FAMGUARD
CORPORATION LIMITED

2022
ANNUAL REPORT

FAMGUARD CORPORATION
No. 1 Shirley Street, Nassau, Bahamas
famguardbahamas.com
famguardbahamas

"The leadership, commitment and resilience of management, our sales agents and support staff continue to be the key element that lends to the stability of the Group during these challenging times."

Dodridge D. Miller
Chairman

SECTION ONE:
OVERVIEW OF THE COMPANY

CORPORATE PROFILE

FamGuard's group of companies provides a wide range of products and services to manage risk and build wealth:

- Life Insurance
- Health Insurance
- Annuities
- Employee Benefits
- Home, Auto & Commercial Insurance
- Residential & Commercial Mortgages

Family Guardian Insurance Company
Life & Health Insurance
www.familyguardian.com

BahamaHealth
Group & Individual Insurance
www.bahamahealth.com

FG Insurance Agents & Brokers
Property & Casualty Insurance
www.fgiagentsandbrokers.com

2022 BOARD OF DIRECTORS

Click here to view our current Board of Directors

Dodridge D. Miller, FCCA, MBA, LLM - Chairman

Director since 2005
Director
Sagicor Financial Corporation
Barbados

Wendy Craigg, MBE

Director since 2017
Economic Advisor
Ministry of Finance
New Providence, The Bahamas

Norbert F. Boissiere

Director since 1983
Chairman Emeritus
FamGuard Corporation Ltd. &
Family Guardian Insurance Company
New Providence, The Bahamas

Glen O. A. Ritchie, CPA

Director since 2017
President
FamGuard Corporation Ltd. &
Family Guardian Insurance Company
New Providence, The Bahamas

M. Craig Roberts

Director since 1986
Consultant Counsel
Graham Thompson & Co.
New Providence, The Bahamas

Andre G. Mousseau, MBA

Director since 2021
President & CEO
Sagicor Financial Corporation
Toronto, Canada

A. Christine Woodman

Director since 2000
Property Management
New Providence, The Bahamas

M. Carmen Butler

Director since 2021
Private Consultancy Services
New Providence, The Bahamas

Bennet R. Atkinson, MBA, CPA

Director since 2005
Chartered Accountant
Ronald Atkinson & Co.
New Providence, The Bahamas

Raymond L. Winder

Director since 2022
Chartered Accountant
New Providence, The Bahamas

Sandra K. Osborne, KC, BSc, LLB, FCG

Director since 2005
Attorney-at-Law
Barbados

Catherine E. Pyfrom

Director since 2022
Artist
New Providence, The Bahamas

Duties of the Board of Directors

The Board of Directors of the Company has the obligation to oversee the conduct of the business of the Group and its subsidiaries and to supervise senior management, which is responsible for the day-to-day conduct of the business. The Board of Directors deals with all matters that materially impact the Company including overseeing the Company's performance, risk management and governance frameworks. The Board also has responsibility for setting the strategic objectives and risk appetite for the Company and leading the culture and behaviours of the Company's employees. The Board is also obligated to comply with the Company's rules of business conduct and ethics and confirms that it has not breached this obligation.

The Board of Directors continuously reviews and enhances the Company's Corporate Governance Framework in light of evolving stakeholder expectations, legislative changes and the dynamic operating environment.

The Board of Directors has delegated certain of its responsibilities to committees of the Board. The Board's Committees are generally responsible for reviewing matters specified in their mandates and making recommendations to the Board, which retains ultimate decision-making authority. The determination as to whether Board approval needs to be sought on a particular matter is the responsibility of the Board Chairman, the President, the Chairman of the Audit Committee and the Chairman of the Corporate Governance & Conduct Review Committee.

The Board of Directors has constituted the following committees:

- Human Resource & Compensation Committee
- Audit Committee
- Corporate Governance & Conduct Review Committee
- Technology Committee
- Investment & Risk Committee

Human Resource & Compensation Committee

The Human Resource & Compensation Committee is primarily responsible for approval of and, where appropriate, for making recommendations for approval by the Board of Directors with respect to matters related to compensation and benefit programs, the appointment and compensation of key members of senior management and the appointment of officers of the Company and its subsidiaries.

The Chairman of the Human Resource & Compensation Committee is Ms. M. Carmen Butler and the Committee members are Mrs. A. Christine Woodman, Ms. Sandra K. Osborne, KC and Ms. Catherine E. Pyfrom.

Audit Committee

The Audit Committee is responsible for the oversight of the financial reporting and internal controls of the Company, which includes the review and evaluation of the appropriate accounting principles and practices to be observed in the preparation of the accounts of the Company and its subsidiaries. The Audit Committee is responsible for the initial review of the Company's annual audited consolidated financial statements prior to consideration thereof by the Board of Directors. It approves the scope of the audit activities proposed each year to be conducted by the independent auditors. It also recommends the appointment and approves the terms of engagement of the independent auditors.

The Chairman of the Audit Committee is Mr. Bennet R. Atkinson and the Committee members are Mrs. Wendy M. Craigg, Mr. Andre Mousseau and Mr. Raymond L. Winder.

Corporate Governance & Conduct Review Committee

This Committee oversees the development and the implementation of a sound Corporate Governance Architecture which complies with the laws of The Bahamas and international best practice. The purpose of the Committee is to develop and recommend to the Board policies and procedures to establish and maintain best practice standards of corporate governance and to direct the processes relating to director succession planning, director performance evaluation, communications and stakeholder engagement, insider trading and conduct review

The Corporate Governance Architecture deals with:

(a) the ethical and business values that shape and guide the Company;

(b) policies and procedures governing essential operations;

(c) the structure, composition and internal operation of the Board;

(d) the respective roles and responsibilities of the Board and Management; and

(e) accountability and performance for both the Board and Management in the way they discharge their respective responsibilities.

The Chairman of the Corporate Governance & Conduct Review Committee is Ms. Sandra K. Osborne, KC and the Committee members are Mr. M. Craig Roberts and Mr. Raymond L. Winder.

Technology Committee

The Technology Committee is responsible for ensuring a best practice approach to aligning the investments in information technology with business goals as determined by the Board of Directors of the Company. The goal is to effectively utilize state-of-the-art technology to provide superior customer service to the Company's clients and employees.

The Chairman of the Technology Committee is Mr. Raymond L. Winder and the Committee members are Mr. Bennet R. Atkinson, Mr. Dodridge D. Miller, Mrs. A. Christine Woodman and Mr. Glen O. A. Ritchie.

Investment & Risk Committee

The mandate of the Investment and Risk Committee is to oversee the investment of excess funds and clients' investment funds to ensure that such investment provides both short- and long-term returns that meet the reasonable investment expectations of policyholders, clients, pensioners and other investors while maintaining portfolio risks within acceptable limits.

The Committee also oversees the enterprise risk management framework that defines the Company's risk policies, risk appetite and risk limits. The Investment and Risk Committee assists the Board in ensuring that the results of regular enterprise-wide risk assessments are used to update the company's risk management framework.

The Chairman of the Investment and Risk Committee is Mrs. Wendy M. Craigg and the Committee members are Mrs. A. Christine Woodman, Mr. Andre Mousseau and Ms. M. Carmen Butler.

Any responsibility that is not delegated to a committee of the Board of Directors or senior management remains with the full Board of Directors.

Board Appointments & Training

The Board's induction process is set out in the Corporate Governance Manual, which is reviewed annually by the Corporate Governance and Conduct Review Committee. The Board of Directors is appointed annually by the Company's shareholders and the Board Chairman and the Chairmen of each Board Committee are selected by the Board of Directors.

Directors receive training at least once per year to ensure that they remain informed around key matters that impact their ability to perform their duties effectively. Additionally, to ensure that the Board has the skills and expertise needed to ensure its effectiveness in addressing business and governance issues, the Board uses a Skills Matrix which sets out the desired skills and experience the Board needs to carry out its duties and note which directors have the identified skills and experience. The Skills Matrix is reviewed on an annual basis.

Meetings of Board of Directors and Board Committees and their Conduct

The Board of Directors and its Committees aim to meet formally at least 4 times per year. The table below indicates current Director attendance at meetings during the year 2022.

Director	Number of Board Meeting Invitations	Number of Board Meetings Attended	Number of Committee Meeting Invitations	Number of Committee Meetings Attended
Dodridge D. Miller	4	4	4	3
Norbert F. Boissiere	4	4	4	3
M. Craig Roberts	4	4	4	4
A. Christine Woodman	4	4	12	12
Bennet R. Atkinson	4	4	11	11
Sandra K. Osborne, KC	4	3	8	8
Wendy M. Craigg	4	4	11	11
Glen O. A. Ritchie	4	4	4	4
Andre Mousseau	4	3	11	8
M. Carmen Butler	4	4	10	10
Raymond L. Winder	4	2	6	6
Catherine E. Pyfrom	4	2	N/A	N/A

The Board and Board Committee Chairmen establish meeting agendas to ensure adequate coverage of financial, strategic and other key risk areas throughout the year. The Board confirms that it, together with the various Committees, has effectively carried out the Board and Board Committees mandates during the year 2022 and has effectively given oversight to the Company's management of key risks.

The Audit Committee is comprised of four Directors whose general scope and purpose is to assist the Board in fulfilling its oversight responsibilities in the monitoring of the following:

(1) The integrity of the Company's financial statements;
(2) The Company's compliance with legal and regulatory requirements;
(3) The independent Auditor's qualifications and independence;
(4) The adequacy of the Company's internal audit functions and the External Auditor's scope, and
(5) The adequacy and effectiveness of risk management systems and the Company's internal controls.

YEAR IN REVIEW

Financial Reporting
During the year, the Audit Committee reviewed any significant reporting issues to gain an understanding of their impact on the financial statements. Such issues include: changes in the selection or application of accounting principles; the effect of regulatory and legal requirements; reviewing reports and analysis prepared by management and the independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements; reviewing the effect of new IFRS standards and amendments to existing standards; reviewing scope limitations, if any, of the independent auditor's activities; and, discussing with management and the independent auditor the annual audit report.

New IFRS Accounting Standards
For periods beginning on or after 1 January 2023, the Group will be adopting IFRS 17, which establishes the principles for the recognition, measurement, presentation, and disclosure of insurance contracts. At the same time, the Group will also be adopting IFRS 9. The adoption of these standards requires significant changes to the accounting and reporting process. The Audit Committee has been actively engaged in monitoring the implementation of IFRS 17 and IFRS 9, their combined impact on the financial statements and the effect they will have on the Group's underlying profit and solvency.

Internal Audit and Internal Controls
During the year the Committee reviewed with management and the internal auditors; the internal audit charter, plans, activities, staffing, and organizational structure of the internal audit function. The Committee held meetings with the internal auditors to review quarterly internal audit reports on significant findings and recommendations together with management's responses. The Committee is satisfied that the Company's internal controls and the internal audit department are functioning adequately in order to provide effective risk management.

External Audit
The Committee reviewed the performance and independence of the external auditors and recommended to the Board that PricewaterhouseCoopers be reappointed as the Company's auditors. The Committee reviewed all communications of the external auditors and met where necessary to discuss the scope and results of the audit. The Committee confirmed that appropriate practices are being followed to ensure the independence of the external auditors.

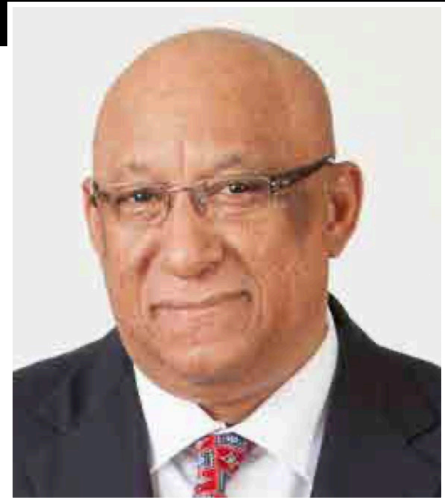
Compliance
The Committee reviewed the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow up (including disciplinary action) of any instances of non-compliance. The Committee reviewed the findings of any examinations by regulatory agencies and the reports from management and legal counsel regarding compliance matters. The Committee is satisfied that the compliance systems are functioning efficiently and effectively.

Reporting Responsibilities
The Committee provided quarterly reports to the board of directors about committee activities and any issues arising. The committee approved the quarterly and annual financial statements for presentation to the Board and for the Board's ultimate approval for issuance to the shareholders and regulators. The Committee reviews and approves the annual audited financial statements with the external auditors prior to publication. The Committee also reviews with the Board and the external auditors the going concern assumptions and is satisfied that the Company meets those assumptions as a going concern. The Committee is responsible for providing an open avenue of communication between the internal audit function, the external auditors and the Board of Directors.

The Committee together with the Board of Directors and management acknowledge responsibility for compliance with the rules of the Insurance Commission of The Bahamas and those of the Securities Commission of The Bahamas. The Committee is satisfied that the Company is in compliance with those rules.

The Audit Committee is satisfied that it has appropriately fulfilled its mandate to the best of its ability for the year ended 31 December 2022.

Bennet R. Atkinson
Chairman
Audit Committee



Dear Shareholders,

During the course of the year, the Group continued to navigate through uncertain and challenging economic times brought about by geopolitical and other external events. Despite the difficult economic conditions, the Group continues to demonstrate the ability to produce strong financial results and generate increased value for our shareholders. The leadership, commitment and resilience of management, our sales agents and support staff are the key element that lends to the stability of the Group during these challenging times.

I am pleased to report that for the year ended 31 December 2022 the performance of the Group remained solid amid the uncertainties of the economy. The Group reported net profit of $9.8 million which represented $0.98 per share for common shareholders. Gross premium income for the year totaled $113.9 million, a 0.9% increase over the prior year, achieved through the commitment and efforts of our agency force.

The Company's share price increased by 12.1% and ended the year at $11.22, ahead of the $10.01 at year-end 2021. FamGuard returned $5 million to shareholders through dividends declared during the year, representing an increase in dividends per share from $0.38 to $0.50. The Group's statement of financial position remains strong with total assets of $391.8 million, and its solvency ratio measured at 229% is well in excess of the 150% minimum requirement of the Insurance Commission of the Bahamas.

Over the course of 2022, we have made progress in the execution of the Group's strategic initiatives. Our ongoing commitment to technology has enabled the Group to improve our customer service and optimize efficiencies in our operations to better serve our clients. We have invested significant capital in our technology infrastructure and systems over the past three years and look forward to the successful transition of our Financial Services business segment onto a new policy administration system in the upcoming year. Our Leadership Enhancement and Development program (L.E.A.D) continues to provide learning and development opportunities for our employees while supporting the succession planning initiatives of the Group.

The Group remains committed to supporting the communities in which we operate through continuous support of and financial contributions to numerous social programs that positively impact the lives of Bahamians. These initiatives exemplify our commitment to our core values of "care and concern" and "a continuous building of goodwill".

Effective 1 January 2023, the Group will transition to the new International Financial Reporting Standard 17 (IFRS 17). The new standard materially changes the recognition and measurement of insurance contracts and the corresponding presentation and disclosure in the financial statements and is expected to make financial reporting for insurance companies more transparent and comparable. Throughout the course of 2022 and prior years, the Group's management has been working together with professional consultants to effect the changes necessary to the accounting systems, accounting policies, and preparation of the financial statements in accordance with IFRS 17. While we anticipate that the standard will bring about some changes to our business, we are confident that our financial strength and stability will continue to be evidenced through its application.

As we look ahead, we will continue to be focused on long term sustainable value creation for our shareholders while delivering the best solutions that protect the life, health and wealth of our customers. On behalf of the Board of Directors of FamGuard, I extend our sincere thanks to our management, support staff, and sales team for their outstanding efforts and commitment to serving our clients. I also thank our shareholders and clients for their continued support and confidence placed in FamGuard and its group of companies.

D. Miller

Dodridge D. Miller,
Chairman

Dear Shareholders,

I am pleased to report another year of robust performance by the Group resulting in net profit of $9.8 million and growth in key areas. The financial results at 31 December 2022 reflect the commendable effort of our team during a year challenged with an economy recovering from the COVID-19 pandemic and the impact of global inflation and rising interest rates.

Year 2022 saw a gradual relaxation of the country's COVID-19 health and safety protocols and a return to the pre-pandemic environment of 2019. Tourist arrivals increased appreciably, and the local business community slowly returned to operational normalcy.

FamGuard's 2022 performance highlights include:

- The Group posted net income of $9.8 million for the year ending 31 December 2022.
- Gross premiums increased to $113.9 million continuing the consistent trend of year-over-year growth.
- Net income attributable to ordinary shareholders totaled $9.8 million representing $0.98 per common share.
- The Group continued to fulfill its commitment to policyholders with $80 million in benefits paid during the year.
- Total assets grew by $16.0 million to $391.8 million.
- Investment assets increased by $13.6 million representing a 4.4% improvement over 2021.
- Total common shareholders' equity surpassed the $100 million mark for the first time recording $103.6 million at year-end 2022.
- FamGuard's share price increased by 12.1% to $11.22 at December 31, 2022.

The Group's solid performance reinforced FamGuard's strong capital adequacy, trusted brand, and franchise value. The results also affirmed the public's continued confidence in our 57-year history of growth, financial strength, and reliability.

FamGuard continues to provide value to shareholders through consistent dividend payments and increase in share price. During 2022, the Company paid total dividends of $0.50 per share and saw its share price move from $10.01 to $11.22 as reported by the Bahamas International Securities Exchange (BISX) at year end. FamGuard's share price has grown by 78% over the past five years.

The Group continued to focus on our strategic 3-year IT 2020 Vision through new and enhanced technology to further improve efficiencies and the customer experience. Our secure on-line payment portal, FG PayGuard, provides faster processing time for premium payments and reduces transactional costs typically incurred by clients. We continue to expand client service functionalities provided by this e-commerce platform and will introduce additional features in the coming months.

In conjunction with PayGuard, we have designed a new BahamaHealth client portal to be introduced in the first quarter 2023 which will enable members to review their benefits and access resources to manage their health and financial wellness. The redesign of the Company's websites was finalized at year end and features updated branding, user-friendly navigation, and comprehensive information on products and services.

We will continue the further digitization and improvements to our information systems going forward to ensure that we have 21st-century technology capabilities to meet client expectations and protect the integrity of company assets.

In 2023, the Group will transition to International Financial Reporting Standards (IFRS) 9 and 17 which become effective for annual reporting periods that begin on or after 1 January 2023. These standards will impact operational processes and the presentation and disclosures of financial statements. Developments with respect to new capital adequacy regulations under IFRS 17, ongoing changes to the regulatory and taxation regimes, and more stringent accounting standards will demand considerable attention during the coming year and beyond. We are confident that we are well positioned to meet these challenges with the expertise of our highly skilled and dedicated team and our solid financial base.

The Company remains committed to addressing the needs within our vulnerable communities which intensified with the unprecedented impact of Hurricane Dorian in late 2019 and the COVID-19 pandemic that began in early 2020. Our social outreach follows a multi-tiered approach that includes financial aid and partnerships, healthy lifestyle initiatives, and personal volunteerism. In 2022 we continued our support of food and school supplies distribution in areas of greatest need and assisted several youth development projects spanning education, athletics, and performing arts. Founders' Day, launched in 2010, dedicates one business day each year for the entire team to give their time and talent within the neighborhoods we serve. While the pandemic required an adjustment to the program during the period that strict health guidelines were in effect, we are excited to fully reactivate this initiative in 2023 with COVID-19 restrictions lifted.

As we move to 2023, we look to seizing opportunities for further growth while effectively executing our Vision of "connecting people with solutions to protect their life, health, and wealth." FamGuard's Strategic Plan 2023 provides a specific set of actions geared towards achieving targeted performance levels, preserving capital adequacy, maintaining a sound enterprise risk framework and culture, and protecting our franchise value. We are ever committed to adhering to sound corporate governance principles and remain dedicated to ensuring profitability and improving shareholder equity.

I once again express my gratitude to our directors, management team, sales and administrative staff for their support. I also extend appreciation to our loyal clients and shareholders for their continued confidence.

Glen O. A. Ritchie
President

2022 EXECUTIVE TEAM

Click here to view our current Executive Team

President
Glen O. A. Ritchie, CPA

Senior Vice President, Administration
(Human Resources, Public Relations & Marketing)
Kerry Higgs, Ph.D.

Senior Vice President, Legal, Audit, Risk & Compliance
Corporate Secretary
Bryinda Russell, MSc., PGDL, MICA, FLMI

Vice President, Systems Development & Architecture
Michael Hanna, ACS

Vice President, Technology
Jayson Clarke, MSc.

Vice President, Finance & Investments
Ramon Curtis, BSc., CPA, ALMI

Vice President, Human Resources
Siobhan Lloyd, MBA, Ed.D.

Vice President, Home Service Sales
Ramona Neely

Vice President, Financial Services
Michael Adderley, B.Acc.

Vice President, BahamaHealth
Charlene Rodgers, FLMI, FLHC

Assistant Vice President, Projects and
Business Support, Operations
Marion Chestnut, ACS, AIAA

Assistant Vice President, Information Technology
Glen Pratt

Financial Controller
Sandra Payne, MSc., CPA

Assistant Vice President, Operations &
Customer Service
Renee Davis, CPA

> “The Group’s solid performance reinforced FamGuard’s strong capital adequacy, trusted brand, and franchise value. The results also affirmed the public’s continued confidence in our 57-year history of growth, financial strength, and reliability.”

Glen O. A. Ritchie
President

For the year ended 31 December 2022
This Management Discussion and Analysis is dated 30 April 2023

OVERVIEW

FamGuard Corporation Limited (the "Company") is incorporated under the laws of the Commonwealth of The Bahamas and serves as an investment holding company with five wholly owned subsidiaries, Family Guardian Insurance Company Limited (FG), BahamaHealth Insurance Brokers Limited, FG Insurance Agents & Brokers Limited (FGIAB), FG Financial Limited and FG Capital Markets Limited (together, "the Group"). FG is the principal operating unit and is licensed as an insurance company under the Insurance Act, 2005. FG sells life and health insurance products in The Bahamas. FGIAB operates as an agent and broker for general insurance products in the Bahamas. All other wholly owned subsidiaries within the group are inactive.

BASIS OF PRESENTATION AND SUMMARY OF ACCOUNTING POLICIES

The consolidated financial statements, on which the information presented in this report is based, incorporate the financial statements of the Company, entities controlled by the Company and its subsidiaries. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Standards, amendments, and interpretations to published standards, that became effective for the Group's financial year, beginning on 1 January 2022, were not relevant or not significant to the Group's operations and accordingly did not have a material impact on the Group's accounting policies or consolidated financial statements.

IFRS 9 became effective for the Group's financial year, beginning on 1 January 2018, but was deferred under options provided by the International Accounting Standards Board ("IASB") and accordingly is not reflected in the Group's accounting policies or consolidated financial statements.

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

The temporary exemption permits companies whose activities are predominantly connected with insurance to defer the application of IFRS 9 until the earlier of: (a) the application of the forthcoming insurance contracts standard; or (b) 1 January 2021. These entities will continue to apply IAS 39 during this period and will be required to make additional disclosures to enable users of financial statements to make comparisons with entities applying IFRS 9. As a result, the Group qualifies for the temporary exemption from IFRS 9 and has applied IAS 39 rather than IFRS 9 to all of its financial assets.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of the consolidated financial statements under IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as the disclosure of contingent assets and liabilities, at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period.

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

Due to the inherent uncertainty of the assumptions and estimates, the effect of certain accounting policies under different conditions or assumptions could be materially different from those reported in the consolidated financial statements.

RISK MANAGEMENT

The Group's risk management structure promotes making sound business decisions that balance risks and reward for the Group and its stakeholders. The objectives of the Group's risk management framework are to enhance its capital base through competitive earnings growth and to protect capital against inherent business risks. This means that the Group accepts certain levels of risk in order to generate returns, and it manages the levels of risk assumed through enterprise-wide risk management policies and procedures.

The Group's risk profile and risk appetite are reviewed and approved on an annual basis by the Board of Directors. The risk appetite is defined as the amount and type of risk that an organization is prepared to pursue, retain or take. Identified risks are assessed as to their potential financial impact and as to their likelihood of occurrence. Individual risks are assessed for their contribution to aggregate exposures by nature of risk or by correlation with other risks, before acceptance.

The management of risks within the Group is summarized in note 5 of the consolidated financial statements.

SUMMARY OF FINANCIAL PERFORMANCE

$113.9 M
GROSS PREMIUM
+0.9% ▲

$11.22
SHARE PRICE
+12.1% ▲

TOTAL ASSETS
$391.8 M

DIVIDEND PER SHARE
$0.50

NET INCOME
$9.8 M

EARNINGS PER ORDINARY SHARE
$0.98

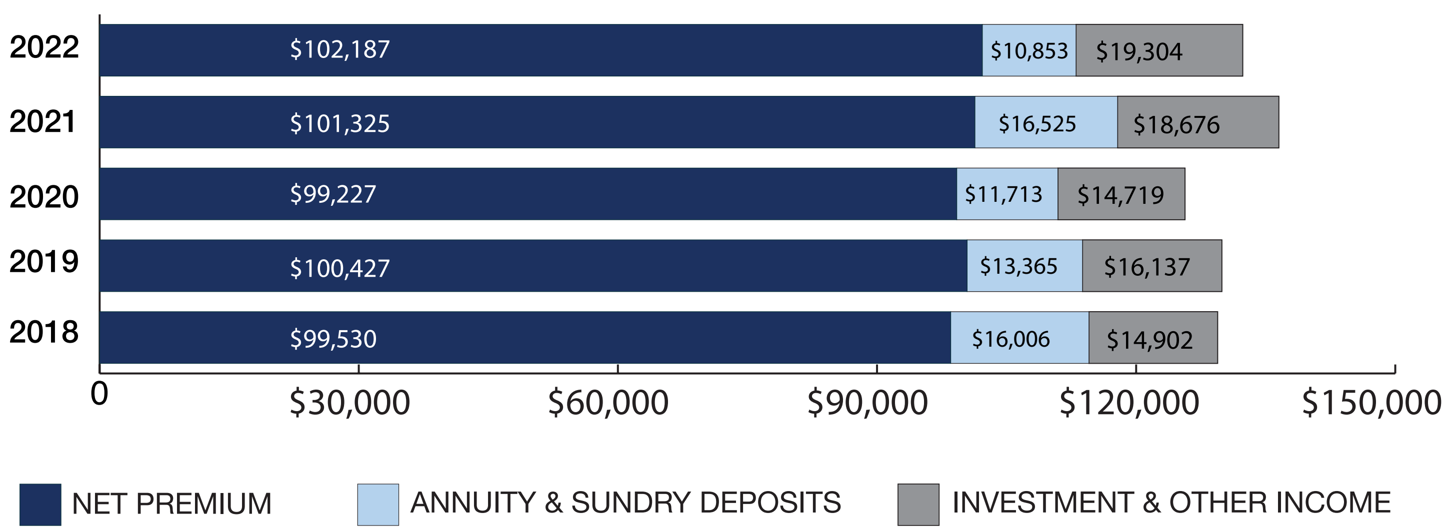
For the twelve months ended 31 December 2022, FamGuard Corporation reported net income of $9.8 million, reflecting another strong financial year despite the impacts of global inflation, rising global interest rates, and other external factors which continue to impact the economic environment in which we operate. These results have been largely driven by strong premium production by the Home Service division, a positive variance in policyholder benefits derived from the net impact of the normalization of life and health benefits post pandemic and the review of actuarial assumptions, and critical case management of health claims in our major medical division. Net income attributable to common shareholders was $9.8 million and represented earnings per common share of $0.98, compared to $1.00 recorded in the prior year.

In 2021 and 2020, the Group's results were impacted by the global pandemic, which had various effects on both life and health benefits. However, 2022 reflects a full year of normalization for medical services, and for mortality within the life portfolio. It is against this backdrop that we note the performance of the Group exceeded that of 2019, the year prior to the start of COVID-19 global pandemic.

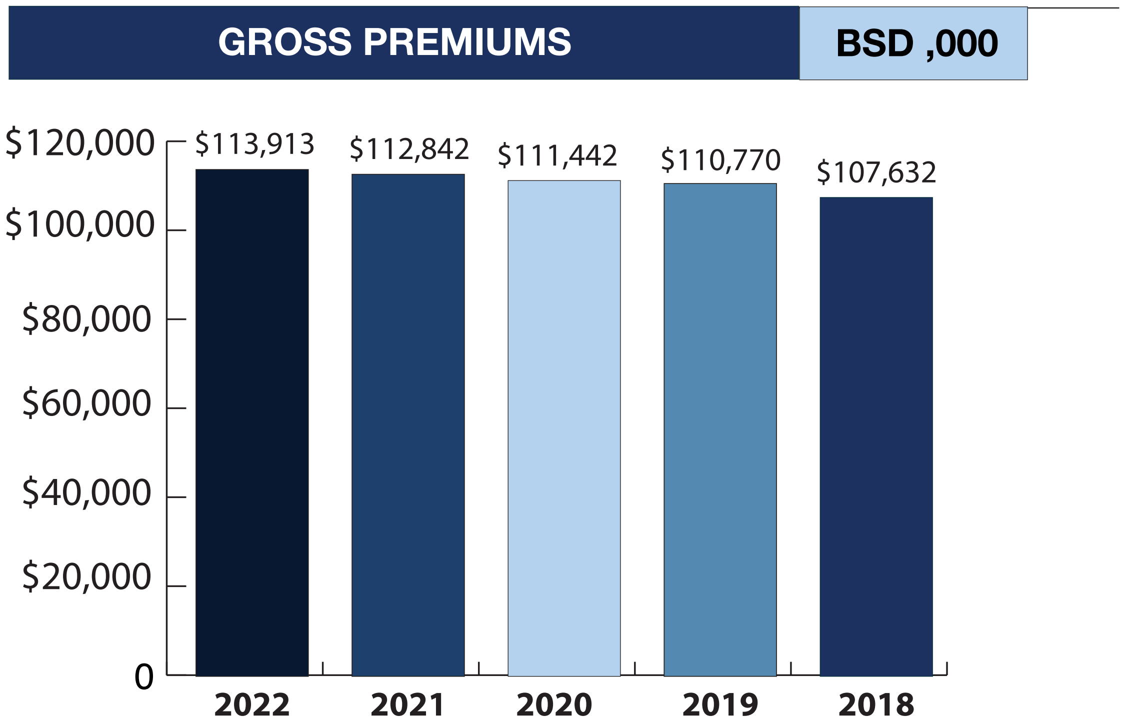
SHAREHOLDER RETURNS	2022	2021	2020	2019	2018
	$	$	$	$	$
NET INCOME (,000)	9,769	10,292	10,814	8,045	8,050
EARNINGS PER ORDINARY SHARE	0.98	1.01	1.05	0.71	0.64
MARKET VALUE PER SHARE	11.22	10.01	8.40	7.60	6.30
DIVIDENDS PER ORDINARY SHARE	0.50	0.38	0.28	0.32	0.30
RETURN ON ORDINARY SHAREHOLDERS' EQUITY	0.10	0.11	0.12	0.08	0.07
DIVIDEND YIELD	0.04	0.04	0.03	0.04	0.05
PRICE EARNINGS RATIO (P/E)	11.49	9.86	7.98	10.65	9.90

The group recorded revenues totaling $132.2 million for the year, a negative variance of 3.2% over the $136.5 million recorded in the corresponding prior period. The negative variance was attributed to a decline in annuity and sundry deposits which ended the year at $10.9 million compared to $16.5 million in 2021. Deposits declined due to the seasonality of the product and the impacts of management decisions. Moreover, a corresponding decline in reserves for future policyholder benefits for deposits occurred in direct correlation.

TOTAL REVENUE **BSD ,000**



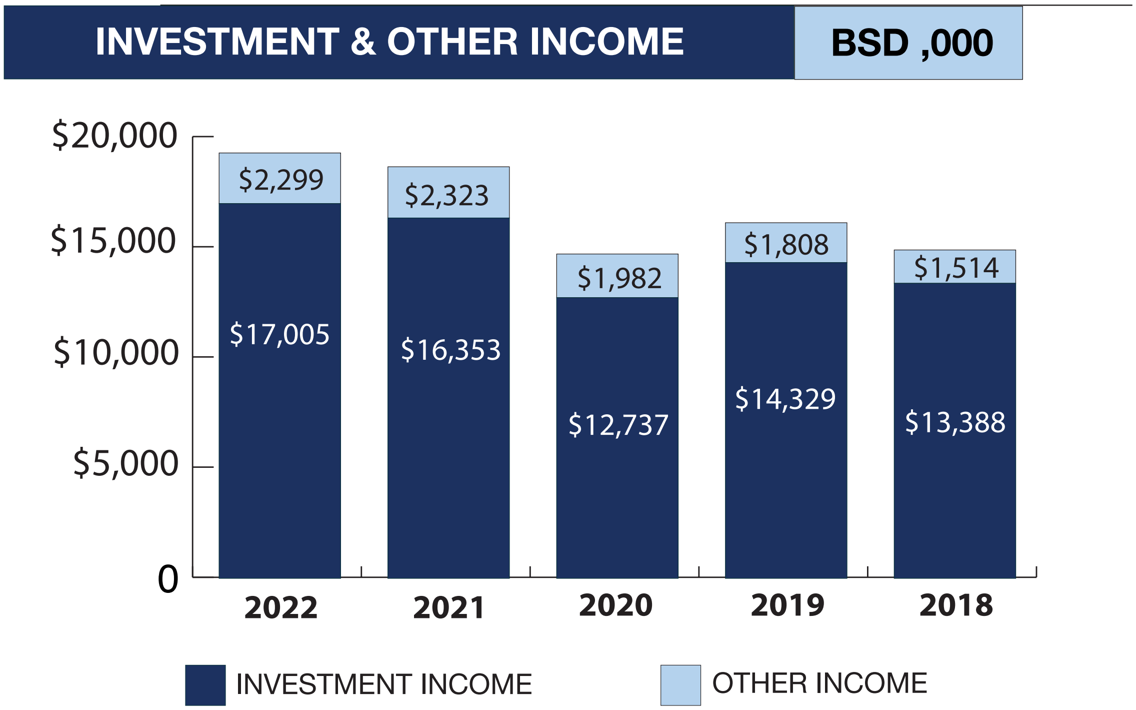
Gross premiums increased by 0.9% representing a $1.1 million positive variance over the prior period and continuing the trend of consistent gross premium growth over the past 9 years. While gross premiums in the group and individual medical segment were relatively flat year over year, this was offset by premium increases in the Home Service and Financial Service segments by 4.8% and 1.5% respectively.



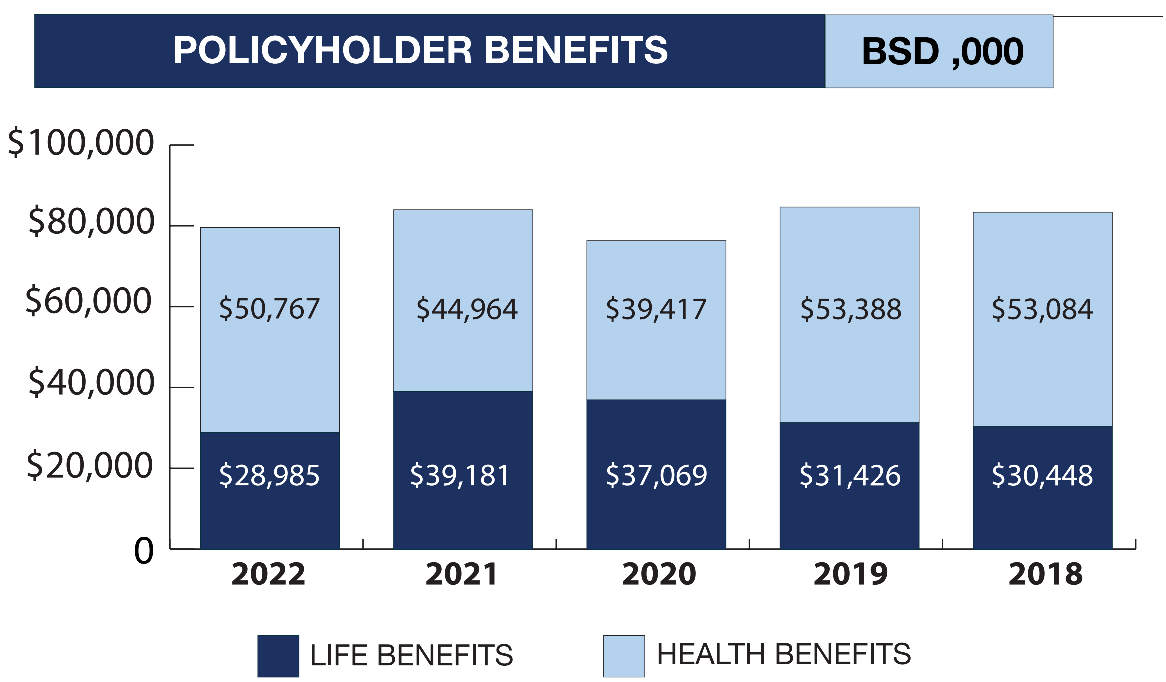
The investment portfolio continues to be impacted by the net fair value losses arising from fluctuations in market prices on certain bonds held by mutual funds in which the Group invests. The increase in inflation over the past year has led to several interest rate adjustments by the United States Federal Reserve which has driven down the price of bonds and by extension resulted in negative yields on certain investment assets. Unrealized losses on financial assets for the period recognized in the consolidated income statement totaled $543 thousand compared to a loss of $107 thousand in 2021. Despite this impact, net investment income totaled $16.8 million a positive variance of 2.9% compared to the year ended 2021.

The positive variance was primarily due to interest income on fixed-rate high-yielding debt securities, purchased during the prior and current periods, which continue to contribute significantly to the investment income earned on the portfolio. The impact of these investment assets provides long-term fixed returns at high interest rates and is beneficial for risk management as a part of our Asset Liability Management strategy.

The Group generated fees and other revenues for the year totaling $2.3 million, in line with the comparable prior period. Included in these amounts are commissions earned on property and casualty insurance business sold through the Group's subsidiary FG Insurance Agents & Brokers Limited.



Net policyholder benefits across all lines of business, including reserves for future policyholders' benefits, equaled $79.8 million compared to $84.1 million in the prior year. Health benefits net of reinsurance, for group and individual policyholders increased by $5.2m over 2021 due to the regularization of medical services for a full 12 months in 2022 compared to the prior period, as well as the impact of medical cost inflation. Life benefits trended higher than normal in 2021 due to an increase in death claims and policy surrenders stemming from the impact of the global pandemic. These benefits normalized during 2022 which contributed to a positive over 2021.



Reserves for future policy holder benefits increased by $10.8 million during the year. Reserves on insurance contract liabilities associated with the short-term business increased by $2.0 million, primarily due to an increase in the Incurred But Not Reported (IBNR) to account for claims incurred in 2022 but not yet paid. Reserves on the Group's long-term business totaled $8.8 million compared to $13.3 million in the prior year. The net decrease in the long-term reserves was primarily due to lower annuity and sundry deposits written during the year and benefits derived from the impacts of actuarial assumption changes which resulted in a release in life reserves for future policyholder benefits.

Commissions for agents and brokers of the Group totaled $14.1 million for 2022, a $703 thousand increase over the prior comparative period. The increase in commissions is in direct correlation with the increase in premium income reported for the period and the increase in new business premiums which carry a higher commission and related compensation expenses. Operating expenses reflect an increase of 5.34% over 2021 and ended the year at $24.5 million. Throughout the year, the Group continued its strategic investments in our information technology infrastructure and preparations for the implementation of the new International Financial Reporting Standard (IFRS) 17. As a result, increased technical, consultancy, and professional fees were incurred as a part of these initiatives.

Depreciation and amortization totaled $3.1 million for the period, a decrease of 18.2% when compared to the prior year as assets fully depreciated outpaced new assets placed into service during the period. At year end, Family Guardian's mortgage portfolio delinquencies stood at 22.9% representing 90 accounts. Non-performing accounts represented 9.13% compared to 10.36% at year end 2021. Bad debt expenses on the loan portfolio increased by $619 thousand.

Other comprehensive income included gains and losses on available-for-sale investment assets, actuarial reserve movements for post-employment benefits, and the revaluation of the Group's land and buildings. Unrealized gains on available-for-sale equities totaled $1.1 million, an $858 thousand positive variance over the prior year due to increases in share prices for local equities held. Movements in the post-retirement benefit liability resulted in a gain of $259 thousand as obligations remained relatively unchanged over the prior period. Total other comprehensive income increased by 105.8% and accounted for $1.4 of the $11.2 million in total comprehensive income.

BSD ,000					
OTHER COMPREHENSIVE INCOME	**2022**	**2021**	**2020**	**2019**	**2018**
	$	$	$	$	$
NET INCOME	9,769	10,292	10,814	8,045	8,050
NET CHANGE IN FAIR VALUE ON AVAILABLE-FOR-SALE FINANCIAL ASSETS	1,136	278	(1,137)	688	(585)
REVALUATION OF PROPERTY & EQUIPMENT	-	398	1,570	-	-
REALIZED LOSS RECLASSIFIED TO PROFIT AND LOSS	-	-	-	(223)	(1)
REMEASUREMENT OF RETIREMENT BENEFIT OBLIGATION	259	2	35	(4)	88
TOTAL OTHER COMPREHENSIVE INCOME	**1,395**	**678**	**468**	**461**	**(498)**
TOTAL COMPREHENSIVE INCOME	**11,164**	**10,969**	**11,282**	**8,506**	**7,552**

BSD ,000					
FINANCIAL PERFORMANCE	**2022**	**2021**	**2020**	**2019**	**2018**
	$	$	$	$	$
INCOME:					
GROSS PREMIUM INCOME	113,913	112,842	111,442	110,770	107,632
PREMIUM CEDED TO REINSURERS	(11,726)	(11,518)	(12,215)	(10,343)	(9,102)
NET PREMIUM INCOME	**102,187**	**101,325**	**99,227**	**100,427**	**98,530**
ANNUITY & OTHER DEPOSITS	10,853	16,525	11,713	13,365	16,006
NET INVESTMENT INCOME	17,005	16,440	12,737	14,329	13,388
OTHER OPERATING INCOME	2,299	2,253	1,982	1,808	1,514
INCOME FROM DISCONTINUED OPERATIONS	-	-	-	3,649	2,440
TOTAL INCOME	**132,344**	**136,526**	**125,660**	**133,579**	**131,878**
BENEFITS AND EXPENSES:					
TOTAL BENEFITS	79,752	84,146	76,486	84,814	83,532
COMMISSIONS	14,122	13,420	12,332	13,790	15,099
EXPENSES	28,702	28,687	26,027	26,272	23,991
EXPENSES FROM DISCONTINUED OPERATIONS	-	-	-	657	1,207
TOTAL BENEFITS AND EXPENSES	122,576	126,366	114,845	125,534	123,829
NET INCOME	9,769	10,292	10,814	8,045	8,050
NET INCOME ATTRIBUTABLE TO:					
ORDINARY SHAREHOLDERS	9,769	10,148	10,527	7,133	6,364
PREFERRED SHAREHOLDERS	-	144	288	288	463
NON-CONTROLLING INTERESTS	-	-	-	624	1,222
NET INCOME	**9,769**	**10,292**	**10,814**	**8,045**	**8,050**

SUMMARY OF QUARTERLY RESULTS

The Group's quarterly results are summarized in the tables below:

2022 SUMMARY OF QUARTERLY RESULTS					
BSD ,000	Q1	Q2	Q3	Q4	TOTAL
	$	$	$	$	$
NET PREMIUMS	25,259	25,676	25,621	25,632	**102,188**
TOTAL REVENUE	31,325	33,833	33,335	33,676	**132,169**
QUARTERLY NET INCOME ATTRIBUTABLE TO:					
ORDINARY SHAREHOLDERS	2,762	2,495	1,755	2,757	**9,769**
	2,762	2,495	1,755	2,757	**9,769**
QUARTERLY EARNINGS PER ORDINARY SHARE*	0.28	0.25	0.18	0.28	**0.98**

2021 SUMMARY OF QUARTERLY RESULTS					
BSD ,000	Q1	Q2	Q3	Q4	TOTAL
	$	$	$	$	$
NET PREMIUMS	26,206	24,975	24,630	25,514	**101,325**
TOTAL REVENUE	34,099	33,220	31,872	37,467	**136,658**
QUARTERLY NET INCOME ATTRIBUTABLE TO:					
ORDINARY SHAREHOLDERS	5,083	1,049	1,969	1,934	**10,035**
PREFERRED SHAREHOLDERS	-	144	-	113	**257**
	5,083	1,193	1,969	2,047	**10,292**
QUARTERLY EARNINGS PER ORDINARY SHARE*	0.51	0.10	0.20	0.19	**1.00**

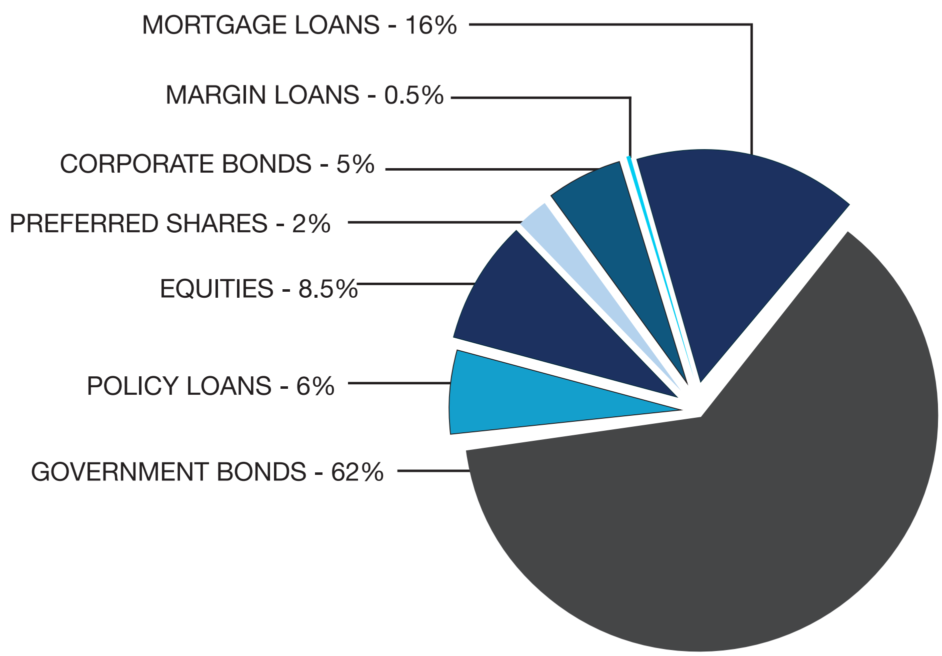
**Quarterly earnings per ordinary share are not shown in BSD,000.*

The Group's balance sheet remains strong with total assets of $391.8 million, a growth of 4.3% over the prior year. Investment assets comprise $324 million, representing 83% of our total asset base, and are the primary driver for the increase in total assets. The Group's business has policyholder liabilities that are supported by significant holdings of investment assets which are allocated across different investment classes, the majority of which are debt and equity instruments and loans. The investment in these assets is consistent with our investment strategy which seeks to obtain long-term high-yielding assets with fixed rates to back our insurance policy liabilities.

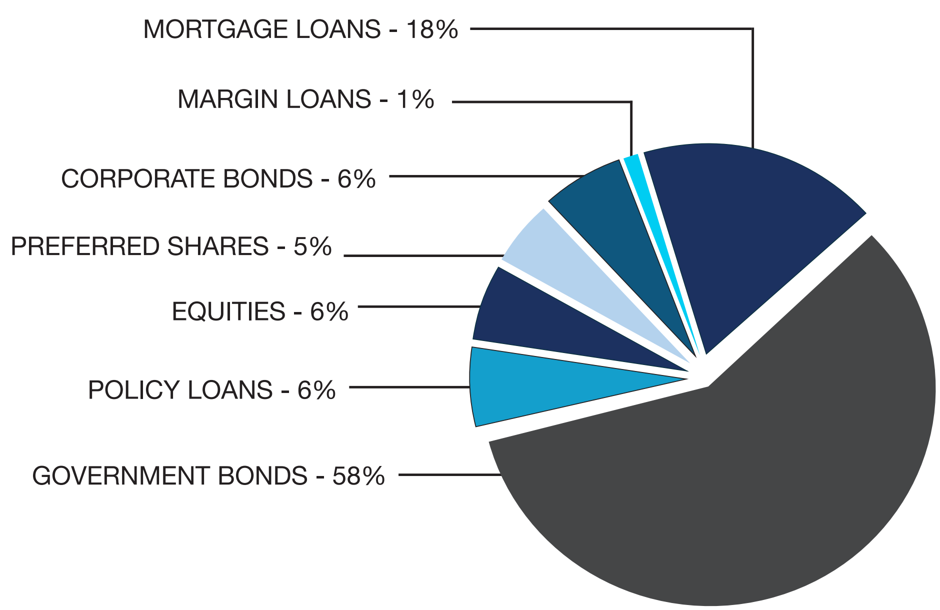
BSD ,000

FINANCIAL POSITION	2022	2021	2020	2019	2018
	$	$	$	$	$
INVESTMENT ASSETS	323,692	310,091	289,090	261,222	299,344
TOTAL ASSETS	391,816	375,767	361,834	342,406	369,375
POLICYHOLDER LIABILITIES	276,967	266,892	254,553	240,401	232,328
TOTAL LIABILITIES	288,207	278,322	266,301	255,069	246,030
COMMON SHAREHOLDERS' EQUITY	103,609	97,445	90,533	82,338	77,943
PREFERENCE SHAREHOLDERS' EQUITY	-	-	5,000	5,000	5,000
NON- CONTROLLING INTEREST	-	-	-	-	40,401
TOTAL EQUITY	103,609	97,445	95,533	87,338	123,344

INVESTMENT ASSETS 2022



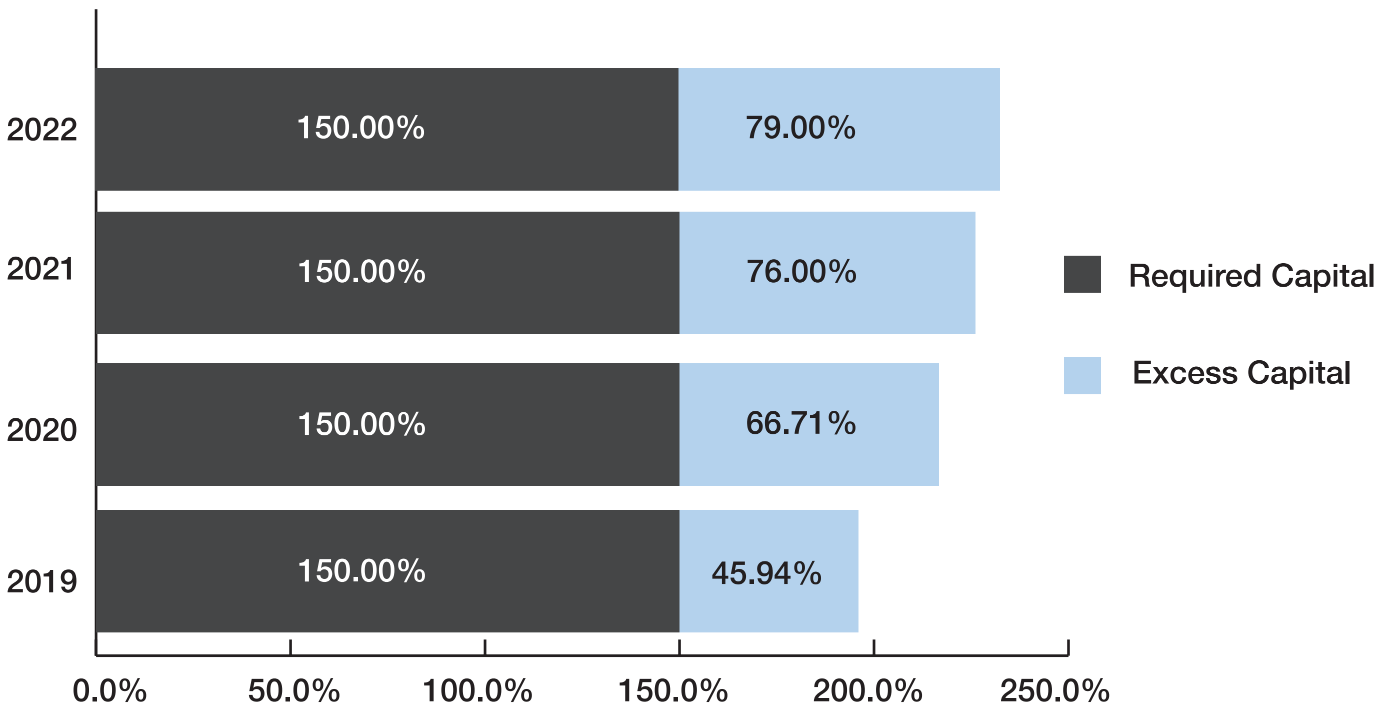
INVESTMENT ASSETS 2021



The Group's capital base consists of issued shares plus retained profits. The Company's insurance subsidiary Family Guardian continues to maintain capital solvency measures above the local regulatory requirements prescribed by the Insurance Act of 2005.

Family Guardian recorded a ratio of 229% for the local solvency ratio, well above the minimum requirements of 150%. The company's A.M. Best Rating also speaks to the financial strength of the company.

MINIMUM REQUIRED SOLVENCY



Total equity attributable to owners of the parent totaled $103.6 million. In line with the Board's commitment to capital returns, the Directors approved dividends totaling $5.0 million paid to common shareholders This represented dividends of $0.50 per ordinary share compared to $0.38 in 2021. The favorable impacts from profits supported the strong distribution which included the declaration of an extraordinary dividend. The company's share price ended the year at $11.22, 19.43% ahead of the $10.08 at year-end 2021.

“The Group’s balance sheet remains strong with total assets of $391.8 million, a growth of 4.3% over the prior year.”

MD&A

SECTION TWO:
CONSOLIDATED FINANCIAL STATEMENTS

ECKLER

APPOINTED ACTUARY'S REPORT

To the Board of Directors and Shareholders of FamGuard Corporation Limited

I have valued the actuarial liabilities and other policy liabilities of FamGuard Corporation Limited for its consolidated statement of financial position at 31 December 2022 and the change in the consolidated statement of comprehensive income for the year ended 31 December 2022 in accordance with generally accepted actuarial practice including selection of appropriate assumptions and methods.

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

Jean Mongrain
Fellow, Canadian Institute of Actuaries
Fellow, Society of Actuaries
Member, Caribbean Actuarial Association
13 February, 2023

Independent auditors' report

To the Shareholders of FamGuard Corporation Limited

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of FamGuard Corporation Limited (the Company) and its subsidiaries (together 'the Group') as at 31 December 2022, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2022;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

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

PricewaterhouseCoopers, 2 Bayside Executive Park, West Bay Street & Blake Road, P.O. Box N-3910, Nassau, Bahamas T: + 1 242 302 5300, F: + 1 242 302 5350, www.pwc.com/bs

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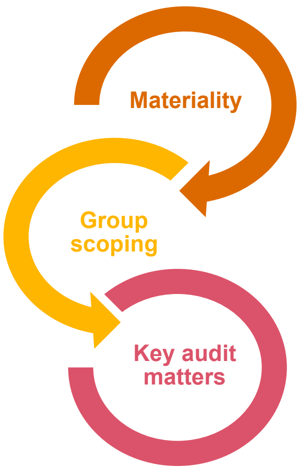
Our audit approach

Overview



- Overall group materiality: $1,028,000, which represents approximately 1% of the net assets of the Group.

- Full scope audits were performed for the Company as well as the Group's primary operating entity, Family Guardian Insurance Company Limited and one other subsidiary. The remaining three subsidiaries are inactive. Our audit procedures covered approximately 100% of the Group's net assets and approximately 100% of total revenue.

- Valuation of reserves for future policyholders' benefits
- Impairment allowance for mortgage loans

Audit scope

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

Our 2022 audit was planned and executed having regard to the fact that the operations of the Group were largely unchanged from the prior year. In light of this, our overall approach in terms of scoping and key audit matters remain unchanged.

How we tailored our group audit scope

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

Family Guardian Insurance Company Limited, as the primary operating subsidiary of the Group, was classified as an individually financially significant component based on its overall contribution to the Group and a full scope audit was performed. Due to the nature of its insurance activities, this subsidiary also accounted for both of the key audit matters. Full scope audits were also performed for the Company and one other subsidiary, FG Insurance Agents and Brokers Limited. The remaining non-significant components are inactive and as such no additional audit procedures were required.

All audit procedures were performed by PricewaterhouseCoopers Bahamas.

Materiality

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

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

Overall Group materiality	$1,028,000
How we determined it	Approximately 1% of the net assets of the Group
Rationale for the materiality benchmark applied	We considered the Group's financial stability, as represented by the net asset position, to be the most relevant benchmark in determining materiality and because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users and is a generally accepted benchmark. We chose approximately 1% which is within a range of acceptable benchmark thresholds.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above $51,000, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

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

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Key audit matter	How our audit addressed the key audit matter
Valuation of reserves for future policyholders' benefits *Refer to notes 3(r), 4(a & b) and 10 to the consolidated financial statements for disclosures of related accounting policies, judgements and estimates.* Reserves for future policyholders' benefits are the most significant provision on the Group's consolidated statement of financial position. As at 31 December 2022, these reserves totalled $253,125,284 which represents 88% of total liabilities. We focused in particular on the significant judgements related to uncertain future outcomes, notably the estimation of the total settlement value of the future policyholders' benefits. The key assumptions used to estimate these long-term liabilities include: • economic assumption being interest rates; and • non-economic assumptions being mortality and morbidity, longevity and persistency (or lapse & surrender rates) and expense factors. Management employs an independent external actuary to assist in determining the methodology and assumptions used in estimating the value of the future reserves for policyholders' benefits. The main approach adopted by management's external actuary is the Canadian Asset Liability Method ("CALM").	Our approach to addressing the matter, with the assistance of our own actuarial specialists, involved the following procedures, amongst others: Tested, on a sample basis, the underlying policyholder data (including premium, age, gender and smoker status) to source documentation. This included agreeing that the data was transferred correctly from the administrative systems through to the valuation models and that the actuarial coding of product features was accurate based on information in the administrative systems or policy contracts. Evaluated the methodology, models and assumptions utilized by management's actuarial experts against recognised actuarial practices and experience studies. The non-economic assumptions were tested against the experience studies conducted by management's independent external actuary by evaluating the appropriateness of the methods employed and comparing them against industry approaches and results. As the CALM method allocates appropriate assets to calculate the valuation interest rate, tested a sample of representative assets to test the accuracy of the cash flows projected, verifying the application of the stated economic assumptions and the accuracy of the underlying features of the asset modelled. Reconciled the future policyholders' benefits calculated by the valuation models to the liabilities reported by management's actuary. Where

	manual adjustments were made, these were evaluated to ensure that they were appropriate for the business and consistent with recognized actuarial practices. The results of our procedures indicated that the methods and assumptions used by management for determining the valuation of reserves for future policyholders' benefits were not unreasonable.
Impairment allowance for mortgage loans *Refer to notes 3(i), 4(e) and 6(d) to the consolidated financial statements for disclosures of related accounting policies, judgements and estimates.* As at 31 December 2022, mortgage loans to customers, net of provision for impairment due to credit losses, represented $50,725,517 or 13% of total assets of the Group. Impairment provisions on mortgage loans totalling $3,650,574 were recognized as at the consolidated statement of financial position date. We focused on management's impairment assessment on loans to customers as the assumptions used for estimating the amount of the provision for loan losses, including the amount and timing of future cash flows are complex and involve significant management judgement, including: • classification of mortgage loans to customers as impaired, specifically the completeness of the population of mortgage loans to customers included in the impairment calculation; • management's determination of a general provision and associated assumptions for mortgages which were past due but not impaired in light of the increased economic uncertainties; and • valuation of real estate property pledged as collateral for mortgage loans. This is the most significant repayment source for impaired mortgages. The collateral value depends on	Our approach to addressing the matter, involved the following procedures, amongst others: Tested the calculation of the ageing of customers within the mortgage system by re-calculating, on a sample basis, the delinquency days based on the repayment history, to determine if they were appropriately included in the provision assessment. Tested management's listing of potentially impaired mortgages and related collateral values by comparing the collateral values recorded by management to supporting valuation appraisal reports. For a sample of valuation reports, compared the key assumptions used by the independent appraisers to comparable actual sales data and recent sales of collateral by the Group. For a sample of the valuation appraisal reports, assessed the competence and objectivity of management's appointed real estate appraisers, confirming that they were qualified and that they held no affiliation to the Group. Recalculated the assessed impairment provision for a sample of mortgage loans, based on the principal and accrued interest on the loans and the value of the collateral held.

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market trends as well as the circumstances of the specific property and involves judgement. The following were determined to be the key assumptions: ○ the valuation of the real estate property pledged as collateral; ○ the estimated costs to sell the collateral; and ○ time to liquidate the pledged collateral. Management engaged a number of independent appraisers to assist in determining the valuation of real estate properties pledged as collateral.	Recalculated the general provision, based on our independent assumption for the expected loss rate of mortgages which are past due but not impaired. The results of our procedures indicated that the methods and assumptions used by management for determining the impairment allowance for mortgage loans were not unreasonable.

Other information

Management is responsible for the other information. The other information comprises the FamGuard Annual Report 2022 (but does not include the consolidated financial statements and our auditors' report thereon).

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditors' responsibilities for the audit of the consolidated financial statements

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

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

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

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

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

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

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

PricewaterhouseCoopers

Chartered Accountants
Nassau, Bahamas

1 May 2023

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

Consolidated Statement of Financial Position
As at 31 December 2022
(Expressed in Bahamian dollars)

	Notes	2022 $	2021 $
ASSETS			
Financial investment assets:			
Fair value through profit or loss	6	17,098,470	18,528,713
Available-for-sale	6	11,760,659	10,624,554
Held-to-maturity	6	224,257,841	203,666,764
Loans, net	6	70,575,386	77,270,823
Total financial investment assets		323,692,356	310,090,854
Cash on hand and at banks		13,987,239	13,180,153
Receivables and other assets, net	7, 24	11,436,344	13,465,632
Reinsurance assets	10	2,725,772	1,500,648
Right-of-use assets	18	570,830	617,743
Property and equipment, net	8	29,287,102	30,502,863
Intangible asset, net	9	10,116,232	6,409,214
Total assets		**391,815,875**	**375,767,107**
LIABILITIES			
Policy liabilities:			
Reserves for future policyholders' benefits	10	253,125,284	241,133,613
Other policyholders' funds	11	23,842,044	25,758,186
		276,967,328	266,891,799
Payables and accruals	12, 24, 25	10,620,055	10,774,298
Lease liabilities	18	619,772	656,229
Total liabilities		**288,207,155**	**278,322,326**
EQUITY			
Ordinary shares	15	2,000,000	2,000,000
Share premium	15	10,801,080	10,801,080
Revaluation reserve	14	21,315,130	20,179,112
Retained earnings		69,492,510	64,464,589
Total equity		**103,608,720**	**97,444,781**
Total liabilities and equity		**391,815,875**	**375,767,107**

These consolidated financial statements were approved by the Board of Directors on 17 April 2023, and signed on its behalf by:

Director

Director

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

FamGuard Corporation Limited

Consolidated Statement of Comprehensive Income
For the Year Ended 31 December 2022
(Expressed in Bahamian dollars)

	Notes	2022 $	2021 $
INCOME:			
Gross premium income	16	113,913,168	112,842,456
Premiums ceded to reinsurers	16, 24	(11,725,879)	(11,517,832)
Net premium income	16	102,187,289	101,324,624
Annuity & other deposits		10,852,782	16,525,300
Net premium income and annuity & other deposits		113,040,071	117,849,924
Interest income		16,849,150	15,909,609
Dividend income		702,534	751,995
Unrealised loss on financial assets	6	(543,034)	(107,265)
Realised loss on disposal of assets		(3,727)	-
Finance cost		(180,858)	(113,887)
Net investment income		16,824,065	16,440,452
Other operating income	21,24	2,299,416	2,253,191
Total income		**132,163,552**	**136,543,567**
BENEFITS AND EXPENSES:			
Benefits:			
Policyholders' benefits	17	72,695,499	78,009,679
Reinsurance recoveries	17, 24	(3,710,342)	(5,670,044)
Net policyholders' benefits		68,985,157	72,339,635
Increase in reserves for future policyholders' benefits	10	10,766,547	11,806,005
Total benefits		**79,751,704**	**84,145,640**
Expenses:			
Operating expenses	19-20, 22-24	24,549,119	23,481,978
Commissions	24	14,122,267	13,419,610
Depreciation expense	8, 18	1,465,863	2,029,404
Bad debt expense, net	6, 7	801,103	1,326,854
Amortisation	9	1,663,760	1,805,157
Interest on lease liabilities	18	41,178	43,397
Total expenses		**42,643,290**	**42,106,400**
Total benefits and expenses		**122,394,994**	**126,252,040**
NET INCOME		**9,768,558**	**10,291,527**

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

FamGuard Corporation Limited

Consolidated Statement of Comprehensive Income
For the Year Ended 31 December 2022
(Expressed in Bahamian dollars)
(Continued)

	Notes	2022 $	2021 $
OTHER COMPREHENSIVE INCOME:			
Items that may be reclassified subsequently to net income:			
Net change in fair value on available-for-sale financial assets	14	1,136,018	277,758
Revaluation of property and equipment	14	-	397,994
Items that will not be reclassified subsequently to net income:			
Remeasurement of defined benefit obligation	25	259,363	2,163
Total other comprehensive income		1,395,381	677,915
Total comprehensive income		**11,163,939**	**10,969,442**
NET INCOME ATTRIBUTABLE TO:			
Ordinary shareholders		9,768,558	10,034,352
Preferred shareholders		-	257,175
		9,768,558	**10,291,527**
Basic earnings per ordinary share	26	**0.98**	**1.00**
COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Ordinary shareholders		11,163,939	10,712,267
Preferred shareholders		-	257,175
		11,163,939	**10,969,442**

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

FamGuard Corporation Limited

Consolidated Statement of Changes in Equity
For the Year Ended 31 December 2022
(Expressed in Bahamian dollars)

	Notes	Share Capital Preference Shares (Note 15) $	Ordinary Shares (Note 15) $	Share Premium (Note 15) $	Revaluation Reserve (Note 14) $	Retained Earnings $	Total $
Balance as at 31 December 2020		5,000,000	2,000,000	10,801,080	19,503,360	58,228,074	95,532,514
Comprehensive income							
Net income		-	-	-	-	10,291,527	10,291,527
Other comprehensive income	14, 25	-	-	-	675,752	2,163	677,915
Total comprehensive income		**-**	**-**	**-**	**675,752**	**10,293,690**	**10,969,442**
Transactions with owners							
Redemption of preference shares	15	(5,000,000)	-	-	-	-	(5,000,000)
Dividends declared and paid -							
Preference shares	15	-	-	-	-	(257,175)	(257,175)
Ordinary shares ($0.38 per share)	26	-	-	-	-	(3,800,000)	(3,800,000)
Total transactions with owners		**(5,000,000)**	**-**	**-**	**-**	**(4,057,175)**	**(9,057,175)**
Balance as at 31 December 2021		**-**	**2,000,000**	**10,801,080**	**20,179,112**	**64,464,589**	**97,444,781**
Comprehensive income							
Net income		-	-	-	-	9,768,558	9,768,558
Other comprehensive income	14, 25	-	-	-	1,136,018	259,363	1,395,381
Total comprehensive income		**-**	**-**	**-**	**1,136,018**	**10,027,921**	**11,163,939**
Transactions with owners							
Redemption of preference shares	15						
Dividends declared and paid -							
Preference shares	15						
Ordinary shares ($0.38 per share)	26	-	-	-	-	(5,000,000)	(5,000,000)
Total transactions with owners		**-**	**-**	**-**	**-**	**(5,000,000)**	**(5,000,000)**
Balance as at 31 December 2022		**-**	**2,000,000**	**10,801,080**	**21,315,130**	**69,492,510**	**103,608,720**

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

FamGuard Corporation Limited

Consolidated Statement of Cash Flows
Year Ended 31 December 2022
(Expressed in Bahamian dollars)

	Notes	2022 $	2021 $
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income		9,768,558	10,291,527
Adjustments for:			
Depreciation expense	8,18	1,465,863	2,029,404
Amortisation of intangible asset	9	1,663,760	1,805,157
Unrealised loss on financial assets		543,034	107,265
Realised loss on disposal of property and equipment		-	81,599
Realised loss on disposal of intangible asset		-	5,743
Net realised loss on disposal of assets		3,727	-
Decrease in reinsurance assets		(1,225,124)	950,567
Increase in loans provision	6,7	527,196	1,258,277
Change in reserves for future policyholders' benefits		11,991,671	10,855,438
Interest income		(16,849,150)	(15,909,609)
Dividend income		(702,534)	(751,995)
Interest expense		41,178	43,397
Operating income before working capital changes		7,228,179	10,766,770
Decrease/(increase) in receivables and other assets		1,584,788	(1,490,012)
Decrease in payables and accruals		(187,599)	(283,936)
(Decrease)/increase in other policyholders' funds		(1,916,142)	1,483,514
Net cash from operating activities		**6,709,226**	**10,476,336**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Pension forfeitures reinvested	6	(178,153)	(95,091)
Redemption of pension forfeitures		1,486,635	-
Purchase of corporate bonds		(18,333)	-
Redemption of corporate bonds		641,351	651,351
Purchase of preference shares		-	(1,000,000)
Redemption of preference shares		17,260	2,697,546
Purchase of government bonds		(32,774,800)	(28,483,631)
Maturity of government bonds		11,795,663	989,200
Net loans repaid		6,004,993	4,472,047
Purchase of property and equipment	8	(203,189)	(963,669)
Purchase of intangible assets	9	(5,078,059)	(907,144)
Interest received		16,775,454	15,059,974
Dividends received		702,534	751,995
Net cash used in investing activities		**(828,644)**	**(6,827,422)**

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

FamGuard Corporation Limited

Consolidated Statement of Cash Flows
For the Year Ended 31 December 2022
(Expressed in Bahamian dollars)
(Continued)

	2022 $	2021 $
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of preference shares	-	(5,000,000)
Payment of principal portion of lease liability	(34,220)	(31,838)
Interest paid	(39,276)	(43,397)
Dividends paid on ordinary shares	(5,000,000)	(3,800,000)
Dividends paid on preferred shares	-	(257,175)
Net cash used in financing activities	**(5,073,496)**	**(9,132,410)**
Net increase/(decrease) in cash and cash equivalents	**807,086**	**(5,483,496)**
CASH AND CASH EQUIVALENTS:		
Beginning of year	13,180,153	18,663,649
End of year	**13,987,239**	**13,180,153**

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

FamGuard Corporation Limited

Notes to the Consolidated Financial Statements
31 December 2022
(Expressed in Bahamian dollars)

1. General Information

FamGuard Corporation Limited (the "Company") is incorporated under the laws of the Commonwealth of The Bahamas and serves as an investment holding company with five wholly owned subsidiaries; Family Guardian Insurance Company Limited (FG), BahamaHealth Insurance Brokers Limited, FG Insurance Agents & Brokers Limited (FGIAB), FG Financial Limited and FG Capital Markets Limited (together, "the Group"). FG is the principal operating unit and is licensed as an insurance company under the Insurance Act, 2005. FG sells life and health insurance products in The Bahamas. FGIAB operates as an agent and broker for general insurance products in the Bahamas. All other wholly owned subsidiaries within the group are inactive.

Information on the Group's structure is provided in Note 29.

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

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

New standards, amendments and interpretations adopted by the Group

Standards, amendments, and interpretations to published standards, that became effective for the Group's financial year, beginning on 1 January 2022, were not relevant or not significant to the Group's operations and accordingly did not have a material impact on the Group's accounting policies or consolidated financial statements.

New standards, amendments and interpretations issued but not yet effective

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

IFRS 9 Financial Instruments

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

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

FamGuard Corporation Limited

Notes to the Consolidated Financial Statements
31 December 2022
(Expressed in Bahamian dollars)
(Continued)

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

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

IFRS 9 Financial Instruments (continued)

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

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

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

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

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

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

FamGuard Corporation Limited

Notes to the Consolidated Financial Statements
31 December 2022
(Expressed in Bahamian dollars)
(Continued)

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

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

IFRS 9 Financial Instruments (continued)

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

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

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

Financial instruments with contractual cash flows that meet the SPPI criteria

	Amortised Cost $	**FVOCI** $	**FVTPL** $	**Total (1)** $	**Other financial instruments (2)** $
Government bonds	201,117,997	-	-	201,117,997	-
Corporate bonds	17,255,846	-	-	17,255,846	-
Preference shares	5,883,998	-	-	5,883,998	1,194,041
Loans	70,575,386	-	-	70,575,386	-
Receivables & other assets	10,555,244	-	-	10,555,244	-
Mutual funds & equities	-	-	-	-	27,665,088
Total fair value of financial assets (excluding cash on hand and at banks)	**305,388,471**	**-**	**-**	**305,388,471**	**28,859,129**

(1) For financial assets which pass the SPPI test, there was a fair value change of $Nil.
(2) For other financial instruments, the change in fair value for the year was a gain of $543,034

(Expressed in Bahamian dollars)

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

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

IFRS 9 Financial Instruments (continued)

Credit risk exposure for assets that pass the SPPI test

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

				2022 Credit Rating			
Exposure to credit risk	**AAA**	**AA**	**A**	**BBB**	**Below BBB**	**Unrated**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**
Government Bonds	-	-	-	-	201,117,997	-	201,117,997
Corporate Bonds	-	-	-	-	2,376,207	14,879,639	17,255,846
Preference Shares	-	-	-	-	-	5,883,998	5,883,998
Loans	-	-	-	-	-	70,575,386	70,575,386
Receivables & other assets	-	4,171,019	290,094	-	205,469	5,888,662	10,555,244
	-	**4,171,019**	**290,094**	**-**	**203,699,673**	**97,227,685**	**305,388,471**

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, FVTPL and fair value through other comprehensive income (FVOCI). The determination is made at initial recognition, and the basis of classification depends on the Group's business model for managing its financial assets and the contractual cash flow characteristics of the financial asset.

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

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

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

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

IFRS 17 Insurance Contracts (continued)

In June 2020, the IASB issued Amendments to IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 was published. The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023. At the same time, the IASB issued an extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) that extends the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 to annual reporting periods beginning on or after 1 January 2023.

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

Under IFRS 17, contracts are measured using the building blocks of:
i) discounted probability-weighted cash flows,
ii) an explicit risk adjustment, and
iii) a contractual service margin ("CSM") representing the unearned profit of the contract which is recognised as revenue over the coverage period.

IFRS 17 outlines a general measurement model, which uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees. A modification of the general measurement model, described as the variable fee approach, is available for insurance contracts with direct participation features. 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. An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts which are often written by non-life insurers.

IFRS 17 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

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

IFRS 17 Insurance Contracts (continued)

The Group's management has been working together with third party experts and it is expected that the change in the accounting systems, accounting policies and the preparation of the financial statements in accordance with IFRS 17 and IFRS 9 would be completed before the reporting timeline of the first quarter of 2023. Management is also in the process of ascertaining a reasonable estimate of the financial impact on the net income for the year ended 31 December 2022 and total equity as at 1 January 2022 and 31 December 2022. Accordingly, the comparative information for the year 2022 will be restated due to the adoption of these changes.

The nature of the changes in accounting policies for IFRS 17 is summarised, as follows:

Scope
IFRS 17 introduces scope exemptions for specific types of contracts. The Group does not expect significant change in the scope of insurance contracts between IFRS 4 and IFRS 17.

Level of Aggregation
IFRS 17 requires groups of contracts to be aggregated and measured based on contracts subject to similar risks and managed together, profitability, and contracts issued not more than one year apart. As such, the Group determines its portfolios of contracts subject to similar risks and managed together based on product lines. The Group will organise its new insurance contracts issued into annual cohorts. The cohort will be further divided into groups based on their expected profitability on the date of initial recognition.

IFRS 17 does not permit the offsetting of gains and losses between groups of insurance contracts issued. Any gains upon recognition of a group of non-onerous contracts are deferred via the Contractual Service Margin (CSM). Conversely, any losses upon recognition of the group of onerous contracts are recognised immediately. This does not apply to groups of reinsurance contracts held, which are permitted to recognise net gains or losses in their CSM.

Contract Boundaries
Under IFRS 17, the measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the group. Compared with the current accounting, the Group expects that for certain contracts the IFRS 17 contract boundary requirements will change the scope of cash flows to be included in the measurement of existing recognised contracts, as opposed to future unrecognised contracts. The period covered by the premiums within the contract boundary is the 'coverage period', which is relevant when applying a number of requirements in IFRS 17.

Measurement Models
IFRS 17 introduces a default measurement model based on the estimates of the present value of future cash flows that are expected to arise as the Group fulfils the contracts, an explicit risk adjustment for non-financial risk and a CSM.

FamGuard Corporation Limited

Notes to the Consolidated Financial Statements
31 December 2022
(Expressed in Bahamian dollars)
(Continued)

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

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

IFRS 17 Insurance Contracts (continued)

General Measurement Model
On initial recognition, the Group will measure a group of contracts as the total of (a) the fulfilment cash flows, which comprise estimates of future cash flows, adjusted to reflect the time value of money and the associated financial risks, and a risk adjustment for non-financial risk; and (b) the CSM. The fulfilment cash flows of a group of contracts do not reflect the Group's non-performance risk.

The Group's objective in estimating future cash flows is to determine the expected value of a range of scenarios that reflects the full range of possible outcomes. The cash flows from each scenario will be discounted and weighted by the estimated probability of that outcome to derive an expected present value. All cash flows will be discounted using risk-free yield curves adjusted to reflect the characteristics of the cash flows and liquidity characteristics of the contracts. The risk adjustment for non-financial risk for a group of contracts, determined separately from the other estimates, is the compensation that the Group would require for bearing uncertainty about the amount and timing of the cash flows that arises from non-financial risk.

The CSM of a group of contracts represents the unearned profit that the Group will recognise as it provides services under those contracts. On initial recognition of a group of contracts, the group is not onerous if the total of the following is a net inflow:

a. The fulfilment cash flows;
b. Any cash flows arising at that date; and
c. Any amount arising from the derecognition of any assets or liabilities previously recognised for cash flows related to the group (including assets for insurance acquisition cash flows).

Subsequently, the carrying amount of a group of contracts at each reporting date is the sum of the liability for remaining coverage and the liability for incurred claims. The liability for remaining coverage comprises (a) the fulfilment cash flows that relate to services that will be provided under the contracts in future periods and (b) any remaining CSM at that date. The liability for incurred claims includes the fulfilment cash flows for incurred claims and expenses that have not yet been paid, including claims that have been incurred but not yet reported.
The fulfilment cash flows of groups of contracts are measured at the reporting date using current estimates of future cash flows, current discount rates and current estimates of the risk adjustment for non-financial risk.

The CSM is adjusted subsequently only for changes in fulfilment cash flows that related to future services and other specified amounts and is recognised in profit or loss as services are provided. The CSM at each reporting date represents the profit in the group of contracts that has not yet been recognised in profit or loss because it relates to future services.

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

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

IFRS 17 Insurance Contracts (continued)

Premium Allocation Approach ("PAA")
The PAA is an optional simplified measurement model in IFRS 17 that is available for insurance and reinsurance contracts that meet the eligibility criteria. The Group expects that certain segments will be measured using the PAA.

When measuring the liabilities remaining coverage, the PAA is similar to the Group's previous accounting treatment for short duration contracts and therefore the Group does not expect a significant impact to measurement. Certain segments within the Group primarily issue insurance contracts with a coverage period of 12 months or less, which automatically qualify for the Premium allocation approach (PAA). For these types of contracts, the Group will expense insurance acquisition cash flows as they are incurred. For insurance contracts with greater than 12 months of coverage, the Group has established a methodology for assessing whether the measurement of the liability for remaining coverage differs significantly than the measurement under the GMM to determine whether they qualify for the PAA. The PAA does not have the concept of a contractual service margin and therefore, upon transition, the insurance contract liabilities and reinsurance held assets will be recorded on a fully retrospective basis.

Estimates of future cash flows
In estimating future cash flows, the Group will incorporate, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. This information includes both internal and external historical data about claims and other experience, updated to reflect current expectations of future events.

When estimating future cash flows, the Group will take into account current expectations of future events that might affect those cash flows. However, expectations of future changes in legislation that would change or discharge a present obligation or create new obligations under existing contracts will not be taken into account until such change in legislation is substantively enacted.

Cash flows within the boundary of a contract are those that relate directly to the fulfilment of the contract, including those for which the Group has discretion over the amount or timing. These include payments to (or on behalf of) policyholders, insurance acquisition cash flows and other costs that are incurred in fulfilling contracts. Insurance acquisition cash flows and other costs that are incurred in fulfilling contracts comprise both direct costs and an allocation of fixed and variable overheads.

Discount rates
The Group will generally determine risk-free discount rates from the observed market prices of The Bahamas Government Registered Stock as quoted by the Central Bank of The Bahamas, and adjusted for the sovereign risk. The yield curve will be interpolated between available market data points and to the ultimate risk free rate, which reflects long-term real interest rate and inflation expectations.

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

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

IFRS 17 Insurance Contracts (continued)

Discount rates (continued)
To reflect the liquidity characteristics of the contracts, the risk-free yield curves will be adjusted by an illiquidity premium. Illiquidity premiums will generally be determined by comparing the spreads on the Group's mortgages after adjusting for expected and unexpected future credit allowances.

Risk adjustments for non-financial risk
Risk adjustments for non-financial risk will be determined to reflect the compensation that the Group would require for bearing non-financial risk and its degree of risk aversion. More specifically, the Group will employ the liability margins approach to all of its contracts.

To determine the risk adjustments for non financial risk for reinsurance contracts held, the Group will apply the liability margins on the net of reinsurance basis and subsequently derive the gross and ceded amounts of risk from the same margins.

The confidence interval will be determined for the Group applying the Canadian Life Insurance Capital Adequacy Test (LICAT) framework. The framework applies the insurance solvency factors from the Canadian insurance regulatory framework to calibrate a risk distribution from which the Group's risk adjustments for non-financial risk percentile level can be ascertained. Based on Canadian industry guidance, the LICAT solvency provision is generally calibrated to a confidence level at the 85th percentile. Diversification within the risk adjustments for non-financial risks will be implicitly reflected via the liability margins selection.

Insurance acquisition cash flows: Insurance acquisition cash flows arise from the activities of selling, underwriting and starting a group of contracts that are directly attributable to the portfolio of contracts to which the group belongs. Under IFRS 17, insurance acquisition cash flows are allocated to groups of contracts using systematic and rational methods.

Onerous contracts: IFRS 17 requires the identification of groups of onerous contracts when facts and circumstances indicate a net fulfilment cash outflow. When onerous contracts are identified, the Group is required to recognise a loss immediately in the consolidated statement of comprehensive income along with an increase in the insurance contract liability known as a "loss component" to appropriately reflect the timing of losses. The amount of loss from onerous contracts written in a year is a required disclosure. The Group is finalising its evaluation of onerous contracts initially recognised in 2022 and has established a mechanism for identifying onerous contracts beyond the transition date.

Reinsurance contracts held: The Group will determine the appropriate measurement model (either PAA or GMM) for portfolios of reinsurance contracts held independently of the direct contract's measurement model. The asset for incurred claims will include any risk of non-performance of the reinsurer.

FamGuard Corporation Limited

Notes to the Consolidated Financial Statements
31 December 2022
(Expressed in Bahamian dollars)
(Continued)

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

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

IFRS 17 Insurance Contracts (continued)

Presentation and disclosure: IFRS 17 introduces changes to the way in which the Group will present and disclose financial results. Insurance contract liabilities presented in the consolidated statement of financial position will consist of premiums receivable, deferred policy acquisition cash flows, unearned premiums, onerous loss component (if applicable), discounted and risk adjusted claim liabilities, and other related liabilities. Reinsurance contract assets will be separately presented in the consolidated statement of financial position and will include amounts expected to be recovered from reinsurers and an allocation of the reinsurance premiums paid. The reclassification of amounts on the consolidated statement of financial position are expected to result in a reduction in assets and liabilities of the Group. The consolidated statement of comprehensive income will no longer include premiums written, instead it will include an insurance service result comprising insurance revenue and insurance service expenses. Insurance finance income or expense will be presented within investment result. There will be significant insurance contract roll-forward schedules, discount rates, effects of newly recognised contracts and information on the expected CSM emergence pattern as well as disclosures about significant judgements made when applying IFRS 17.

Transition: Changes in accounting policies resulting from the adoption of IFRS 17 will be applied using a full retrospective approach to the extent practicable, except as described below. Under the full retrospective approach, at 1 January 2019 the Group will:

- Identify, recognise and measure each group of insurance contracts and reinsurance contracts as if IFRS17 had always been applied;
- Derecognise previously reported balances that would not have existed if IFRS17 had always been applied (including some deferred acquisition costs);
- Recognise any resulting net difference in equity.

If it is impracticable to apply a full retrospective approach to a group of contracts or to an asset for insurance acquisition cash flows, then the Group will choose between the modified retrospective approach and fair value approach. However, if the Group cannot obtain reasonable and supportable information necessary to apply the modified retrospective approach, then it will apply the fair value approach.

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

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3. Significant Accounting Policies

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

(a) Basis of preparation

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

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

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets at FVTPL, available for sale (AFS) financial assets and certain classes of property and equipment measured at fair value.

(b) Going Concern

The directors have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

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3. Significant Accounting Policies (Continued)

(c) Principles of consolidation

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

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

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

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

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

- potential voting rights held by the Group, other vote holders or other parties;

- rights arising from other contractual arrangements; and

- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

3. Significant Accounting Policies (Continued)

(c) Principles of consolidation (continued)

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

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

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interest in the subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

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

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

3. Significant Accounting Policies (Continued)

(d) Segment reporting

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

(e) Foreign currency translation

i) Functional and presentation currency

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

ii) Transactions and balances

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

(f) Cash and cash equivalents

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

(g) Receivables and other assets

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

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

3. Significant Accounting Policies (Continued)

(g) Receivables and other assets (continued)

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

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

(h) Investments and other financial assets

Classification

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

i) Financial assets at fair value through profit or loss

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

A financial asset is classified as held for trading if:

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

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

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

3. Significant Accounting Policies (Continued)

(h) Investments and other financial assets (continued)

***Classification* (Continued)**

ii) Held-to-maturity

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

iii) Available-for-sale

Investments are designated as AFS financial assets if they are non-derivative financial assets, 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 FVTPL, loans and receivables or held-to-maturity investments) are also included in the AFS category.

iv) Loans and receivables

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

3. Significant Accounting Policies (Continued)

(h) Investments and other financial assets (continued)

Recognition and derecognition

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

When securities classified as AFS are sold, the accumulated fair value adjustments recognised in OCI are reclassified to net income as gains or losses from investment securities.

Measurement

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

Loans and receivables and HTM 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 FVTPL’ – in net income within unrealised gains on investment assets at FVTPL; and
- for AFS financial assets – in OCI.

Dividends on financial assets at FVTPL and AFS equity instruments are recognised in the consolidated statement of comprehensive income as part of dividend income when the Group’s right to receive payments is established.

Interest on AFS securities, HTM investments and loans and receivables calculated using the effective interest method is recognised in the consolidated statement of comprehensive income as part of interest income.

Impairment

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

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3. Significant Accounting Policies (Continued)

(h) Investments and other financial assets (continued)

Impairment (continued)

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

Assets carried at amortised cost

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

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

(i) Loans

Policy loans

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

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

3. Significant Accounting Policies (Continued)

(i) Loans (continued)

Mortgages

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

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

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

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

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

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3. Significant Accounting Policies (Continued)

(j) Property and equipment

Freehold land and buildings are shown at fair value, based on periodic, normally triennial, valuations by external independent appraisers, less accumulated depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is adjusted to the revalued amount of the asset. All other property and equipment 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 Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the reporting period in which they are incurred.

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

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

Freehold buildings	2.5% per annum
Freehold building improvements	5% - 20% per annum
Freehold land improvements	10% per annum
Furniture and equipment	10% - 20% per annum
Motor vehicles	25% per annum
Computer hardware	20% - 33% per annum
Leasehold improvements	Shorter of period of the leases and estimated economic life of the improvements

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3. Significant Accounting Policies (Continued)

(j) Property and equipment (continued)

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

Right of use assets are depreciated over the shorter period of the lease term and the useful life of the underlying asset. If a lease term transfers ownership of the underlying asset or the cost of the right of use asset reflects that the Group expects to exercise a purchase option, the related right of use asset is depreciated over the useful life of the underlying asset.

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

(k) Intangible assets

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

Acquired computer software licenses and website development costs are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs directly associated with the development of identifiable and unique software products controlled by the Group, and which will generate economic benefits exceeding costs beyond one year, are also recognised as intangible assets.

Amortisation is recognised on a straight-line basis over their estimated useful lives as follows:

Computer Software	10%-20% per annum

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred.

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3. Significant Accounting Policies (Continued)

(l) Impairment of non-financial assets

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

(m) Financial liabilities

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

3. Significant Accounting Policies (Continued)

(m) Financial liabilities (continued)

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

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

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

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

Trade and other payables, including balances due to insurer, represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

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

(n) Other provisions

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

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

3. Significant Accounting Policies (Continued)

(n) Other provisions (continued)

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

(o) Employee benefits

i) Pension obligations

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

ii) Post-retirement medical benefit plan

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

Defined benefit costs are categorised as follows:

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

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

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

3. Significant Accounting Policies (Continued)

(o) Employee benefits (continued)

ii) Post-retirement medical benefit plan (continued)

OCI is reflected immediately in retained earnings and will not be reclassified to net income.

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

iii) Share-based payments

The Group operates an Executive Incentive Plan for key management employees. Under this plan, eligible employees are granted common shares of the Company as special awards upon promotion to or hiring at the executive level. The share based payments are measured at the fair value of the equity instruments at the grant date. From the date of granting, each award will vest at a rate of 20% of the shares which are the subject of the award, for each completed year of service. Participants receive all earnings by way of dividend on the shares and the accretions from the date of the grant of the award. Upon termination of employment, all shares vested are distributed to the participant. The Group makes cash awards to the plan as the need arises and the plan purchases shares on the open market at market value. The cost of these benefits to the Group are included in employee salary and benefit expenses.

(p) 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.

(q) 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.

3. Significant Accounting Policies (Continued)

(r) Reserves for insurance contracts

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

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

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

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

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

(s) Insurance contracts

i) Classification

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

3. Significant Accounting Policies (Continued)

(s) Insurance contracts (continued)

i) Classification (continued)

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

- that are likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the Group; and
- that are contractually based on:

(i) the performance or a specified pool of contracts or a specified type of contract; and
(ii) realised and/or unrealised investment returns on a specified pool of assets held by the Group.

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

ii) Recognition and measurement

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

Short-term insurance contracts

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

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

3. Significant Accounting Policies (Continued)

(s) Insurance contracts (continued)

ii) Recognition and measurement (continued)

Long-term insurance contracts with fixed and guaranteed terms

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

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

Long-term insurance contracts without fixed and guaranteed terms

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

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

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

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

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

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

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

3. Significant Accounting Policies (Continued)

(s) Insurance contracts (continued)

ii) Recognition and measurement (continued)

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

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

(t) Reinsurance transactions

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

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

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

(u) Non-premium revenue recognition

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

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

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

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3. Significant Accounting Policies (Continued)

(u) 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.

(v) Commission expense

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

(w) Leases

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

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

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

3. Significant Accounting Policies (Continued)

(w) Leases (continued)

ii) Lease liabilities

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

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

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

The Group's lease liabilities are presented on the consolidated statement of financial position (see Note 18).

iii) Short-term leases

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

(x) Policy dividends on deposits

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

3. Significant Accounting Policies (Continued)

(y) Taxation

Under the current laws of The Bahamas, the country of domicile of the Group, there are no income, capital gains or other corporate taxes imposed. The Group is subject to tax on gross premium income at a rate of 3% and Value Added Taxes, applied at a rate of 10% on goods and services purchased.

(z) Earnings per share

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

(aa) Dividend distribution

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

(ab) Related parties

Related parties are defined as follows:

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

3. Significant Accounting Policies (Continued)

(ac) Corresponding Figures

Where necessary, comparative figures have been adjusted to conform with the current year presentation. These adjustments had no impact on the Group's net income or total equity. Hence a third balance sheet is not required for presentation of the adjusted comparative figures.

i) Investment fees totaling $113,887 included in operating expenses has been reclassified to Finance cost.

4. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

Critical judgments in applying the Group's accounting policies

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

Classification of insurance contracts

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

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

Key sources of estimation uncertainty-critical accounting estimates

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

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

The Group evaluates such estimates on an ongoing basis, based upon historical results and experience, prevailing market prices, current financial information and audited statements, changes in market conditions, 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.

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

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

a. Estimates of future payments and premiums arising from long-term insurance contracts.

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

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

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

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

c. Impairment of non-financial assets

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

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

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

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

d. Revaluation of property and equipment

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

e. Loan loss provision

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

f. Impairment of financial assets

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

g. Retirement benefit obligation

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

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

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

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

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

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

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

i. Leases- Estimation of incremental borrowing rate

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

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

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5. Management of Insurance and Financial Risk

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

a. Fair value of financial assets and liabilities

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

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

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

			2022			
	FVTPL $	Loans and Receivables $	Held-To-Maturity $	Available-For-Sale $	All Other Financial Liabilities $	Total $
FINANCIAL ASSETS						
Cash and cash equivalents	-	13,987,239	-	-	-	13,987,239
Financial investment assets	17,098,470	70,575,386	224,257,841	11,760,659	-	323,692,356
Reinsurance assets	-	2,725,772	-	-	-	2,725,772
Receivables and other assets	-	10,555,244	-	-	-	10,555,244
Total Financial assets	**17,098,470**	**97,843,641**	**224,257,841**	**11,760,659**	**-**	**350,960,611**
FINANCIAL LIABILITIES						
Other Policyholders' funds	-	-	-	-	23,842,044	23,842,044
Payables and accruals	-	-	-	-	10,620,055	10,620,055
Lease liabilities	-	-	-	-	619,772	619,772
Total Financial liabilities	**-**	**-**	**-**	**-**	**35,081,871**	**35,081,871**

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5. Management of Insurance and Financial Risk (Continued)

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

			2021			
	FVTPL	**Loans and Receivables**	**Held- to-Maturity**	**Available-for- Sale**	**All Other Financial Liabilities**	**Total**
	$	$	$	$	$	$
FINANCIAL ASSETS						
Cash `and cash equivalents	-	13,180,153	-	-	-	13,180,153
Financial investment assets	18,528,713	77,270,823	203,666,764	10,624,554	-	310,090,854
Reinsurance assets	-	1,500,648	-	-	-	1,500,648
Receivables and other assets	-	12,744,293	-	-	-	12,744,293
Total financial assets	**18,528,713**	**104,695,917**	**203,666,764**	**10,624,554**	**-**	**337,515,948**
FINANCIAL LIABILITIES						
Other Policyholders' funds	-	-	-	-	25,758,186	25,758,186
Payables and accruals	-	-	-	-	10,774,298	10,774,298
Lease liabilities	-	-	-	-	656,229	656,229
Total financial liabilities	**-**	**-**	**-**	**-**	**37,188,713**	**37,188,713**

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

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

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

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

(Expressed in Bahamian dollars)

5. Management of Insurance and Financial Risk (Continued)

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

	2022			
	Level 1	Level 2	Level 3	Total
FINANCIAL INVESTMENT ASSETS	**$**	**$**	**$**	**$**
FVTPL	16,673,470	-	425,000	17,098,470
Available for sale	-	11,760,659	-	11,760,659
	16,673,470	**11,760,659**	**425,000**	**28,859,129**

	2021			
	Level 1	Level 2	Level 3	Total
FINANCIAL INVESTMENT ASSETS	**$**	**$**	**$**	**$**
FVTPL	18,528,713	-	-	18,528,713
Available for sale	-	10,624,554	-	10,624,554
	18,528,713	**10,624,554**	**-**	**29,153,267**

The Group's financial investment assets which are carried at amortised cost predominantly have interest rates which reset to market rates and accordingly their fair values approximate their carrying values.

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

b. Insurance risk

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

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

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5. Management of Insurance and Financial Risk (Continued)

b. Insurance risk (continued)

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

The Group seeks to limit its exposure to loss on any single insured and to recover benefits paid, by ceding premiums to reinsurers under excess coverage and quota share contracts. Under the excess coverage contracts, the Group retains a range of $75,000 to $100,000 (2021: $75,000 to $100,000) coverage per individual life and individual accidental death benefit. The Group also seeks to limit the exposure to catastrophic loss on the portfolio of insureds by ceding premiums to a reinsurer. The Group retains coverage up to $500,000 under this policy.

Under the quota share contracts, the Group retains 50% of the face amount per individual life and accidental death benefit to a maximum of $100,000 on any one life insured. Individual and group medical retention limit is retained at $300,000 (2021: $300,000) 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 and wide ranging lifestyle changes, such as changes in eating, smoking and exercise habits resulting in earlier or more claims than expected.

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

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

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

	2022 $	2021 $
0 - 9,999	125,276,446	122,599,711
10,000 - 24,999	390,572,805	373,782,233
25,000 - 49,999	160,691,271	147,814,431
50,000-299,999	973,597,170	1,016,867,979
300,000 and over	94,022,114	105,778,246
	1,744,159,806	1,766,842,600

5. Management of Insurance and Financial Risk (Continued)

b. Insurance risk (continued)

Short-term insurance contracts

The following tables show the estimate of claims by calendar year, net of reinsurance, for the past 10 years. The top half of the table shows how the estimate of total incurred claims for each calendar year varies based on when the estimate is made. Generally, the estimate becomes closer to the final reality in each subsequent year, as a smaller percentage of claims remain unpaid. The lower portion of the table reconciles the current estimate of incurred claims (less those claims already paid) with the amount included in the consolidated statement of financial position as at 31 December 2022.

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5. Management of Insurance and Financial Risk (Continued)

	Year claim is incurred										
	2013 $'000	**2014 $'000**	**2015 $'000**	**2016 $'000**	**2017 $'000**	**2018 $'000**	**2019 $'000**	**2020 $'000**	**2021 $'000**	**2022 $'000**	**Total $'000**
Estimate of ultimate net claims											
End of year incurred	32,832	34,718	41,712	38,260	42,528	51,055	53,468	37,993	43,964	48,912	425,442
One year later	31,617	33,682	41,296	38,927	42,846	50,290	52,374	39,014	44,573		
Two years later	31,496	33,807	41,294	39,024	42,897	50,371	52,326	39,146	-		
Three years later	31,533	33,812	41,397	39,028	42,901	50,354	52,286	-	-		
Four years later	31,495	33,824	41,392	39,032	42,898	50,359	-	-	-		
Current (31 December 31 2022) estimate of ultimate claims	31,495	33,824	41,392	39,032	42,898	50,359	52,286	39,146	44,573	48,912	423,917
Cumulative payments (through 31 December 2022)	31,495	33,824	41,392	39,032	42,898	50,357	52,284	39,142	44,524	41,483	416,431
Current (31 December 2022) statement of financial position liability	-	-	-	-	-	2	2	4	49	7,429	7,486

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5. Management of Insurance and Financial Risk (Continued)

	Year claim is incurred										
	2013 $'000	**2014 $'000**	**2015 $'000**	**2016 $'000**	**2017 $'000**	**2018 $'000**	**2019 $'000**	**2020 $'000**	**2021 $'000**	**2022 $'000**	**Total $'000**
Estimate of ultimate Gross claims											
End of year incurred	34,811	36,567	43,834	39,830	45,109	55,709	60,896	38,946	45,496	50,364	451,562
One year later	34,136	35,711	43,971	40,703	46,899	55,583	60,052	39,815	46,276		
Two years later	33,913	35,885	43,968	40,820	46,966	55,660	60,026	39,940			
Three years later	33,954	35,888	44,072	40,825	46,970	55,640	59,987				
Four years later	33,914	35,900	44,066	40,828	46,967	55,645	-	-	-		
Current (31 December 2022) estimate of ultimate claims	33,914	35,900	44,066	40,828	46,967	55,645	59,987	39,940	46,276	50,364	453,887
Cumulative payments (through 31 December, 2022)	33,914	35,900	44,066	40,828	46,967	55,644	59,984	39,935	46,225	42,659	446,122
Current (31 December 2022) statement of financial position liability	-	-	-	-	-	1	3	5	51	7,705	7,765

5. Management of Insurance and Financial Risk (Continued)

c. Market risk

Cash flow and fair value interest rate risk

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

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

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

Mortgage loans and HTM financial assets are subject to floating interest rates. If future interest rates were increased or decreased by 1%, interest income in the consolidated statement of comprehensive income would increase or decrease by $2,755,552 (2021: $2,597,924).

d. Price risk

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

If future market prices for equity securities measured through OCI and FVTPL were to increase or decrease by 10% this would result in an increase or decrease in OCI of $1,176,066 (2021: $943,060) and net income of $1,709,847 (2021: $1,852,871), respectively. Management mitigates this risk by diversification of its portfolio.

5. Management of Insurance and Financial Risk (Continued)

e. Credit risk

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

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

Credit risk arising from balances held with banks is managed by placing deposits with approved financial institutions and within credit limits as approved by the Board Investment Risk Committee. Credit limits are reviewed by the Group's Board of Directors on an annual basis.

The Group manages and controls credit risk on mortgage loans by setting limits on the amount of risk it is willing to accept for individual counterparties and by monitoring exposures in relation to such limits. The Group has established a credit quality review process to provide early identification of possible changes in the credit worthiness of counterparties. The credit quality review process aims to allow the Group to assess the potential loss as a result of the risks to which it is exposed and take corrective actions. Mortgage loans are fully collateralised by real estate and the approval loan limit is 75% to 90% of the collateral value.

Policy loans are advanced on the security of the underlying insurance policy cash values at a maximum of 80% of the cash value. These loans are fully collateralised by the cash surrender value of the policy.

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

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

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5. Management of Insurance and Financial Risk (Continued)

f. Liquidity risk

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

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

			2022			
	Not Classified	**Up to 1 year**	**1 to 5 years**	**6 to 10 years**	**Over 10 years**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Short- term insurance contracts	-	9,226,561	-	-	-	9,226,561
Long- term with fixed and guaranteed terms	750,332	(7,435,092)	(11,832,976)	12,923,045	432,998,005	427,403,314
Long- term without fixed and guaranteed terms	88,306,680	1,722,701	9,840,412	15,306,915	75,422,110	190,598,818
Long- term without fixed and guaranteed terms and with DPF	-	471,456	3,677,176	7,609,928	66,553,727	78,312,287
Total	**89,057,012**	**3,985,626**	**1,684,612**	**35,839,888**	**574,973,842**	**705,540,980**

			2021			
	Not Classified	**Up to 1 year**	**1 to 5 years**	**6 to 10 years**	**Over 10 years**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Short- term insurance contracts	-	7,272,061	-	-	-	7,272,061
Long- term with fixed and guaranteed terms	739,600	(7,096,067)	(9,408,543)	14,692,706	381,868,395	380,796,091
Long- term without fixed and guaranteed terms	81,175,304	2,157,387	11,050,268	15,048,779	72,485,483	181,917,221
Long- term without fixed and guaranteed terms and with DPF	-	602,683	4,149,717	7,920,511	58,300,312	70,973,223
Total	**81,914,904**	**2,936,064**	**5,791,442**	**37,661,996**	**512,654,190**	**640,958,596**

Amounts not classified consist mainly of deferred annuity fund balances.

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(Continued)

5. Management of Insurance and Financial Risk (Continued)

f. Liquidity risk (continued)

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

			2022			
	Not Classified	**Up to 1 year**	**1 to 5 years**	**6 to 10 years**	**Over 10 years**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
ASSETS						
Cash on hand & at bank	-	13,987,239	-	-	-	13,987,239
Reinsurance assets	2,725,772	-	-	-	-	2,725,772
Receivables & other assets	4,756,428	5,798,816	-	-	-	10,555,244
Financial investment assets						
FVTPL securities	-	17,098,470	-	-	-	17,098,470
AFS Securities	-	11,760,659	-	-	-	11,760,659
HTM Securities	-	18,949,621	17,204,680	39,053,973	149,049,567	224,257,841
Loans	16,199,295	978,777	2,187,186	8,917,807	42,292,321	70,575,386
	24,562,594	**70,573,583**	**25,182,054**	**64,108,666**	**167,414,814**	**350,960,611**
LIABILITIES						
Other policyholders' funds	-	23,842,044	-	-	-	23,842,044
Payables and accruals	-	10,620,055	-	-	-	10,620,055
Lease liabilities	-	-	40,574	579,198	-	619,772
	-	**34,462,099**	**40,574**	**579,198**	**-**	**35,081,871**

			2021			
	Not Classified	**Up to 1 year**	**1 to 5 years**	**6 to 10 years**	**Over 10 years**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
ASSETS						
Cash on hand & at bank	-	13,180,153	-	-	-	13,180,153
Reinsurance assets	1,500,648	-	-	-	-	1,500,648
Receivables & other assets	4,777,522	7,966,771	-	-	-	12,744,293
Financial investment assets						
FVTPL securities	-	18,528,713	-	-	-	18,528,713
AFS Securities	-	10,624,554	-	-	-	10,624,554
HTM Securities	-	11,731,644	22,401,683	22,683,583	146,849,854	203,666,764
Loans	19,381,024	1,906,174	2,198,354	7,796,844	45,988,427	77,270,823
	25,659,194	**63,938,009**	**24,600,037**	**30,480,427**	**192,838,281**	**337,515,948**
LIABILITIES						
Other policyholders' funds	-	25,758,186	-	-	-	25,758,186
Payables and accruals	-	10,774,298	-	-	-	10,774,298
Lease liabilities	-	-	36,457	619,772	-	656,229
	-	**36,532,484**	**36,457**	**619,772**	**-**	**37,188,713**

(Expressed in Bahamian dollars)

5. Management of Insurance and Financial Risk (Continued)

g. Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to shareholders through optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2021.

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

6. Financial Investment Assets

Financial investment assets comprise the following:

	2022 $	2021 $
(a) Fair value through profit or loss (FVTPL):		
At beginning of year	18,528,713	18,540,887
Investment in mutual fund	425,000	-
Reinvestment of pension forfeitures	178,153	95,091
Redemption of pension forfeitures	(1,490,362)	-
Change in unrealised loss on investment at FVTPL	(543,034)	(107,265)
At end of year	**17,098,470**	**18,528,713**
(b) Available for sale (AFS):		
At beginning of year	9,430,600	9,152,842
Net change in fair value on AFS financial assets	1,136,018	277,758
	10,566,618	9,430,600
Investment in redeemable preferred shares	1,170,000	1,170,000
Add: Accrued interest receivable	24,041	23,954
	1,194,041	1,193,954
At end of year	**11,760,659**	**10,624,554**

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6. Financial Investment Assets (Continued)

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

HTM securities have interest rates ranging from 3.0% to 10.0% per annum (2021: 4.0% to 10.0%) and scheduled maturities between 2023 and 2052 (2021: 2022 and 2051).

	2022	2021
	$	$
(c) Held-to-maturity (HTM):		
Bahamas Government bonds	176,870,769	161,848,737
Bahamas Government treasury notes	5,957,106	-
Bahamas Mortgage Corporation bonds	9,300,000	9,300,000
Education Loan Authority bonds	3,800,000	3,800,000
Clifton Heritage bonds	2,004,800	2,004,800
Bridge Authority bonds	307,400	307,400
Government bonds, at amortised cost	198,240,075	177,260,937
Add: Accrued interest receivable	2,877,922	2,747,194
	201,117,997	180,008,131
Redeemable preferred shares, at amortised cost	5,876,920	5,894,180
Add: Accrued interest receivable	7,078	49,463
	5,883,998	5,943,643
Corporate bonds, at amortised cost	17,089,400	17,583,072
Add: Accrued interest receivable	166,446	131,918
	17,255,846	17,714,990
At end of year	**224,257,841**	**203,666,764**

6. Financial Investment Assets (Continued)

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

In accordance with amendments dated 13 October 2008 to IAS 39 and IFRS 7 *Financial Instruments: Disclosures*, the Group opted to reclassify its investment in equities at that date from FVTPL to AFS 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 2022 is $9,237,918 (2021: $8,035,132).

The accumulated gain or fair value loss that would have been recognised in net income since the reclassification had the investment in equities not been reclassified is $2,875,961 gain (2021: $1,673,175 gain) taking into consideration impairment losses previously transferred to net income.

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6. Financial Investment Assets (Continued)

	2022 $	2021 $
(d) Loans:		
(i) Policy loans comprise:		
Policy loans	14,721,287	16,242,133
Automatic premium loans	4,459,922	4,366,324
	19,181,209	20,608,457
Less: Specific provision for credit risk	(1,119,828)	(1,227,422)
Add: Accrued interest receivable	991,718	1,055,051
	19,053,099	**20,436,086**
(ii) Mortgage loans comprise:		
Commercial:		
Current	78,634	37,678
Past due but not impaired	-	167,388
Over 90 days	487,838	434,549
Residential:		
Current	41,812,128	45,991,412
Past due but not impaired	7,497,923	6,738,633
Over 90 days	4,472,323	5,684,512
	54,348,846	59,054,172
Less: Specific provision for credit risk	(2,480,574)	(2,334,387)
General provision for credit risk	(1,170,000)	(696,757)
Deferred commitment fees	(161,732)	(361,767)
	50,536,540	55,661,261
Add: Accrued interest receivable	188,977	304,252
	50,725,517	55,965,513
(iii) Margin loans	796,770	869,224
Total loans	**70,575,386**	**77,270,823**

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6. Financial Investment Assets (Continued)

Policy loans and automatic premium loans (APLs) are allowed on Ordinary Life policies. An interest rate ranging from 7.75% to 11.0% (2021: 7.75% to 11%) per annum is charged on policy loans and APLs.

Movements in the mortgage loan loss provisions are as follows:

	Specific Provision **$**
Balance as at 31 December 2020	2,644,224
Bad debt expense	501,719
Recovery of bad debt	(114,799)
Balance as at 31 December 2021	3,031,144
Bad debt expense	642,339
Recovery of bad debt	(22,909)
Balance as at 31 December 2022	**3,650,574**

An interest rate of 5.25% per annum (2021: 5.25%) is charged on residential mortgage loans to directors, officers, and staff with two or more years of service. Included in total loans are mortgages to related parties which carry interest rates between 5.0% to 5.25% (2021: 5.0% to 5.75%) in the amount of $411,166 (2021: $455,174). Related party interest income from mortgages for the year ended 31 December 2022 is $18,923 (2021: $26,611) and related party interest receivable on mortgages as at 31 December 2022 is $937 (2021: $1,077).

As at 31 December 2022, the Group had non-performing mortgage loans of $4,960,161 (2021: $6,119,061) for which interest of $1,715,360 (2021: $1,464,876) had not been recognised in the consolidated statement of comprehensive income. Management has determined that mortgage loans totaling $7,497,923 (2021: $6,906,021) are past due but not considered impaired.

A collective provision is assessed by the Group on the basis of similar credit risk, which was determined by the grouping of past due status, as all loans have similar characteristics and are based in The Bahamas. The collective provision considered the future cash flows based on the Group's historical loss experience for the assets with credit risk characteristics similar to those in the group.

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6. Financial Investment Assets (Continued)

During the year, the Group sold properties under power of sale. The fair value of the collateral sold under power of sale was $215,000 (2021: $139,000). The unrecoverable portion of the principal was provided for and is included in net bad debt expenses in the consolidated statement of comprehensive income.

7. Receivables and Other Assets

Receivables and other assets comprise:

	2022 $	2021 $
Reinsurance recoveries	4,756,427	4,777,522
Other receivables and other assets	1,640,072	2,304,505
Premium receivables	4,049,420	5,052,976
Receivables from general insurance clients	824,259	1,308,864
Prepayments and deposits	881,100	721,339
	12,151,278	14,165,206
Less: allowance for doubtful accounts	(714,934)	(699,574)
	11,436,344	**13,465,632**

The movement in allowance for doubtful accounts is as follows:

	2022 $	2021 $
Balance, beginning of year	699,574	229,111
Bad debt expense	15,360	470,463
Bad debt recoveries	-	-
Balance, end of year	**714,934**	**699,574**

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

Management has deemed $2,143,211 (2021: $3,201,672) of premium receivables and receivables from general insurance clients to be past due but not impaired.

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(Continued)

8. Property and Equipment

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

	2022							
	Freehold Land & Improvements	Freehold Buildings & Improvements	Furniture & Equipment	Motor Vehicles	Computer Hardware	Leasehold Improvements	Work in Progress	Total
	$	$	$	$	$	$	$	$
Year ended 31 December 2022								
Opening net book amount	10,651,122	18,575,267	264,462	13,973	777,606	37,393	183,040	30,502,863
Additions	-	-	26,704	-	89,011	-	325,369	441,084
Transfers/ adjustments	19,400	10,489	25,632	-	-	23,805	(317,221)	(237,895)
Depreciation charge	(19,398)	(998,236)	(89,844)	(2,045)	(288,614)	(20,813)	-	(1,418,950)
Closing net book amount	**10,651,124**	**17,587,520**	**226,954**	**11,928**	**578,003**	**40,385**	**191,188**	**29,287,102**
As at 31 December 2022								
Cost or revaluation	10,683,516	19,615,709	5,565,037	98,691	3,136,061	1,160,144	-	40,259,158
Work in progress	-	-	-	-	-	-	191,188	191,188
Accumulated depreciation	(32,392)	(2,028,189)	(5,338,083)	(86,763)	(2,558,058)	(1,119,759)	-	(11,163,244)
Net book amount	**10,651,124**	**17,587,520**	**226,954**	**11,928**	**578,003**	**40,385**	**191,188**	**29,287,102**

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8. Property and Equipment (Continued)

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

2021

	Freehold Land & Improvements	Freehold Buildings & Improvements	Furniture & Equipment	Motor Vehicles	Computer Hardware	Leasehold Improvements	Work in Progress	Total
	$	$	$	$	$	$	$	$
Year ended 31 December 2021								
Opening net book amount	10,787,208	19,288,349	344,390	18,393	595,045	25,714	122,779	31,181,878
Additions	-	-	56,034	-	57,144	23,802	755,153	892,133
Revaluations	(196,000)	593,994	-	-	-	-	-	397,994
Transfers/ adjustments	70,525	89,195	49,194	-	554,085	3,430	(694,892)	71,537
Disposals - cost	-	-	(34,633)	-	(46,966)	-	-	(81,599)
Depreciation charge	(10,611)	(1,396,271)	(150,523)	(4,420)	(381,702)	(15,553)	-	(1,959,080)
Closing net book amount	**10,651,122**	**18,575,267**	**264,462**	**13,973**	**777,606**	**37,393**	**183,040**	**30,502,863**
As at 31 December 2021								
Cost or revaluation	10,664,116	19,605,220	5,512,701	98,691	3,047,050	1,136,339	-	40,064,117
Work in progress	-	-	-	-	-	-	183,040	183,040
Accumulated depreciation	(12,994)	(1,029,953)	(5,248,239)	(84,718)	(2,269,444)	(1,098,946)	-	(9,744,294)
Net book amount	**10,651,122**	**18,575,267**	**264,462**	**13,973**	**777,606**	**37,393**	**183,040**	**30,502,863**

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(Continued)

8. Property and Equipment (Continued)

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

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

Had the Group's land and buildings been measured on a historical cost basis, their carrying amount would have been $20,971,222 (2021: $21,990,432).

Details of the Group's freehold land and buildings, as per the fair value hierarchy at 31 December 2022, is as follows:

	2022			
	Level 1	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Freehold land	-	-	10,651,124	10,651,124
Freehold buildings	-	-	17,587,520	17,587,520
	-	**-**	**28,238,644**	**28,238,644**

	2021			
	Level 1	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Freehold land	-	-	10,651,122	10,651,122
Freehold buildings	-	-	18,575,267	18,575,267
	-	**-**	**29,226,389**	**29,226,389**

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.

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9. Intangible Asset

The movement in the intangible asset is as follows:

	2022		
	Computer software	**Work in Progress**	**Total**
Opening net book amount	4,573,751	1,835,463	6,409,214
Additions	22,424	5,348,354	5,370,778
Amortisation	(1,663,760)	-	(1,663,760)
Closing net book amount	**2,932,415**	**7,183,817**	**10,116,232**
As at 31 December 2022			
Cost or revaluation	10,995,420	-	10,995,420
Work in progress	-	7,183,817	7,183,817
Accumulated amortisation	(8,063,005)	-	(8,063,005)
Net book amount	**2,932,415**	**7,183,817**	**10,116,232**

	2021		
	Computer software	**Work in Progress**	**Total**
Opening net book amount	3,555,689	3,757,281	7,312,970
Additions	404,258	1,036,416	1,440,674
Transfers/adjustments	2,424,704	(2,958,234)	(533,530)
Disposals	(5,743)	-	(5,743)
Amortisation	(1,805,157)	-	(1,805,157)
Closing net book amount	**4,573,751**	**1,835,463**	**6,409,214**
As at 31 December 2021			
Cost or revaluation	10,972,996	-	10,972,996
Work in progress	-	1,835,463	1,835,463
Accumulated amortisation	(6,399,245)	-	(6,399,245)
Net book amount	**4,573,751**	**1,835,463**	**6,409,214**

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10. Reserves for Future Policyholders' Benefits

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

As at 31 December 2022, the aggregate reserves for future policyholders' benefits and related insurances in-force are summarised as follows:

	Reserves			Insurances in force	
	2022	**2021**	**Change in reserves**	**2022**	**2021**
	$	**$**	**$**	**$**	**$**
Ordinary life	109,541,000	107,742,734	1,798,266	2,463,318,126	2,416,879,471
Annuities	94,516,713	87,420,839	7,095,874	-	-
Home service life	38,203,851	36,823,242	1,380,609	634,891,257	599,217,919
Accident and health	10,863,720	9,146,798	1,716,922	-	-
Gross liabilities	253,125,284	241,133,613	11,991,671	3,098,209,383	3,016,097,390
Reinsurance assets	(2,725,772)	(1,500,648)	(1,225,124)	-	-
	250,399,512	**239,632,965**	**10,766,547**	**3,098,209,383**	**3,016,097,390**

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

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

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

Assumptions for Home Service life business are based on Group experience. Assumptions for other business lines are based on industry experience, as the Group does not have sufficient of its own experience. A margin is added for adverse deviation equal to 15 per 1,000 divided by the expectation of life for mortality and 8% to 10% for morbidity. If future mortality and morbidity rates were to differ by 10% from that assumed, the liability would increase by $7,022,209 (2021: $6,053,594) or decrease by $7,237,230 (2021: $6,188,405).

10. Reserves for Future Policyholders' Benefits (Continued)

(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 rate curve, whereas the Group's most adverse plausible scenario assumes a 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 $22,606,820 (2021: $20,681,546) or decrease by $30,125,760 (2021: $27,458,220).

(iii) *Persistency*

Lapse rates are based on the Group's experience where credible experience is available and industry experience is used where credible Group experience is not available. A margin for adverse deviation is added by increasing or decreasing lapse rates, whichever is adverse, by 20% on Home Service business and 15% on Ordinary business. If future lapse rates were to differ by 10% from that assumed, the liability would increase by $2,164,684 (2021: $2,147,801) or decrease by $2,541,957 (2021: $2,529,871).

(iv) *Expenses*

Expenses are based on best estimates of Group experience. Expenses are increased 10% as a margin for adverse deviation. Expenses are assumed to increase annually at a rate of 2.0% (2021: 2.0%) initially, decreasing to 1.75% (2021: 1.75%) over 20 years. If future expenses were to differ by 10% from that assumed, the liability would increase by $4,010,214 (2021: $3,834,816) or decrease by $3,996,142 (2021: $3,821,792).

(v) *Ongoing Review*

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

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10. Reserves for Future Policyholders' Benefits (Continued)

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

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

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

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:

	2022	**2021**
	$	**$**
Liabilities at beginning of year	7,272,061	8,775,058
Change in Data, Methods, and Assumptions	(77)	(1,170,959)
Usual change in In-Force Business and New Business	1,954,577	(332,038)
Liabilities at end of year	**9,226,561**	**7,272,061**

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

	2022	**2021**
	$	**$**
Liabilities at beginning of year	83,227,902	81,369,455
Changes in Data, Methods, and Assumptions	(2,624,394)	(1,911,848)
New Business	(5,801,526)	(4,235,594)
Usual change in In-Force Business	10,913,668	8,005,889
Liabilities at end of year	**85,715,650**	**83,227,902**

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10. Reserves for Future Policyholders' Benefits (Continued)

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

	2022	2021
	$	$
Liabilities at beginning of year	124,234,536	113,180,001
Changes in Data, Methods, and Assumptions	(1,569,522)	(150,837)
New Business	5,633,317	9,554,703
Usual change in In-Force Business	2,177,440	1,650,669
Liabilities at end of year	**130,475,771**	**124,234,536**

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

	2022	2021
	$	$
Liabilities at beginning of year	24,898,466	24,502,446
Changes in Data, Methods, and Assumptions	(658,704)	(18,624)
New Business	(313,414)	(224,908)
Usual change in In-Force Business	1,055,182	639,552
Liabilities at end of year	**24,981,530**	**24,898,466**

Total for all lines of business:

	2022	2021
	$	$
Liabilities at beginning of year	239,632,965	227,826,960
Changes in Data, Methods, and Assumptions	(4,852,697)	(3,252,268)
New Business	(481,623)	5,094,201
Usual change in In-Force Business	16,100,867	9,964,072
	250,399,512	**239,632,965**
Liabilities at end of year		

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11. Other Policyholders' Funds

Other policyholders' funds are comprised of the following:

	2022 $	2021 $
Benefits payable to policyholders	17,753,241	19,900,719
Accrued policyholder dividends	3,848,706	3,762,208
Advance premiums	1,215,235	1,116,153
Unapplied Premiums	1,024,862	979,106
	23,842,044	**25,758,186**

12. Payables and Accruals

Payables and accruals are comprised of the following:

	2022 $	2021 $
General payables and accruals	5,733,521	4,708,253
Employee liabilities	3,815,806	4,746,377
Reinsurance payable	1,070,728	1,319,668
	10,620,055	**10,774,298**

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

13. Bank Overdraft Facilities

The Group has bank overdraft facilities of $250,000 (2021: $250,000). Amounts utilised under the facilities attract interest at Nassau prime rate of 4.25% plus 1.5% (2021: 4.25% plus 1.5%).

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14. Revaluation Reserve

Revaluation reserve is comprised of the following:

	Financial Investment Assets (AFS) Revaluation $	Fixed Assets Revaluation $	Total Revaluation Reserve $
Balance as of 31 December 2020	1,863,087	17,640,273	19,503,360
Unrealised gain on available-for-sale investments	277,758	-	277,758
Revaluation of property and equipment	-	397,994	397,994
Balance as of 31 December 2021	2,140,845	18,038,267	20,179,112
Unrealised gain on available-for-sale investments	1,136,018	-	1,136,018
Balance as of 31 December 2022	**3,276,863**	**18,038,267**	**21,315,130**

15. Share Capital

The Group's share capital is comprised as follows:

	Variable Rate Cumulative Redeemable Preference Shares of $1,000 each par value		Ordinary Shares of $0.20 each par value	
	2022 $	2021 $	2022 $	2021 $
Authorised	10,000	10,000	15,000,000	15,000,000
Issued and fully paid	-	-	2,000,000	2,000,000
Shares outstanding at beginning of year	-	5,000	10,000,000	10,000,000
Shares outstanding at end of year	-	-	10,000,000	10,000,000

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15. Share Capital (Continued)

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

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

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

Redemption of Preference shares

In the prior year, the Group redeemed the remaining 5,000 of its Variable Rate Cumulative Redeemable Preference Shares, totaling $5,000,000 which was originally issued on 10 December 2002.

16. Net Premium Income

Net premium income is comprised of:

	2022	**2021**
	$	**$**
Short-term insurance contracts	77,701,939	78,106,379
Long-term insurance contracts with fixed and guaranteed terms	27,813,573	25,918,476
Long-term insurance contracts without fixed and guaranteed terms	5,344,959	5,961,717
Long-term insurance contracts with fixed and guaranteed terms and with discretionary participation feature (DPF)	3,052,697	2,855,884
Premium revenue arising from insurance contracts issued	113,913,168	112,842,456
Premiums ceded for short-term and long-term contracts to reinsurers	(11,725,879)	(11,517,832)
	102,187,289	**101,324,624**

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17. Policyholders' Benefits

Policyholders' benefits for the year ended 31 December 2022 by insurance contracts were as follows:

	2022			2021		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	$	$	$	$	$	$
Short-term insurance contracts	51,623,054	(2,229,517)	49,393,537	49,157,330	(1,705,608)	47,451,722
Long-term insurance contracts with fixed and guaranteed terms	7,375,299	(1,480,825)	5,894,474	12,630,506	(3,964,436)	8,666,070
Long-term insurance contracts without fixed and guaranteed terms	10,353,368	-	10,353,368	12,253,652	-	12,253,652
Long-term insurance contracts with fixed and guaranteed terms and with discretionary participation feature (DPF)	3,343,778	-	3,343,778	3,968,191	-	3,968,191
	72,695,499	(3,710,342)	68,985,157	78,009,679	(5,670,044)	72,339,635

(Expressed in Bahamian dollars)

18. Leases

Amounts recognised in the statement of financial position:

	2022 $	2021 $
Right-of-use assets:		
Land & Buildings	570,830	617,743
Lease liabilities:		
Current	40,574	36,457
Non-current	579,198	619,772
	619,772	**656,229**

Additions to the right-of-use assets during 2022 were $Nil (2021: $160,229).

Amounts recognised in the consolidated statement of comprehensive income:

	2022 $	2021 $
Depreciation charge of right-of-use assets:		
Buildings	46,913	70,324
Interest expense on lease liabilities:		
Interest Expense	**41,178**	**43,397**

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

18. Leases (Continued)

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

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

19. Taxation

There are no corporate, income or capital gains taxes levied in The Bahamas and the Group, therefore, pays no taxes on its net income. However, taxes based on gross premium income, levied at 3% (2021: 3%), for the year ended 31 December 2022 amounted to $3,417,395 (2021: $3,385,274) and is included within operating expenses in the consolidated statement of comprehensive income.

The Group is also subject to Value Added Tax (“VAT”) on taxable supplies at a standard rate of 10%. The Group is eligible for input tax deductions, based on an apportionment formula using the premiums for standard rated taxable and exempt supplies. VAT incurred by the Group in excess of the input tax deductions is included in operating expenses in the consolidated statement of comprehensive income.

20. Pension Plan

The Group’s pension costs, net of forfeitures in respect to the Plan for the year ended 31 December 2022, amounted to $840,807 (2021: $846,760) and are included in operating expenses in the consolidated statement of comprehensive income.

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21. Other Operating Income

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

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

	2022 $	2021 $
Revenue from External Customers	1,154,090	1,127,000
Timing of revenue recognition		
Services transferred at a point in time	1,154,090	1,127,000
Services transferred over time	-	-
Total revenue from contracts with customers	1,154,090	1,127,000
Other fees	1,145,326	1,126,191
Total	**2,299,416**	**2,253,191**

22. Operating Expenses

Operating expenses consists of the following:

	2022 $	2021 $
Employee salaries & benefits	12,330,866	11,472,520
Premium Tax & Statutory expenses	3,875,346	3,838,564
Premises & Maintenance	2,024,187	2,132,828
Professional fees	2,557,299	2,111,731
Marketing & Public Relations	987,564	1,377,659
Other Expenses	2,773,857	2,548,676
	24,549,119	**23,481,978**

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23. Commitments and Contingent Liabilities

Outstanding commitments to extend credit under mortgage loan agreements amounted to $1,029,047 as at 31 December 2022 (2021: $662,768).

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

The Group is contingently liable for $5,000 (2021: $5,000) in respect of customs bonds and customs guarantees.

24. Related Party Balances and Transactions

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

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

	2022 $	2021 $
Other Related party balances:		
Receivables and other assets	260,350	281,350
Reinsurance receivables	205,469	238,842
Payables and accruals	206,966	446,490
Premiums ceded to reinsurer	2,606,556	2,674,699
Reinsurance recoveries	124,491	334,514
Management fees	132,000	132,000

Compensation of key management personnel:

	2022 $	2021 $
Salaries and other short-term employee benefits	2,919,726	2,899,435
Commissions	272,736	319,900
	3,020,647	3,219,335

24. Related Party Balances and Transactions (Continued)

Directors' remuneration:

In 2022, the total remuneration of the directors was $629,226 (2021: $553,209).

On 2 December 2021, the Board of Directors approved the award of 10,000 units of shadow stock to the Chairman of the Board. The value of the shadow stock on the date of grant was $95,100, based on the fair market value per share of the Group's common stock. On his retirement, the Chairman will be entitled to be paid in cash the current value of the shadow stock. This value will be determined by the share price on the Stock Exchange of the underlying shares on his retirement date. The cost of these benefits to the Group amounted to $17,100 (2021: nil) and are included in operating expenses.

Employees' incentive plan:

The Group sponsors a plan as an on-going incentive system for its key employees. The plan holds 33,500 shares (2021: 33,400 shares) of the Group and these shares are awarded to the plan participants on an annual basis for services rendered in the previous year or as special awards for a promotion or upon hiring at the executive level. The Group makes cash awards as the need arises to the plan and the plan purchases the shares as needed on the open market at market value. The shares vest over a period of 10 years. The cost of these benefits to the Group amounted to $nil (2021: $ 142,000) and are included in employee salary and benefit expenses.

25. Post-Retirement Medical Benefit

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

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

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25. Post-Retirement Medical Benefit (Continued)

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

	Other Postemployment Benefits	
	2022	**2021**
	$	**$**
Components of benefit cost recognised in net income:		
Current service cost	166,175	157,065
Interest cost	95,364	89,311
Net benefit cost recognised in statement of comprehensive income	**261,539**	**246,376**

	2022	**2021**
	$	**$**
Components of benefit cost recognised in other comprehensive income:		
Remeasurement on the defined benefit liability:	-	-
Actuarial gain due to experience	(144,587)	(2,163)
Actuarial gain due to liability assumption changes	(114,776)	-
Actuarial gain on DBO	**(259,363)**	**(2,163)**

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25. Post-Retirement Medical Benefit (Continued)

	2022 $	2021 $
Total benefit cost recognised in statement of comprehensive income:		
Cost recognised in net income	261,539	246,376
Remeasurement effects recognised in other comprehensive income	(259,363)	(2,163)
Total benefit cost recognised in statement of comprehensive income	**2,176**	**244,213**

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 OCI.

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

Funded Status

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

	Other Postemployment Benefits	
	2022 $	2021 $
Funded status, beginning of year		
Benefit obligation, funded plans	(1,889,678)	(2,012,903)
Net amount recognised, end of year	(1,889,678)	(2,012,903)

Amounts recognised in the consolidated statement of financial position are as follows:

	2022 $	2021 $
Liabilities	(1,889,678)	(2,012,903)

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25. Post-Retirement Medical Benefit (Continued)

	Other Postemployment Benefits	
	2022	**2021**
	$	**$**
Experience adjustments		
DBO, end of year	(1,889,678)	(2,012,903)
Funded status	(1,889,678)	(2,012,903)

	Other Postemployment Benefits	
	2022	**2021**
	$	**$**
Change in plan assets		
Fair value of plan assets, beginning of year	-	-
Employer contribution	125,401	118,390
Plan participant's contribution	(125,401)	(118,390)
Fair value of plan assets, end of year	-	-

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

	2022	**2021**
Discount rate	4.50 %	4.50 %
Medical cost trend rate	N/A	N/A
Dental/Vision cost trend	0.00 %	0.00 %
Mortality	RP2000	RP2000

Expected employer contributions

The Group expects to contribute $132,173 (2021: $121,073) to the post-retirement benefits plan in 2022. This benefit is expected to be paid from corporate assets.

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26. Earnings per Ordinary Share

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

Earnings per ordinary share are comprised of the following:

	2022 $	2021 $
Weighted average number of ordinary shares outstanding	10,000,000	10,000,000
Profit attributable to ordinary shareholders	9,768,558	10,034,352
Basic and diluted earnings per ordinary share	**0.98**	**1.00**

27. Business Segments

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

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

- *Life Insurance* - offers a range of ordinary life insurance and industrial life insurance.
- *Health Insurance* - offers a range of group medical, individual medical, sick and accident, and hospitalisation insurance.
- *Other* – includes the operations of its general insurance agency and broker and its other subsidiaries.

Transactions between segments are carried out at arm's length. No inter-segment transactions occurred in 2022 and 2021. The revenue from external parties reported to Management is measured in a manner consistent with that in the consolidated statement of comprehensive income. The amounts provided to Management with respect to total assets and liabilities are measured in a manner consistent with that in the consolidated statement of financial position. All activities of the Group are deemed to be operating within the same geographical area.

Segment net income represents the net income earned by each segment after allocation of central administration costs and salaries, investment income, and other gains and losses. This is the measure reported to Management for the purpose of assessment of segment performance. No single customer contributed 10% or more to the Group's revenue for both 2022 and 2021. All assets are allocated to reportable segments. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

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27. Business Segments (Continued)

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

	2022 ($000)			
	LIFE	**HEALTH**	**OTHER**	**TOTAL**
	$	**$**	**$**	**$**
Income				
Net premium income	34,487	67,700	-	102,187
Annuity & other deposits	10,852	-	-	10,852
Investment income	16,037	763	25	16,825
Other income	764	380	1,156	2,300
Total income	**62,140**	**68,843**	**1,181**	**132,164**
Policyholder benefits	28,985	50,767	-	79,752
Expenses	23,081	16,984	2,578	42,643
Total expenses	**52,066**	**67,751**	**2,578**	**122,395**
Net income/(loss)	**10,074**	**1,092**	**(1,397)**	**9,769**
TOTAL ASSETS	**373,009**	**16,727**	**2,080**	**391,816**
TOTAL LIABILITIES	**274,625**	**12,315**	**1,267**	**288,207**

	2021 ($000)			
	LIFE	**HEALTH**	**OTHER**	**TOTAL**
	$	**$**	**$**	**$**
Income				
Net premium income	33,390	67,935	-	101,325
Annuity & other deposits	16,525	-	-	16,525
Investment income	15,943	449	162	16,554
Other income	649	544	1,060	2,253
Total income	**66,507**	**68,928**	**1,222**	**136,657**
Policyholder benefits	39,181	44,964	-	84,145
Expenses	22,245	17,543	2,432	42,220
Total expenses	**61,426**	**62,507**	**2,432**	**126,365**
Net income/(loss)	**5,081**	**6,421**	**(1,210)**	**10,292**
TOTAL ASSETS	**360,213**	**14,199**	**1,355**	**375,767**
TOTAL LIABILITIES	**266,621**	**10,509**	**1,192**	**278,322**

(Expressed in Bahamian dollars)

28. Dividends

Dividends to the Company's ordinary shareholders are recognised as a liability in the period in which they are declared by the Board of Directors. Dividends paid to ordinary shareholders of the Company totaled $5,000,000 (2021: $3,800,00) and represented $0.5 per share (2021: $0.38).

Dividends to the Company's preferred shareholders are recognised as a liability in the period in which they are declared by the Board of Directors. Dividends paid to preferred shareholders of the Company totaled $nil (2021: $257,175) and represented $nil per share (2021: $19.44).

29. Subsidiaries

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

Name of Entity	Principal Activity	Place of Incorporation	Ownership Interest 2022	Ownership Interest 2021
Family Guardian Insurance Company Limited	Life & Health Insurance	The Bahamas	100%	100%
FG Financial Limited	Administration of Pension and Mutual Funds	The Bahamas	100%	100%
FG Capital Markets Limited	Investment Brokerage & Advisory	The Bahamas	100%	100%
FG Insurance Agents & Brokers Limited	General Insurance Agency	The Bahamas	100%	100%
BahamaHealth Insurance Brokers Limited	Health Insurance Administration	The Bahamas	100%	100%

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30. Subsequent Events

i) On 13 February 2023, the Board of Directors declared a fourth quarter dividend of $0.10 (2021: $0.10) per share or $1,000,000 (2021: $1,000,000) to shareholders of record as at 27 February 2023 and paid 3 March 2023.

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P. O. Box N-8350
Nassau, The Bahamas

Royal Bank of Canada
East Hill Street
P. O. Box N-7549
Nassau, The Bahamas

REINSURERS

Munich Reinsurance Company
Munich Re Centre
390 Bay Street, 22nd Floor
Toronto, Ontario M5H 2Y2
Canada

International Reinsurance Managers, LLC
1000 NW 57th Ct.
Suite 190
Miami, Florida 33126
U.S.A.

Hartford Life and Accident Insurance Company
One Hartford Plaza
Hartford, CT 06155
U.S.A.

Swiss Re Life & Health Canada
150 King Street West, Suite 1000
Toronto, Ontario M5H 1J9
Canada

Nexus Re
89 Headquarters Plaza North
Suite 310
Morristown, New Jersey 07960
U.S.A.

ACTUARIAL CONSULTANTS

Eckler
110 Sheppard Avenue East, Suite 900
Toronto, Ontario M2N 7A3
Canada

David E. Norton, FSA, Health Care Consultant
471 Green Meadows
Dahlonega, Georgia 30533
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COMPANY ADDRESSES

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Bryinda Russell
SVP, Legal, Risk & Compliance, and
Corporate Secretary
bryinda.russell@familyguardian.com

- Mortgages
  T 242-396-4044

Family Guardian Financial Centre
East Bay & Church Streets
P.O. Box SS6232
Nassau, The Bahamas

- Financial Services
  Ordinary Life & Annuities
  T 242-396-1400

- FG Insurance Agents & Brokers
  Property & Casualty Insurance
  T 242-396-1490

- BahamaHealth
  Group Operations
  P.O. Box SS19079
  T 242-396-1315

Marathon District Sales Office
Marathon Road, P.O. Box SS6232
Nassau, The Bahamas
T 242-393-0091

Chippingham District Sales Office
Thompson Boulevard, P.O. Box SS6232
Nassau, The Bahamas
T 242-325-1811

Carmichael District Sales Office
Blue Hill Road South, P.O. Box SS6232
Nassau, The Bahamas
T 242-341-4429

Freeport District Office, Financial Services, Mortgages and FG Insurance Agents & Brokers
East Mall Drive, P.O. Box F42479
Freeport, Grand Bahama
The Bahamas
T 242-688-1500

Abaco Sales Office
Abaco Shopping Plaza North
Don McKay Boulevard
Marsh Harbour, Abaco
T 242-367-3264

Eleuthera Sales Office
Renaldo House P.O. Box EL89
Palmetto Point, Eleuthera
The Bahamas
T 242-332-2258

Exuma Sales Office
Turnquest Plaza, P.O. Box EX29346
George Town, Exuma
The Bahamas
T 242-336-3418

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