the Canadian Asset Liability Method ("CALM") from the Canadian Policy Premium Method ("PPM") which is an approximation of CALM. CALM involves the projection of future interest rate scenarios in order to determine the amount of assets needed to provide for all future obligations. In accordance with International Accounting Standard ("IAS") 8, Accounting Policies, Changes in Accounting Estimates and Errors, the Company has applied the changes prospectively.

The Company segments assets to support liabilities by major product line and establishes investment strategies for each liability segment. 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 each 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 Company 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 Company, comprise unearned premiums plus a contingency reserve for claims.

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.

# Family Guardian Insurance Company Limited

**Notes to the Financial Statements**
**31 December 2017**
**(Expressed in Bahamian dollars)**
**(Continued)**

## 3. Significant Accounting Policies (Continued)

### (q) Insurance contracts

*i) Classification*

The Company 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 Company 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.

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 Company; 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 Company.

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

*ii) Recognition and measurement*

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

# Family Guardian Insurance Company Limited

**Notes to the Financial Statements**
**31 December 2017**
**(Expressed in Bahamian dollars)**
**(Continued)**

## 3. Significant Accounting Policies (Continued)

### (q) Insurance contracts (continued)

*ii) Recognition and measurement (continued)*

*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 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 statement of financial position date even if they have not yet been reported to the Company. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Company and statistical analyses for the claims incurred but not reported.

*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.

# Family Guardian Insurance Company Limited

**Notes to the Financial Statements**
**31 December 2017**
**(Expressed in Bahamian dollars)**
**(Continued)**

## 3. Significant Accounting Policies (Continued)

### (q) Insurance contracts (continued)

*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.

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

# Family Guardian Insurance Company Limited

**Notes to the Financial Statements**
**31 December 2017**
**(Expressed in Bahamian dollars)**
**(Continued)**

## 3. Significant Accounting Policies (Continued)

### (r) Reinsurance transactions

In the normal course of its life and health insurance business, the Company 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(p) are classified as reinsurance contracts held. Under the excess coverage contracts, the Company retains a range of $75,000 to $100,000 (2016: $75,000 to $100,000) coverage per individual life and individual accidental death benefit. Under the quota share contracts, the Company 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 $175,000 per member.

The benefits to which the Company 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 statement of financial position.

### (s) Non-premium revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

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 Company 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 Company 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.

# Family Guardian Insurance Company Limited

**Notes to the Financial Statements**
**31 December 2017**
**(Expressed in Bahamian dollars)**
**(Continued)**

## 3. Significant Accounting Policies (Continued)

### (s) 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.

### (t) Commission expense

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

### (u) Leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are recognised in the statement of comprehensive income on a straight-line basis over the period of the lease.

### (v) Policy dividends on deposits

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

### (w) Taxation

Under the current laws of The Bahamas, the country of domicile of the Company, there are no income, capital gains or other corporate taxes imposed. The Company is subject to tax on gross premium income at a rate of 3% and Value Added Taxes, applied at a rate of 7.5% on goods and services purchased.

### (x) Earnings per share

Basic earnings per share is calculated by dividing profit or loss 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 Company and held as treasury shares. There are no dilutive transactions that would have an impact to earnings per share.

# Family Guardian Insurance Company Limited

**Notes to the Financial Statements**
**31 December 2017**
**(Expressed in Bahamian dollars)**
**(Continued)**

## 3. Significant Accounting Policies (Continued)

### (y) Dividend distribution

Dividend distribution to the Company's shareholders are recognised in the 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 financial statements are disclosed in the notes.

### (z) 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) and (v).

### (aa) Corresponding figures

Corresponding figures have been adjusted to conform with the current year as follows:

Financial assets at fair value through profit or loss have been reclassified from Level 1 to Level 2 in the Fair Value Hierarchy due to insufficient trading activity to justify an active market.

# Family Guardian Insurance Company Limited

**Notes to the Financial Statements**
**31 December 2017**
**(Expressed in Bahamian dollars)**
**(Continued)**

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

***Critical judgments in applying the Company's accounting policies***

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

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

The classification of contracts with policyholders is dependent on critical judgements made by the Company. 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 Company 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.

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

The preparation of 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 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 Company's financial statements and related disclosure must be estimated, requiring the Company to make assumptions with respect to values or conditions which cannot be known with certainty at the time the financial statements are prepared. A ''critical accounting estimate'' is one which is both important to the portrayal of the Company'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.

# Family Guardian Insurance Company Limited

**Notes to the Financial Statements**
**31 December 2017**
**(Expressed in Bahamian dollars)**
**(Continued)**

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

The Company 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.

### *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 Company. Estimates are made as to the expected number of deaths for each of the years in which the Company is exposed to risk. The Company bases these estimates on mortality tables that reflect recent historical mortality experience, adjusted where appropriate to reflect the Company'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 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 Company 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 Company is exposed to longevity risk.

# Family Guardian Insurance Company Limited

**Notes to the Financial Statements**
**31 December 2017**
**(Expressed in Bahamian dollars)**
**(Continued)**

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

### *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 Company. 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 Company's past claims experience, which is used to project future claims cost.

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

The Company has made significant investments in non-financial assets. These assets and investments 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.

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

The Company measures its land and buildings at revalued amounts triennially, with changes in fair value being recognised in the revaluation reserve in the statement of financial position. An independent valuation of the Company'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.

# Family Guardian Insurance Company Limited

**Notes to the Financial Statements**
**31 December 2017**
**(Expressed in Bahamian dollars)**
**(Continued)**

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

### *e. Loan loss provision*

To cover any shortfalls from mortgage loans, the Company 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.

### *f. Impairment of financial assets*

The Company 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 Company 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 Company'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. 2017 average per capita costs for retirees was estimated by age groupings.

The Company bases the estimates for mortality on tables that reflect recent historical mortality experience, adjusted where appropriate to reflect the Company's own experience.

# Family Guardian Insurance Company Limited

**Notes to the Financial Statements**
**31 December 2017**
**(Expressed in Bahamian dollars)**
**(Continued)**

## 5. Management of Insurance and Financial Risk

The Company issues contracts that transfer insurance risk, financial risk or both. The Company's activities expose it to a variety of financial risks, including the effects of changes in equity market prices and interest rates. The Company'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 Company.

### *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 Company 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:

| | 2017 | | | | | |
|---|---|---|---|---|---|---|
| | **FVTPL** | **Loans and Receivables** | **Held-to Maturity** | **Available-For-sale** | **All Other Financial Liabilities** | **Total** |
| | **$** | **$** | **$** | **$** | **$** | **$** |
| **FINANCIAL ASSETS** | | | | | | |
| Cash on hand and at bank | - | 10,564,683 | - | - | - | 10,564,683 |
| Financial investment assets | 18,179,718 | 83,717,605 | 137,880,900 | 12,860,400 | - | 252,638,623 |
| Reinsurance assets | - | 6,520,948 | - | - | - | 6,520,948 |
| Receivables and other assets | - | 18,352,077 | - | - | - | 18,352,077 |
| **Total financial assets** | **18,179,718** | **119,155,313** | **137,880,900** | **12,860,400** | **-** | **288,076,331** |
| **FINANCIAL LIABILITIES** | | | | | | |
| Other policyholders' funds | - | - | - | - | 18,072,481 | 18,072,481 |
| Payables and accruals | - | - | - | - | 16,437,742 | 16,437,742 |
| **Total financial liabilities** | **-** | **-** | **-** | **-** | **34,510,223** | **34,510,223** |

# Family Guardian Insurance Company Limited

**Notes to the Financial Statements**
**31 December 2017**
**(Expressed in Bahamian dollars)**
**(Continued)**

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

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

| | 2016 | | | | | |
|---|---|---|---|---|---|---|
| | FVTPL | Loans and Receivables | Held-to Maturity | Available-For-sale | All Other Financial Liabilities | Total |
| | $ | $ | $ | $ | $ | $ |
| **FINANCIAL ASSETS** | | | | | | |
| Cash on hand and at bank | - | 8,302,909 | - | - | - | 8,302,909 |
| Reinsurance assets | - | 7,979,721 | - | - | - | 7,979,721 |
| Receivables and other assets | - | 21,781,896 | - | - | - | 21,781,896 |
| Financial investment assets | 16,729,005 | 81,746,872 | 131,569,128 | 11,871,846 | - | 241,916,851 |
| **Total financial assets** | **16,729,005** | **119,811,398** | **131,569,128** | **11,871,846** | **-** | **279,981,377** |
| **FINANCIAL LIABILITIES** | | | | | | |
| Other policyholders' funds | - | - | - | - | 17,638,441 | 17,638,441 |
| Payables and accruals | - | - | - | - | 7,931,412 | 7,931,412 |
| **Total financial liabilities** | **-** | **-** | **-** | **-** | **25,569,853** | **25,569,853** |

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, 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).

# Family Guardian Insurance Company Limited

**Notes to the Financial Statements**
**31 December 2017**
**(Expressed in Bahamian dollars)**
**(Continued)**

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

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

**2017**

| Financial Assets | Level 1 $ | Level 2 $ | Level 3 $ | Total $ |
|---|---|---|---|---|
| FVTPL | 18,179,718 | - | - | 18,179,718 |
| Available-for-sale | 5,158,509 | 7,701,891 | - | 12,860,400 |
| | **23,338,227** | **7,701,891** | **-** | **31,040,118** |

**2016**

| Financial Assets | Level 1 $ | Level 2 $ | Level 3 $ | Total $ |
|---|---|---|---|---|
| FVTPL | 16,729,005 | - | - | 16,729,005 |
| Available-for-sale | 3,686,472 | 7,519,566 | - | 11,871,846 |
| | **20,080,885** | **7,519,566** | **-** | **27,600,451** |

The Company did not have any financial instruments classified as Level 3 as at 31 December 2017.

### *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 Company 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.

# Family Guardian Insurance Company Limited

**Notes to the Financial Statements**
**31 December 2017**
**(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 Company 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 Company retains a range of $75,000 to $100,000 (2016: $75,000 to $100,000) coverage per individual life and individual accidental death benefit. Under the quota share contracts, the Company 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 $175,000 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 wide ranging lifestyle changes, such as changes in eating, smoking and exercise habits resulting in earlier or more claims than expected.

The Company 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 Company'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.

| | 2017 | 2016 |
|---|---:|---:|
| $ | **$** | **$** |
| 0 – 9,999 | 118,849,188 | 114,182,825 |
| 10,000 – 24,999 | 331,205,870 | 310,793,113 |
| 25,000 – 49,999 | 125,633,283 | 114,715,127 |
| 50,000 and over | 1,004,349,680 | 992,238,944 |
| | **1,580,038,021** | **1,531,930,009** |

# Family Guardian Insurance Company Limited

**Notes to the Financial Statements**
**31 December 2017**
**(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 statement of financial position on 31 December, 2017. (All amounts are in $000).

# Family Guardian Insurance Company Limited

## Notes to the Financial Statements
## 31 December 2017
## (Expressed in Bahamian dollars)
## (Continued)

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

| | **2008** $ | **2009** $ | **2010** $ | **2011** $ | **2012** $ | **2013** $ | **2014** $ | **2015** $ | **2016** $ | **2017** $ | **Total** $ |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Estimate of ultimate Gross claims | | | | | | | | | | | |
| End of year incurred | 24,949 | 38,434 | 42,755 | 40,557 | 36,610 | 34,811 | 36,567 | 43,834 | 39,830 | 45,098 | 383,445 |
| One year later | 25,090 | 40,329 | 43,816 | 39,517 | 35,451 | 34,136 | 35,711 | 43,971 | 40,703 | | |
| Two years later | 25,109 | 40,362 | 43,873 | 39,563 | 35,381 | 33,914 | 35,884 | 43,968 | | | |
| Three years later | 25,117 | 40,408 | 43,912 | 39,546 | 35,301 | 33,954 | 35,888 | - | | | |
| Four years later | 25,150 | 40,435 | 43,902 | 39,541 | 35,315 | 33,914 | - | - | | | |
| Current (31 December 2017) Estimate of ultimate claims | 25,150 | 40,435 | 43,902 | 39,541 | 35,315 | 33,914 | 35,888 | 43,968 | 40,703 | 45,098 | 383,914 |
| Cumulative payments (though (31 December 2017) | 25,150 | 40,435 | 43,902 | 39,541 | 35,315 | 33,913 | 35,887 | 43,966 | 40,689 | 39,633 | 378,431 |
| Current (31 December 2017) Statement of financial Position liability | - | - | - | - | - | 1 | 1 | 2 | 14 | 5,465 | 5,483 |

# Family Guardian Insurance Company Limited

## Notes to the Financial Statements
## 31 December 2017
## (Expressed in Bahamian dollars)
## (Continued)

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

| | 2008<br>$ | 2009<br>$ | 2010<br>$ | 2011<br>$ | 2012<br>$ | 2013<br>$ | 2014<br>$ | 2015<br>$ | 2016<br>$ | 2017<br>$ | Total<br>$ |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Estimate of ultimate claims | | | | | | | | | | | |
| End of year incurred | 24,044 | 36,431 | 38,848 | 37,645 | 34,607 | 32,832 | 34,718 | 41,712 | 38,260 | 42,517 | 361,614 |
| One year later | 23,552 | 36,534 | 38,407 | 36,260 | 33,963 | 31,617 | 33,682 | 41,296 | 38,927 | | |
| Two years later | 23,556 | 36,542 | 38,443 | 36,308 | 34,157 | 31,496 | 33,807 | 41,294 | | | |
| Three years later | 23,564 | 36,590 | 38,482 | 36,294 | 34,077 | 31,533 | 33,812 | - | | | |
| Four years later | 23,597 | 36,617 | 38,475 | 36,289 | 34,091 | 31,495 | - | - | | | |
| Current (31 December 2017) Estimate of ultimate claims | 23,597 | 36,617 | 38,475 | 36,289 | 34,091 | 31,495 | 33,812 | 41,294 | 38,927 | 42,517 | 357,113 |
| Cumulative (31 December 2017) | 23,597 | 36,617 | 38,475 | 36,289 | 34,091 | 31,494 | 33,811 | 41,292 | 38,914 | 37,357 | 351,935 |
| Current (31 December 2017) Statement of financial Position liability | - | - | - | - | - | 1 | 1 | 2 | 13 | 5,160 | 5,177 |

# Family Guardian Insurance Company Limited

**Notes to the Financial Statements**
**31 December 2017**
**(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 Company 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 statement of comprehensive income would increase or decrease by $2,020,685 (2016: $1,784,526).

### *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 Company manages its risk through the Investment Committees, which monitors the price movement of securities on The Bahamas International Securities Exchange (BISX).

If future market prices were to increase or decrease by 10% this would result in an increase or decrease in other comprehensive income of $1,059,364 (2016: $916,235) and net income of $1,817,972 (2016: $1,672,900). Management mitigates this risk by diversification of its portfolio.

# Family Guardian Insurance Company Limited

**Notes to the Financial Statements**
**31 December 2017**
**(Expressed in Bahamian dollars)**
**(Continued)**

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

### *e. Credit risk*

The Company 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 statement of financial position where the Company is exposed to credit risk are:

- Term deposits placed with banks
- Mortgage loans and loans to policyholders
- Amounts due from reinsurers
- Amounts due from insurance policyholders

The Company's 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 Company's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Company 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 Company has one main reinsurer for its long-term insurance contracts, a large multinational corporation that has an AM Best Rating of A+ has a Standard & Poors (S&P) rating of AA-.

### *f. Liquidity risk*

The Company 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 Company 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.

# Family Guardian Insurance Company Limited

## Notes to the Financial Statements
## 31 December 2017
## (Expressed in Bahamian dollars)
## (Continued)

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

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

| | 2017 | | | | | |
|---|---|---|---|---|---|---|
| | Not Classified $ | Up to 1 year $ | 1 to 5 years $ | 6 to 10 Years $ | Over 10 years $ | Total $ |
| Short-term insurance contracts | - | 5,968,571 | - | - | - | 5,968,571 |
| Long –term with fixed and guaranteed terms | 810,861 | (5,980,713) | (6,819,395) | 13,872,755 | 291,701,738 | 293,585,246 |
| Long –term without fixed and guaranteed terms | 73,235,467 | 704,738 | 6,549,893 | 9,459,629 | 28,908,026 | 118,857,753 |
| Long –term without fixed and guaranteed terms and with DPF | - | 472,583 | 3,691,657 | 7,168,946 | 52,696,271 | 64,029,457 |
| **Total** | **74,046,328** | **1,165,179** | **3,422,155** | **30,501,330** | **373,306,035** | **482,441,027** |

| | 2016 | | | | | |
|---|---|---|---|---|---|---|
| | Not Classified $ | Up to 1 year $ | 1 to 5 years $ | 6 to 10 Years $ | Over 10 years $ | Total $ |
| Short-term insurance contracts | - | 5,972,455 | - | - | - | 5,972,455 |
| Long –term with fixed and guaranteed terms | 814,283 | (5,362,083) | (5,528,823) | 13,660,158 | 293,958,815 | 297,542,350 |
| Long –term without fixed and guaranteed terms | 70,017,340 | 949,030 | 6,521,037 | 8,973,402 | 26,905,336 | 113,366,145 |
| Long –term without fixed and guaranteed terms and with DPF | - | 542,257 | 3,945,091 | 7,526,997 | 54,955,964 | 66,970,309 |
| **Total** | **70,831,623** | **2,101,659** | **4,937,305** | **30,160,557** | **375,820,115** | **483,851,259** |

Amounts not classified consist mainly of deferred annuity fund balances.

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

| | 2017 | | |
|---|---|---|---|
| | Current $ | Non-Current $ | Total $ |
| **ASSETS** | | | |
| Cash & bank balances | 10,564,683 | - | 10,564,683 |
| Reinsurance Assets | - | 6,520,948 | 6,520,948 |
| Receivables and other assets | 7,579,689 | 11,135,045 | 18,714,734 |
| Investment Securities | - | - | - |
| FVTPL securities | 18,179,718 | - | 18,179,718 |
| AFS securities | 25,758 | 12,834,642 | 12,860,400 |
| Held to Maturity | 11,444,562 | 126,436,338 | 137,880,900 |
| Loans | 1,145,136 | 82,272,469 | 83,717,605 |
| Property, Plant & Equipment | - | 24,113,540 | 24,113,540 |
| | **50,747,691** | **261,804,837** | **312,552,528** |
| **LIABILITIES** | | | |
| Other policyholders' funds | 18,072,481 | - | 18,072,481 |
| Payables and accruals | 16,437,742 | - | 16,437,742 |
| | **34,510,223** | **-** | **34,510,223** |

# Family Guardian Insurance Company Limited

**Notes to the Financial Statements**
**31 December 2017**
**(Expressed in Bahamian dollars)**
**(Continued)**

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

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

| | 2016 | | |
|---|---|---|---|
| | **Current** | **Non-Current** | **Total** |
| | **$** | **$** | **$** |
| **ASSETS** | | | |
| Cash & bank balances | 8,302,909 | - | 8,302,909 |
| Reinsurance Assets | - | 7,979,721 | 7,979,721 |
| Receivables and other assets | 14,585,022 | 7,196,874 | 21,781,896 |
| Investment Securities | - | - | - |
| FVTPL securities | 16,729,005 | - | 16,729,005 |
| AFS securities | 468,495 | 11,403,351 | 11,871,846 |
| Held to Maturity | 16,092,514 | 115,476,614 | 131,569,128 |
| Loans | 3,406,522 | 78,340,350 | 81,746,872 |
| Property, Plant & Equipment | - | 11,918,748 | 11,918,748 |
| | **59,584,467** | **232,315,658** | **291,900,125** |
| **LIABILITIES** | | | |
| Other policyholders' funds | 17,638,441 | - | 17,638,441 |
| Payables and accruals | 7,931,412 | - | 7,931,412 |
| | **25,569,853** | **-** | **25,569,853** |

### *g. Capital risk management*

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through optimisation of the debt and equity balance. The Company's overall strategy remains unchanged from 2016.

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 Company exceeded both the statutory margin and minimum ratio requirements of qualified admissible assets.

In addition to the solvency margins required by the regulators, the Company measures its solvency ratio using Canadian reserve methodologies and solvency standards as measured by the Minimum Continuing Capital and Surplus Requirement ("MCCSR"). At 31 December, 2017 the Company's MCCSR ratio exceeded the required target of 150%.

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

# Family Guardian Insurance Company Limited

**Notes to the Financial Statements**
**31 December 2017**
**(Expressed in Bahamian dollars)**
**(Continued)**

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

### *h. Operational risk*

Operational risk relates to the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. This risk is mitigated by communicated and enforced policies and procedures, staff training, and ongoing monitoring and review by management, as well as ongoing internal audit processes.

## 6. Financial Investment Assets

Financial investment assets comprise the following:

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| **(a) Fair value through profit or loss (FVTPL):** | | |
| At beginning of year | 16,729,005 | 16,394,413 |
| Pension forfeitures reinvested | 173,994 | 78,106 |
| Purchase of equities | 750,000 | - |
| Change in unrealised gain on investment in equities through profit or loss – affiliate mutual funds | 526,719 | 256,486 |
| **At end of year** | **18,179,718** | **16,729,005** |
| **(b) Available-for-sale (AFS)** | | |
| Investment in equities at beginning of year | 9,162,351 | 8,496,647 |
| Purchase of equities | 18,620 | - |
| Net change in fair value on available-for- sale financial assets | 1,412,671 | 665,704 |
| | 10,593,642 | 9,162,351 |
| Investment in redeemable preferred shares | 2,670,000 | 2,670,000 |
| Redemption of redeemable preference shares | (429,000) | - |
| Add: Accrued interest receivable | 25,758 | 39,495 |
| | 2,266,758 | 2,709,495 |
| **Total financial investment assets available-for-sale** | **12,860,400** | **11,871,846** |

# Family Guardian Insurance Company Limited

**Notes to the Financial Statements**
**31 December 2017**
**(Expressed in Bahamian dollars)**
**(Continued)**

## 6. Financial Investment Assets (Continued)

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| **(c) Held-to-maturity (HTM):** | | |
| Bahamas Government bonds | 94,367,024 | 79,069,800 |
| Bahamas Mortgage Corporation bonds | 9,300,000 | 9,300,000 |
| Education Loan Authority bonds | 6,300,000 | 6,300,000 |
| Bahamas Government notes | - | 4,550,000 |
| Bahamas Government treasury notes | - | 4,104,086 |
| Clifton Heritage bonds | 2,004,800 | 2,004,800 |
| Bridge Authority bonds | 307,400 | 307,400 |
| Government bonds, at amortised cost | 112,279,224 | 105,636,086 |
| Add: Accrued interest receivable | 1,572,003 | 1,539,199 |
| | 113,851,227 | 107,175,285 |
| Redeemable preferred shares, at amortised cost | 8,511,600 | 8,627,550 |
| Add: Accrued interest receivable | 38,447 | 39,610 |
| | 8,550,047 | 8,667,160 |
| Corporate bonds, at amortised cost | 11,953,614 | 9,774,965 |
| Add: Accrued interest receivable | 123,711 | 149,204 |
| | 12,077,325 | 9,924,169 |
| Other bank term deposits, at amortised cost | 3,000,000 | 5,500,000 |
| Add: Accrued interest receivable | 402,301 | 302,514 |
| | 3,402,301 | 5,802,514 |
| **Total financial investment assets held to maturity** | **137,880,900** | **131,569,128** |

Investments in equities comprise of ordinary shares in Bahamian companies and mutual funds that are listed on The Bahamas International Securities Exchange (BISX).

Held-to-maturity securities have interest rates ranging from 2.63% to 8.50% per annum (2016: 1.75% to 8.5%) and scheduled maturities between 2018 and 2045 (2016: 2017 and 2045).

# Family Guardian Insurance Company Limited

**Notes to the Financial Statements**
**31 December 2017**
**(Expressed in Bahamian dollars)**
**(Continued)**

## 6. Financial Investment Assets (Continued)

In 2011, in accordance with the Insurance Act 2005 (Amended), the Company 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 is restricted for regulatory purposes, however, the interest income on these stocks accrues to the Company.

In accordance with amendments dated 13 October 2008 to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures, the Company 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, 2017 is $9,975,686 (2016: $7,798,753). 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 $3,613,729 gain (2016: $1,436,796 gain) taking into consideration impairment losses previously transferred to profit or loss.

# Family Guardian Insurance Company Limited

**Notes to the Financial Statements**
**31 December 2017**
**(Expressed in Bahamian dollars)**
**(Continued)**

## 6. Financial Investment Assets (Continued)

| | 2017 $ | 2016 $ |
|---|---|---|
| **(d) Loans:** | | |
| (i) Policy loans comprise: | | |
| Policy loans | 12,838,129 | 12,245,948 |
| Automatic premium loans | 3,403,348 | 3,219,845 |
| | 16,241,477 | 15,465,793 |
| Add: Accrued interest receivable | 841,171 | 803,630 |
| | 17,082,648 | 16,269,423 |
| (ii) Mortgage loans comprise: | | |
| Commercial: | | |
| Current | 6,001,107 | 6,917,040 |
| Past due but not impaired | 144,737 | 351,198 |
| Over 90 days | 529,795 | 1,465,481 |
| Residential: | | |
| Current | 47,792,128 | 50,526,936 |
| Past due but not impaired | 9,713,991 | 5,176,471 |
| Over 90 days | 4,375,565 | 3,173,795 |
| | 68,557,323 | 67,610,921 |
| Less: Specific provision for credit risk | (1,842,757) | (2,057,057) |
| Deferred commitment fees | (390,532) | (397,542) |
| | 66,324,034 | 65,156,322 |
| Add: Accrued Interest Receivable | 310,923 | 321,127 |
| | 66,634,957 | 65,477,449 |
| **Total loans** | **83,717,605** | **81,746,872** |

# Family Guardian Insurance Company Limited

**Notes to the Financial Statements**
**31 December 2017**
**(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% to11 % (2016:0% to 11%) per annum is charged on policy loans and APLs.

Movements in loan loss provisions are as follows:

| | **Specific Provision $** |
|---|---|
| Balance as of 31 December 2015 | 1,782,389 |
| Bad debt expense | 525,777 |
| Recovery of bad debt | (251,109) |
| Balance as of 31 December 2016 | 2,057,057 |
| Bad debt expense | 335,628 |
| Bad Debt written off | (541,622) |
| Recovery of bad debt | (8,306) |
| Balance as of 31 December 2017 | 1,842,757 |

An interest rate of 5.25% per annum (2016: 5.75%) 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 5.75% to 7.00% in the amount of $5,432,822 (2016: $5,459,616). Related party interest income from mortgages for the year ended 31 December 2017 is $363,455 (2016: $394,990) and related party interest receivable on mortgages as of 31 December 2017 is $27,965 (2016: $30,762).

As of 31 December 2017, the Company had non-performing mortgage loans of $4,905,360 (2016: $4,639,276) for which interest of $1,350,995 (2016: $1,693,361) had not been recognised in the statement of comprehensive income. Management has determined that mortgage loans totaling $9,858,728 (2016: $5,527,669) are past due but not considered impaired.

During the year, the Company sold properties under power of sale. The fair value of the collateral sold under power of sale was $1,120,500. The unrecoverable portion of the principal was provided for and is included in bad debt expense in the statement of comprehensive income.

**Family Guardian Insurance Company Limited**

**Notes to the Financial Statements**
**31 December 2017**
**(Expressed in Bahamian dollars)**
**(Continued)**

## 7. Receivables and Other Assets

Receivables and other assets comprise:

| | 2017 $ | 2016 $ |
|---|---|---|
| Reinsurance recoveries | 7,251,681 | 6,843,058 |
| Due from related parties | 3,520,707 | 5,442,212 |
| Premium receivables | 5,127,803 | 3,846,631 |
| Other receivables and other assets | 2,496,978 | 5,311,299 |
| Prepayments and deposits | 362,657 | 353,816 |
| | 18,759,826 | 21,797,016 |
| Less: allowance for doubtful accounts | (45,092) | (15,120) |
| | **18,714,734** | **21,781,896** |

The movement in allowance for doubtful accounts is as follows:

| | 2017 $ | 2016 $ |
|---|---|---|
| Balance, beginning of year | 15,120 | 39,758 |
| Bad debt (release) expense | 244,764 | (2,812) |
| Recovery of bad debt | (214,792) | (21,826) |
| **Balance, end of year** | **45,092** | **15,120** |

The amounts due from related parties represent the net result of transactions between these parties. The balances are unsecured, non-interest bearing and have no fixed terms of repayment.

Due to the short-term nature of the accounts receivable, their carrying amount is considered to be the same as their fair value.

# Family Guardian Insurance Company Limited

**Notes to the Financial Statements**
**31 December 2017**
**(Expressed in Bahamian dollars)**
**(Continued)**

## 8. Property, Plant and Equipment

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

| | 2017 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Freehold Land | Freehold Buildings | Furniture & Equipment | Motor Vehicles | Computer Hardware & Software | Leasehold Improvements | Work in Progress | Total |
| | $ | $ | $ | $ | $ | $ | $ | $ |
| Year ended 31 December 2017 | | | | | | | | |
| Opening net book amount | 2,351,000 | 4,842,351 | 805,315 | 26,917 | 1,230,960 | 679,417 | 1,982,788 | 11,918,748 |
| Additions | 1,100,000 | 9,281,250 | 86,736 | - | 112,387 | 5,894 | 3,430,056 | 14,016,323 |
| Revaluations | (10,000) | (229,957) | - | - | - | - | - | (239,957) |
| Transfers | - | 787,656 | 161,912 | - | 317,684 | (501,937) | (765,315) | - |
| Disposals - cost | - | - | - | - | (500) | (152,958) | - | (153,458) |
| Depreciation charge | - | (548,636) | (435,837) | (7,444) | (445,279) | (62,328) | - | (1,499,524) |
| Disposals - accumulated depreciation | - | - | - | - | - | 71,408 | - | 71,408 |
| **Closing net book amount** | **3,441,000** | **14,132,664** | **618,126** | **19,473** | **1,215,252** | **39,496** | **4,647,529** | **24,113,540** |
| As of 31 December 2017 | | | | | | | | |
| Cost or revaluation | 3,441,000 | 14,132,664 | 5,195,994 | 78,072 | 5,007,755 | 1,071,537 | - | 28,927,022 |
| Work in progress | - | - | - | - | - | - | 4,647,529 | 4,647,529 |
| Accumulated depreciation | - | - | (4,577,868) | (58,599) | (3,792,503) | (1,032,041) | - | (9,461,011) |
| **Net book amount** | **3,441,000** | **14,132,664** | **618,126** | **19,473** | **1,215,252** | **39,496** | **4,647,529** | **24,113,540** |

# Family Guardian Insurance Company Limited

**Notes to the Financial Statements**
**31 December 2017**
**(Expressed in Bahamian dollars)**
**(Continued)**

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

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

| | 2016 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Freehold Land | Freehold Buildings | Furniture & Equipment | Motor Vehicles | Computer Hardware & Software | Leasehold Improvements | Work in Progress | Total |
| | $ | $ | $ | $ | $ | $ | $ | $ |
| Year ended 31 December 2016 | | | | | | | | |
| Opening net book amount | 2,351,000 | 4,519,079 | 1,000,218 | 8,733 | 772,820 | 991,216 | 1,709,892 | 11,352,958 |
| Additions | - | - | 31,259 | 28,495 | 198,537 | 47,803 | 1,620,808 | 1,926,902 |
| Transfers | - | 500,523 | 223,819 | - | 623,570 | - | (1,347,912) | - |
| Disposals - cost | - | - | - | (26,867) | - | - | - | (26,867) |
| Depreciation charge | - | (177,251) | (449,981) | (10,311) | (363,967) | (359,602) | - | (1,361,112) |
| Disposals - accumulated depreciation | - | - | - | 26,867 | - | - | - | 26,867 |
| **Closing net book amount** | **2,351,000** | **4,842,351** | **805,315** | **26,917** | **1,230,960** | **679,417** | **1,982,788** | **11,918,748** |
| As of 31 December 2016 | | | | | | | | |
| Cost or revaluation | 2,351,000 | 5,130,523 | 4,947,346 | 78,072 | 4,578,184 | 6,031,487 | - | 23,116,612 |
| Work in progress | - | - | - | - | - | - | 1,982,788 | 1,982,788 |
| Accumulated depreciation | - | (288,172) | (4,142,031) | (51,155) | (3,347,224) | (5,352,070) | - | (13,180,652) |
| **Net book amount** | **2,351,000** | **4,842,351** | **805,315** | **26,917** | **1,230,960** | **679,417** | **1,982,788** | **11,918,748** |

# Family Guardian Insurance Company Limited

**Notes to the Financial Statements**
**31 December 2017**
**(Expressed in Bahamian dollars)**
**(Continued)**

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

On 1 July 2017, the Company acquired land and building from its Parent. The acquisition price was based on the carrying amount of the assets on the Parent company's books which approximated its fair value at that date.

The Company'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 fair value measurement of the Company's land and buildings as at 31 December 2017 was performed by Bahamas Realty, a qualified independent property appraiser.

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

Freehold land and buildings have been revalued during 2017. Had the Company's land and buildings been measured on a historical cost basis, their carrying amount would have been $14,653,820 (2016: $2,780,645). (Refer to Note 14).

Details of the Company's freehold land and buildings fair value hierarchy at 31 December 2017 is as follows:

| | | | 2017 | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| | **$** | **$** | **$** | **$** |
| Freehold land | - | - | 3,441,000 | 3,441,000 |
| Freehold buildings | - | - | 14,132,664 | 14,132,664 |
| | **-** | **-** | **15,573,664** | **15,573,664** |

| | | | 2016 | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| | **$** | **$** | **$** | **$** |
| Freehold land | - | - | 2,351,000 | 2,351,000 |
| Freehold buildings | - | - | 4,842,351 | 4,842,351 |
| | **-** | **-** | **7,193,351** | **7,193,351** |

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.

# Family Guardian Insurance Company Limited

**Notes to the Financial Statements**
**31 December 2017**
**(Expressed in Bahamian dollars)**
**(Continued)**

## 9. Reserves for Future Policyholders' Benefits

During the prior year, the Company changed its actuarial reserving methodology for the determination of reserves for future policyholders' benefits to the Canadian Asset Liability Method ("CALM") from the Canadian Policy Premium Method ("PPM") which is an approximation of CALM. CALM involves the projection of future interest rate scenarios in order to determine the amount of assets needed to provide for all future obligations. In accordance with International Accounting Standard ("IAS") 8, Accounting Policies, Changes in Accounting Estimates and Errors, the Company has applied the changes prospectively.

As of 31 December 2017, the aggregate reserves for future policyholders' benefits and related insurances in-force are summarised as follows:

| | **Reserves** | | **Insurances in force** | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| | **$** | **$** | **$** | **$** |
| Ordinary life | 82,220,505 | 81,253,988 | 2,325,220,000 | 2,240,084,000 |
| Annuities | 80,911,826 | 76,697,536 | - | - |
| Home service life | 36,527,776 | 35,668,209 | 524,213,000 | 502,301,000 |
| Accident and health | 7,601,401 | 7,672,710 | - | - |
| Gross liabilities | 207,261,508 | 201,292,443 | 2,849,433,000 | 2,742,385,000 |
| Reinsurance assets | (6,520,948) | (7,979,721) | - | - |
| | **200,740,560** | **193,312,722** | **2,849,433,000** | **2,742,385,000** |

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.

# Family Guardian Insurance Company Limited

**Notes to the Financial Statements**
**31 December 2017**
**(Expressed in Bahamian dollars)**
**(Continued)**

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

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 Company experience. Assumptions for other business lines are based on industry experience, as the Company 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 $5,252,715 (2016: $4,820,666) or decrease by $5,361,916 (2016: $4,893,319).

### (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 Company’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 $19,089,620 (2016: 15,991,864) or decrease by $26,552,715 (2016: $21,085,873).

# Family Guardian Insurance Company Limited

**Notes to the Financial Statements**
**31 December 2017**
**(Expressed in Bahamian dollars)**
**(Continued)**

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

### (iii) *Persistency*

Lapse rates are based on the Company's experience where credible experience is available and industry experience is used where credible Company 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 $835,917 (2016: $664,536) or decrease by $1,142,615 (2016: $898,927).

### (iv) *Expenses*

Expenses are based on best estimates of Company experience. Expenses are increased 10% as a margin for adverse deviation. Expenses are assumed to increase annually at a rate of 2.0% (2016: 2.0%) initially, decreasing to 2% (2016: 1.75%) over 20 years. If future expenses were to differ by 10% from that assumed, the liability would increase by $3,763,036 (2016: $3,831,005) or decrease by $3,733,940 (2016: $3,792,080).

### (v) *Ongoing Review*

Actuarial assumptions are continuously reviewed based on emerging Company 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 Company uses assumptions at the conservative end of the range, taking into account the risk profiles of the business.

# Family Guardian Insurance Company Limited

**Notes to the Financial Statements**
**31 December 2017**
**(Expressed in Bahamian dollars)**
**(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:*

| | **2017** **$** | **2016** **$** |
|---|---|---|
| Liabilities at beginning of year | 5,972,459 | 7,456,433 |
| Change in Data, Methods, and Assumptions | 98 | (23,047) |
| Unusual change in In-Force Business and New Business | (3,979) | (1,460,927) |
| **Liabilities at end of year** | **5,968,578** | **5,972,459** |

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

| | **2017** **$** | **2016** **$** |
|---|---|---|
| Liabilities at beginning of year | 69,953,721 | 61,510,877 |
| Change in Data, Methods, and Assumptions | 142,870 | 3,782,893 |
| New Business | (3,868,910) | (3,061,009) |
| Usual change in In-Force Business | 6,299,795 | 7,720,960 |
| **Liabilities at end of year** | **72,527,476** | **69,953,721** |

# Family Guardian Insurance Company Limited

**Notes to the Financial Statements**
**31 December 2017**
**(Expressed in Bahamian dollars)**
**(Continued)**

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

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

| | 2017 $ | 2016 $ |
|---|---|---|
| Liabilities at beginning of year | 91,633,881 | 86,416,035 |
| Change in Data, Methods, and Assumptions | (1,346,980) | (2,403,344) |
| New Business | 1,876,709 | 5,294,915 |
| Usual change in In-Force Business | 6,068,017 | 2,326,275 |
| **Liabilities at end of year** | **98,231,627** | **91,633,881** |

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

| | 2017 $ | 2016 $ |
|---|---|---|
| Liabilities at beginning of year | 25,752,661 | 23,226,713 |
| Change in Data, Methods, and Assumptions | (2,109,144) | 1,650,854 |
| New Business | (228,557) | (144,323) |
| Usual change in In-Force Business | 597,919 | 1,019,417 |
| **Liabilities at end of year** | **24,012,879** | **25,752,661** |

Long-term insurance contracts with DPF are not measured at fair value due to the lack of a reliable basis for measuring it.

| **Total for all lines of business** | 2017 $ | 2016 $ |
|---|---|---|
| Liabilities at beginning of year | 193,312,722 | 178,610,058 |
| Change in Data, Methods, and Assumptions | (3,313,156) | 3,007,356 |
| New Business | (2,220,758) | 2,089,583 |
| Usual change in In-Force Business | 12,961,752 | 9,605,725 |
| **Liabilities at end of year** | **200,740,560** | **193,312,722** |

# Family Guardian Insurance Company Limited

**Notes to the Financial Statements**
**31 December 2017**
**(Expressed in Bahamian dollars)**
**(Continued)**

## 10. Other Policyholders' Funds

Other policyholders' funds are comprised of the following:

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| Benefits payable to policyholders | 13,049,610 | 12,521,437 |
| Accrued policyholder dividends | 3,527,099 | 3,440,169 |
| Unapplied premiums | 1,006,793 | 924,704 |
| Advance premiums | 488,979 | 752,131 |
| | **18,072,481** | **17,638,441** |

## 11. Payables and Accruals

Payables and accruals are comprised of the following:

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| Payables and accruals | 4,696,921 | 4,450,389 |
| Due to related parties | 7,684,247 | - |
| Employee liabilities | 2,643,902 | 2,509,353 |
| Reinsurance payable | 1,412,672 | 971,670 |
| | **16,437,742** | **7,931,412** |

## 12. Bank Overdraft Facilities

The Company has bank overdraft facilities of 250,000 (2016: $250,000). Amounts utilised under the facilities attract interest at Nassau prime plus 1.5%.

# Family Guardian Insurance Company Limited

**Notes to the Financial Statements**
**31 December 2017**
**(Expressed in Bahamian dollars)**
**(Continued)**

## 13. Revaluation Reserve

Revaluation reserve is comprised of the following:

| | Financial Investment Assets Revaluation $ | Fixed Assets Revaluation $ | Total Revaluation Reserve $ |
|---|---|---|---|
| **Balance as of 31 December 2015** | 1,075,438 | 4,412,706 | 5,488,144 |
| Unrealised gains on available-for-sale investments | 569,620 | - | 569,620 |
| Realised loss reclassified to profit and loss | 63,800 | - | 63,800 |
| **Balance as of 31 December 2016** | **1,708,858** | **4,412,706** | **6,121,564** |
| Unrealised gains on available-for-sale investments | 1,412,671 | - | 1,412,671 |
| Revaluation of property, plant and equipment | - | (239,957) | (239,957) |
| **Balance as of 31 December 2017** | **3,121,529** | **4,172,749** | **7,294,278** |

# Family Guardian Insurance Company Limited

**Notes to the Financial Statements**
**31 December 2017**
**(Expressed in Bahamian dollars)**
**(Continued)**

## 14. Share Capital

The Company's share capital is comprised as follows:

| | Ordinary Shares $1 each 2017 $ | Ordinary Shares $1 each 2016 $ |
|---|---|---|
| **Authorised** | **2,000,000** | **2,000,000** |
| **Issued and fully paid** | **1,707,462** | **1,707,462** |

The excess of the issue and purchase price of the ordinary 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:

| | 2017 $ | 2016 $ |
|---|---|---|
| Short-term insurance contracts | 70,958,136 | 71,233,291 |
| Long-term insurance contracts with fixed and guaranteed terms | 22,842,929 | 20,804,462 |
| Long-term insurance contracts without fixed and guaranteed terms | 6,427,249 | 6,001,680 |
| Long-term insurance contracts with fixed and guaranteed terms and with discretionary participation feature (DPF) | 2,862,113 | 3,030,201 |
| Premium revenue arising from insurance contracts issued | 103,090,427 | 101,069,634 |
| Premium ceded for short-term and long-term contracts to insurers | (10,423,366) | (10,316,803) |
| | **92,667,061** | **90,752,831** |

# Family Guardian Insurance Company Limited

**Notes to the Financial Statements**
**31 December 2017**
**(Expressed in Bahamian dollars)**
**(Continued)**

## 16. Policyholders' Benefits

Policyholders' benefits for the year ended 31 December 2017 by insurance contracts were as follows:

| | 2017 Gross | 2017 Reinsurance | 2017 Net | 2016 Gross | 2016 Reinsurance | 2016 Net |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| Short-term insurance contracts | 48,607,778 | (1,869,603) | 46,738,175 | 44,723,985 | (3,370,195) | 41,353,790 |
| Long-term insurance contracts with fixed and guaranteed terms | 7,104,051 | (880,292) | 6,223,759 | 7,025,171 | (1,543,47) | 5,481,744 |
| Long-term insurance contracts without fixed and guaranteed terms | 8,934,834 | - | 8,934,834 | 11,571,439 | - | 11,571,439 |
| Long-term insurance contracts with fixed and guaranteed terms and with discretionary participation Feature (DPF) | 3,186,300 | - | 3,186,300 | 2,943,413 | - | 2,943,413 |
| | **67,832,963** | **(2,749,895)** | **65,083,068** | **66,264,008** | **(4,913,622)** | **61,350,386** |

# Family Guardian Insurance Company Limited

**Notes to the Financial Statements**
**31 December 2017**
**(Expressed in Bahamian dollars)**
**(Continued)**

## 17. Operating Leases

The Company leases certain office premises under non-cancellable operating leases. Future minimum rental commitments as of 31 December 2017 are as follows:

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| Up to 1 year | 622,191 | 1,658,373 |
| 1 year to 5 years | 2,488,765 | 6,633,493 |
| | **3,110,956** | **8,291,866** |

Included in these balances are amounts for the future minimum rental commitments to the Parent company totaling $559,170 (2016: $1,608,338).

## 18. Taxation

There are no corporate, income or capital gains taxes levied in The Bahamas and the Company, therefore, pays no taxes on its net income. However, taxes based on gross premium income, levied at 3%, for the year ended 31 December 2017 amounted to $3,092,212 (2016: $3,032,089) and is included within operating expenses in the statement of comprehensive income.

The Company is also subject to Value Added Tax ("VAT") on taxable supplies at a standard rate of 7.5%. The Company is eligible for input tax deductions based on an apportionment formula based on the premiums for standard rated taxable and exempt supplies. VAT incurred by the Company in excess of the input tax deductions is included in operating expenses in the statement of comprehensive income.

## 19. Pension Plan

The Company's pension costs, net of forfeitures in respect to the Plan for the year ended 31 December 2017, amounted to $630,182 (2016: $768,335) and is included in operating expenses in the consolidated statement of comprehensive income.

# Family Guardian Insurance Company Limited

**Notes to the Financial Statements**
**31 December 2017**
**(Expressed in Bahamian dollars)**
**(Continued)**

## 20. Commitments and Contingent Liabilities

Outstanding commitments to extend credit under mortgage loan agreements amounted to $4,253,710 as of 31 December 2017 (2016: $2,128,301).

The Company 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 Company's financial position.

The Company is contingently liable for $5,000 (2016: $5,000) in customs bonds and customs guarantees.

Prior to year-end, an agreement has been entered into in respect of commitments for capital projects. The commitments not provided in these financial statements total $529,000.

## 21. Related Party Balances and Transactions

The following are related party transactions and balances not disclosed elsewhere in the financial statements:

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| ***Related party transactions*** | | |
| Rent expense | 1,090,244 | 1,601,982 |
| Administrative fees | 256,718 | 159,076 |
| ***Related party balances with Sagicor Life*** | | |
| Receivables and other assets | 645,411 | 666,357 |
| Payables and accruals | 638,116 | 635,074 |
| ***Related party transactions with Sagicor Life*** | | |
| Premiums ceded to reinsurer | 3,767,552 | 4,100,259 |
| Reinsurance recoveries | 67,536 | 961,207 |
| Management fees | 132,000 | 132,000 |
| ***Compensation of key management personnel*** | | |
| Salaries and other short-term employee benefits | 3,470,547 | 3,129,004 |
| Commissions | 262,544 | 361,736 |
| | 3,733,091 | 3,490,740 |

# Family Guardian Insurance Company Limited

**Notes to the Financial Statements**
**31 December 2017**
**(Expressed in Bahamian dollars)**
**(Continued)**

## 21. Related Party Balances and Transactions (Continued)

***Employees' incentive plan:***

The Company sponsors a plan as an on-going incentive system for its key employees. The plan holds 5,600 shares (2016: 1,900 shares) of the Parent company 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 Company 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 years, depending on the type of award granted.

Included in total loans are mortgages to the Parent, which carry interest rates of 6.5% over 15 years, in the amount of $4,934,847 (2016: $5,244,240).

## 22. Post-Retirement Medical Benefit

The Company 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 Company are eligible for subsidised post-retirement medical, dental and vision benefits.

The Company funds the cost of the entitlements expected to be earned on an annual basis. The Company's contributions will be provided as premium payments are due, for retired participants. Retirees are assumed to pay the full retiree costs, less the Company's subsidy.

In 2013, the employer contribution subsidy for medical costs was increased from 50% of active costs to 60% of retiree costs and a 50% employer contribution subsidy was provided for dental and vision costs. The Company set the contributions to a fixed dollar amount equivalent to the 2014 subsidy and eliminated the dental and vision subsidy for future periods.

The most recent actuarial valuation was carried out by Towers Watson. 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.

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

# Family Guardian Insurance Company Limited

**Notes to the Financial Statements**
**31 December 2017**
**(Expressed in Bahamian dollars)**
**(Continued)**

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

| | Other Postemployment Benefits | |
|---|---|---|
| | **2017** | **2016** |
| | **$** | **$** |
| **Components of benefit cost recognised in comprehensive income** | | |
| Current service cost | 77,248 | 40,223 |
| Interest cost | 51,532 | 32,767 |
| Actuarial loss | - | - |
| Past service cost recognised | 449,013 | 264,910 |
| Net benefit cost in recognised in comprehensive income | **577,793** | **337,900** |
| **Components of benefit cost recognised in comprehensive income** | | |
| Remeasurement on the defined benefit liability | | |
| Actuarial gain due to experience | 41,008 | 92,849 |
| Actuarial gain due to demographic assumption changes | - | 99,189 |
| Actuarial loss due to financial assumption changes | - | - |
| Actuarial gain on DBO | **41,008** | **192,038** |

# Family Guardian Insurance Company Limited

**Notes to the Financial Statements**
**31 December 2017**
**(Expressed in Bahamian dollars)**
**(Continued)**

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

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| **Total benefit cost recognised in the statement of comprehensive income** | | |
| Cost recognised in net income | 577,793 | 337,900 |
| Remeasurement effects recognised in other comprehensive income | 41,008 | 192,038 |
| **Total benefit cost recognised in the statement of comprehensive income** | **618,801** | **529,938** |

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 Company's post-retirement medical benefit plan.

### Funded Status

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

| | Other Postponement Benefits | |
|---|---|---|
| | **2017**<br>**$** | **2016**<br>**$** |
| Benefit obligation, funded plans | (1,657,632) | (1,105,245) |
| Unrecognised net actuarial loss | - | - |
| **Net amount recognised, end of year** | **(1,657,632)** | **(1,105,245)** |

# Family Guardian Insurance Company Limited

**Notes to the Financial Statements**
**31 December 2017**
**(Expressed in Bahamian dollars)**
**(Continued)**

## 22. Post-Retirement Medical Benefit (continued)

Amounts recognised in the statement of financial position of:

| | 2017 $ | 2016 $ |
|---|---|---|
| **Liability** | **(1,657,632)** | **(1,105,245)** |

| | Other Postponement Benefits | |
|---|---|---|
| | 2017 $ | 2016 $ |
| **Experience adjustments** | | |
| DBO, end of year | (1,657,632) | (1,105,245) |
| **Funded status** | **(1,657,632)** | **(1,105,245)** |

| | Other Postponement Benefits | |
|---|---|---|
| | 2017 $ | 2016 $ |
| **Change in plan assets** | | |
| Fair value of plan assets, beginning of year | - | - |
| Employer contribution | 66,414 | 55,104 |
| Plan participant's contribution | (66,414) | (55,104) |
| **Fair value of plan assets, end of year** | **-** | **-** |

# Family Guardian Insurance Company Limited

**Notes to the Financial Statements**
**31 December 2017**
**(Expressed in Bahamian dollars)**
**(Continued)**

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

### Funded Status (continued)

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

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| Discount rate | 4.50% | 4.50% |
| Medical cost trend rate | N/A | N/A |
| Mortality | RP2000 | RP2000 |

### Expected employer contributions

The Company expects to contribute $87,542 (2016: $30,982) to the post-retirement benefits plan in 2018. This benefit is expected to be paid from corporate assets.

## 23. Earnings per Ordinary Share

Earnings per ordinary share are comprised of the following:

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| Weighted average number of ordinary shares outstanding | 1,707,462 | 1,707,462 |
| Profit attributable to ordinary shareholders | 7,611,262 | 7,390,086 |
| **Basis and dilute earnings per ordinary share** | **4.46** | **4.33** |

# Family Guardian Insurance Company Limited

**Notes to the Financial Statements**
**31 December 2017**
**(Expressed in Bahamian dollars)**
**(Continued)**

## 24. Business Segments

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

The Company 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.

Transactions between segments are carried out at arm's length. No inter-segment transactions occurred in 2017 and 2016. The revenue from external parties reported to Management is measured in a manner consistent with that in the 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 statement of financial position. All activities of the Company are deemed to be operating within the same geographical area.

Segment profit represents the profit 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 Company's revenue for both 2017 and 2016. All assets are allocated to reportable segments. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

# Family Guardian Insurance Company Limited

**Notes to the Financial Statements**
**31 December 2017**
**(Expressed in Bahamian dollars)**
**(Continued)**

## 24. Business Segments (Continued)

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

| | 2017 | | |
|---|---|---|---|
| | **Life** | **Health** | **Total** |
| | **$** | **$** | **$** |
| INCOME | | | |
| Net premium income | 31,583 | 61,085 | 92,668 |
| Annuity deposits | 7,099 | - | 7,099 |
| Investment income | 13,436 | 316 | 13,752 |
| Other income | 685 | 162 | 847 |
| **Total income** | **52,803** | **61,563** | **114,366** |
| POLICYHOLDER BENEFITS | 26,496 | 46,015 | 72,511 |
| EXPENSES | 19,187 | 15,056 | 34,243 |
| | 45,683 | 61,067 | 106,754 |
| **Net income** | **7,120** | **492** | **7,611** |
| **Total Assets** | **190,537** | **122,015** | **312,552** |
| **Total Liabilities** | **147,388** | **94,384** | **241,772** |

# Family Guardian Insurance Company Limited

**Notes to the Financial Statements**
**31 December 2017**
**(Expressed in Bahamian dollars)**
**(Continued)**

## 24. Business Segments (continued)

| | 2016 | | |
|---|---|---|---|
| | **Life** | **Health** | **Total** |
| | **$** | **$** | **$** |
| INCOME | | | |
| Net premium income | 29,681 | 61,072 | 90,753 |
| Annuity deposits | 12,224 | - | 12,224 |
| Investment income | 12,842 | 229 | 13,071 |
| Other income | 998 | 440 | 1,438 |
| **Total income** | **55,745** | **61,741** | **117,486** |
| POLICYHOLDER BENEFITS | 36,061 | 39,992 | 76,053 |
| EXPENSES | 18,120 | 15,922 | 34,042 |
| | 54,181 | 55,914 | 110,095 |
| **Net income** | **1,564** | **5,827** | **7,390** |
| **Total Assets** | **281,933** | **9,967** | **291,900** |
| **Total Liabilities** | **219,115** | **7,747** | **226,862** |

## 25. Subsequent Events

On 8 February 2018, the Board of Directors declared a fourth quarter dividend of $0.35 (2016: $0.35) per share or $600,000 (2016: 600,000) to shareholders of record as of 2 February 2018 and paid 27 February 2018.

On 10 May 2018, the Board of Directors declared a dividend for the first quarter of 2018 of $0.64 per share to shareholders of record as of 24 May 2018 and payable on 31 May 2018, for a total of $1,087,500.