ANNUAL REPORT 2022

Insurance Company of The Bahamas Limited

CONTENTS

CORPORATE INFORMATION	4
BOARD OF DIRECTORS	5
THE CHAIRMAN'S STATEMENT	6
MANAGERS AND STAFF	7
A PERSPECTIVE FROM THE GENERAL MANAGER	8
INDEPENDENT AUDITORS' REPORT	10
STATEMENT OF FINANCIAL POSITION	13
STATEMENT OF COMPREHENSIVE INCOME	15
STATEMENT OF CHANGES IN EQUITY	16
STATEMENT OF CASH FLOWS	17
NOTES TO FINANCIAL STATEMENTS	19

CORPORATE INFORMATION

BOARD OF DIRECTORS

CHAIRMAN

C.R. Bruce Fernie

EXECUTIVE COMMITTEE CHAIRMAN

Alister I. McKellar, FCII

DIRECTORS

Tracy Knowles, ICAEW

Barrett H. McDonald, ACII

Thomas F. Hackett, CA

Marvin V. Bethell, MBE, FCII

Basil Christie, MBE

Terry L. Wilcox

Annamaria DeGregory

GENERAL MANAGER

Tom Duff, ACII

SECRETARY

April N. Turner

HEAD OFFICE

33 Collins Avenue
P.O. Box N-8320
Nassau, Bahamas

REGISTERED OFFICE

McKinney Bancroft & Hughes
Mareva House
4 George Street
P.O. Box N-3937
Nassau, Bahamas

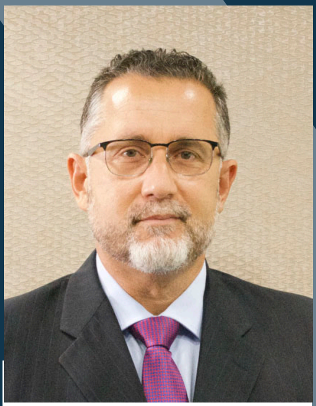
AUDITORS

Ernst & Young
Caves Corporate Centre
West Bay Street & Blake Road
P.O. Box N-3231
Nassau, Bahamas

PRINCIPAL AGENT

J.S. Johnson & Company Ltd.
34 Collins Avenue
P.O. Box N-8337
Nassau, Bahamas

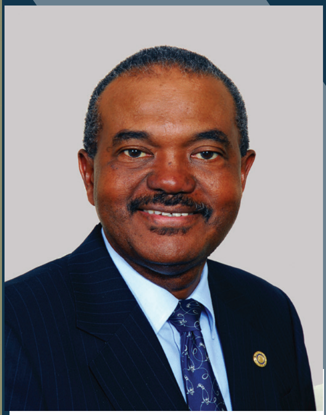
BOARD OF DIRECTORS



C.R. Bruce Fernie
Chairman

Alister I. McKellar, FCII
Director

Thomas F. Hackett, CA
Director



Marvin V. Bethell, MBE, FCII
Director

Basil Christie, MBE
Director

Terry L. Wilcox
Director

Tracy Knowles, ICAEW
Director

Barrett H. McDonald, ACII
Director

Annamaria Degregory
Director

THE CHAIRMAN'S STATEMENT

I am delighted to report that Insurance Company of The Bahamas Limited (ICB or the Company) was able to produce a trading profit of $4,175,474 for the 2022 year. This represents an improvement of 10.13% over 2021 and a return on equity of 10.50%. This better-than-expected result was in large part due to the absence of any major hurricane losses during the year. Profit was also enhanced by ordinary claims costs being substantially lighter than normal across all the main classes.

The year 2022 was the third in a row that The Bahamas was mercifully spared a major hurricane event. Unfortunately, the region in general did not escape and in the month of September the southwest coast of Florida was devastated by Hurricane Ian, which cost the insurance sector an estimated loss of $50-65 billion. Hurricane Ian became the second costliest storm ever recorded, after Hurricane Katrina in 2005. According to research from reinsurer Swiss Re, worldwide natural catastrophe losses amounted to $125 billion in 2022. This is only the fifth time since 1970 that insurers have suffered over $100 billion in such losses in a single year.

ICB's strong performance in 2022 must therefore be viewed within the context of a growing risk of catastrophic weather losses to The Bahamas and the wider region. The Inter-American Development Bank (IDB) in recently unveiling a $160 million loan to finance this nation's disaster risk management governance, was quoted in its policy paper as saying that "more frequent and intense storms have cost The Bahamas, its economy and people some $6.7 billion in the two decades leading up to 2022". The document also reinforces The Bahamas extreme vulnerability to hurricanes and the fact that this vulnerability is likely to be further exacerbated by climate change.

Against this backdrop, ICB approached its most recent reinsurance treaty renewal season anticipating that reinsurers' terms would likely harden somewhat for 2023. Unfortunately, the reinsurance market hardened to an extent not seen in the Company's 26-year history. Catastrophe reinsurance capacity reduced substantially over 2022 with many reinsurers electing to reduce their exposure to catastrophe risk. Some reinsurers completely withdrew from writing catastrophe exposed business. Despite this, ICB was successful in renewing all our property reinsurance treaties, although at a significantly increased cost. Exacerbating the situation is that there is a growing demand for catastrophe insurance cover throughout The Bahamas with many new building projects underway and many more at the planning stage. Given the shortage of windstorm capacity available to the market in 2023, I would appeal to all our customers who insure their properties against hurricane loss not to delay renewing their policies when they fall due.

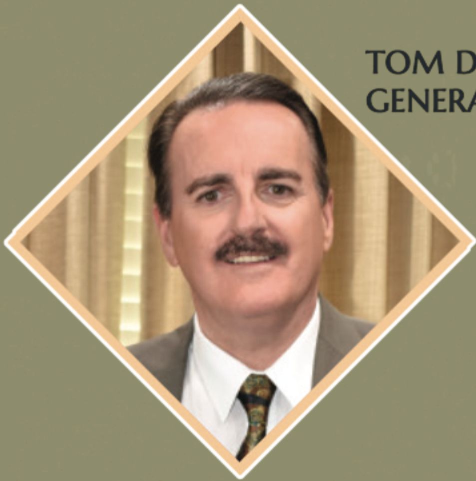
On the economic front, there is mixed news. On the positive side, our major hotels are reporting excellent occupancy levels and the country's GDP has recovered to its pre-Covid level. Foreign investment in The Bahamas is also rising. Some concerns remain over the level of Government debt which continues to rise. The debt to GDP ratio has, however, reduced from 100% at June 2021 to 86.9% at the end of 2022. Unemployment has improved, post-Covid, but remains unacceptably high. All in all, there are reasons for the nation to be cautiously optimistic regarding economic prospects for 2023.

The Bahamian insurance industry will certainly be challenged in the year ahead as we trade through this period of extraordinary level of increase in the cost of property catastrophe reinsurance. Homeowners and businesses will be faced with property rates that are as high as they have ever been. Our customers can be assured, however, that our agents and partners, J.S. Johnson & Company Limited will do everything in its power to provide them with the very best service and advice as we navigate our way through these difficult conditions.

Finally, I would like to take the opportunity to congratulate Tom Duff on his retirement from ICB after 26 years of loyal service. As General Manager of ICB, Tom has provided long-standing leadership and guidance and has played an important role in the growth of the Company. The ICB family wishes Tom continued health and happiness as he transitions into the next phase of his life.

C.R. Bruce Fernie
Chairman.

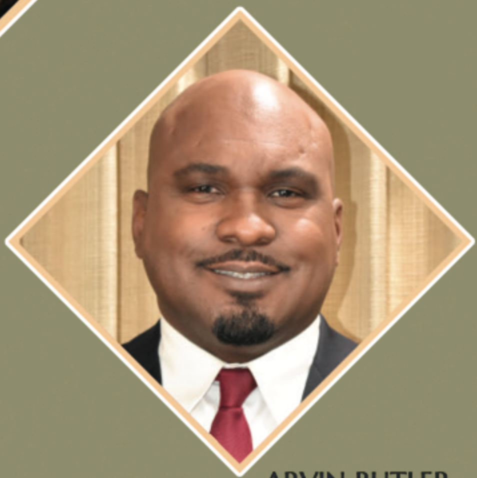
OUR MANAGERS AND STAFF



TOM DUFF, ACII
GENERAL MANAGER

KYJIA FERGUSON, CPA
FINANCIAL CONTROLLER

NICOL EDGECOMBE
ACCOUNTING OFFICER



ARVIN BUTLER
STATISTICAL OFFICER

A PERSPECTIVE FROM THE GENERAL MANAGER

It was with much relief that The Bahamas and its people waved goodbye to the 2022 North Atlantic hurricane season. Memories of death and destruction from major Hurricanes Matthew and Dorian are still all too raw for many of the population and so another hurricane-free season for The Bahamas was hugely welcomed. Sadly, our Floridian neighbours to the north were not so fortunate as Hurricane Ian devastated Fort Myers and surrounding areas.

The recent phenomenon of the "Super Storm" is unfortunately a reality that the region can no longer deny. Scientists are predicting that because of global warming, the region will likely experience an increase in the frequency of these destructive storms. This probability represents a major threat to the well-being of The Bahamas and the population at large. It is therefore vitally important that homeowners and businesses take every measure they can to mitigate their risk of incurring serious financial loss from a major hurricane. I encourage all of our policyholders to consider the vulnerabilities of their individual properties and take steps to make them more secure against the risk of hurricane and any other perils.

As mentioned by the Chairman, the cost of catastrophe reinsurance has risen quite dramatically for 2023 and, as a result, customers will be faced with an unwelcome increase in their renewal premiums. Although some may be tempted to cancel or reduce cover, doing so may prove to be a false economy as uninsured losses from a major storm can be financially crippling. At Insurance Company of The Bahamas Limited (ICB or the Company) we are fortunate to be represented by J.S. Johnson & Company Limited (JSJ) the oldest and one of the most experienced underwriting agents in The Bahamas. For any of our customers who are uncertain as to how to proceed, I would appeal for them to speak to one of the many qualified customer service representatives at JSJ who will be happy to discuss cover options with them.

The 2022 year proved to be another good one for ICB. Our gross written premiums (net of fronting arrangements) grew by 7.16% to just under $60 million. This was significantly better than expected and all our main classes contributed to this growth. Our underwriting profit was almost identical to 2021 at circa $3.5 million. At claims level, net incurred claims costs (after reinsurance) increased by 16.93% over the prior year, however, 2021 claims losses were unusually low due, in part, to reduced activity as the country slowly emerged from the Covid pandemic. Finally, the Company's bottom line was boosted by the recording of $816,952 in unrealized gains (2021: $226,854).

Based on the above, ICB was able to produce a better-than-expected total net trading profit of $4,175,474 for the twelve months of 2022, an increase of 10% over 2021. As has been mentioned in previous commentaries, it is important that ICB is able to produce healthy levels of profit during hurricane-free years so that we are able to build up our balance sheet in readiness for the next major event loss. It is also vital that we are able to return profit to our reinsurers following major event losses like Hurricane Dorian. That particular hurricane cost our reinsurers some $220 million.

In closing, I would like to take this opportunity to thank our customers once again for their continued loyalty during the past year. I can assure them that we will make every effort to continue delivering the high level of service they have come to expect from us. I would also like to thank our reinsurance brokers Aon London, for their expertise in guiding us through the unprecedented demands of the recent reinsurance treaty renewal season.

Finally, in what is my last commentary prior to retiring, I would just like to say what a privilege it has been to serve ICB in the capacity of General Manager over the last 26 years. I owe a debt of gratitude for all those, past and present, who have supported me in the role throughout the years, specifically:

1. The Board of Directors at ICB
2. The Directors, Management and Staff at JSJ
3. My co-workers at ICB

I wish all of you the very best in your future endeavours.

Tom Duff
General Manager

Building a better
working world

Ernst & Young Ltd.
Caves Corporate Centre
West Bay Street & Blake Road
Nassau N-3231
The Bahamas

Tel: +242 502 6000
Fax: +242 502 6095
ey.com

Report of Independent Auditors

The Shareholders and Directors
Insurance Company of The Bahamas Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Insurance Company of The Bahamas Limited (the "Company"), which comprise the statement of financial position as at December 31, 2022, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and the Audit Committee for the Financial statements

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

Building a better
working world

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

Management and the Audit Committee are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

EY
Building a better working world

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Management and the Audit Committee regarding, among other matters, the planned scope and tining of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The Partner in charge of the audit resulting in this independent auditor's report is Lanishka McSweeney.

Ernst + Young Ltd.

March 30, 2023

Insurance Company of The Bahamas Limited

Statement of Financial Position
(Expressed in Bahamian Dollars)

		2022		2021
ASSETS				
Cash and bank balances *(Note 5)*	$	6,824,132	$	3,139,187
Term deposits *(Note 6)*		10,755,448		10,577,782
Reinsurance recoverables *(Note 4)*		7,710,796		11,331,776
Due from agents *(Note 7)*		9,091,150		10,226,293
Deferred commission reserve *(Note 7)*		6,421,615		6,149,011
Prepaid reinsurance premiums *(Note 12)*		24,184,696		23,063,154
Prepayments and other receivables		14,225		30,406
Investments in securities:				
Fair value through profit or loss *(Notes 7 and 8)*		10,341,823		9,524,871
Amortized cost (Note 8)		8,887,804		10,731,218
Investment property *(Note 9)*		536,916		536,916
Property, plant and equipment *(Note 10)*		1,285,753		1,293,291
Total assets	**$**	**86,054,358**	**$**	**86,603,905**
LIABILITIES				
General insurance funds:				
Unearned premium reserve *(Note 12)*	$	27,987,177	$	26,733,994
Outstanding claims *(Note 12)*		8,964,000		12,441,000
		36,951,177		**39,174,994**
Other liabilities:				
Unearned commission reserve		5,984,296		5,723,247
Due to reinsurers *(Notes 4 and 7)*		2,286,120		4,136,453
Accounts payable and accruals *(Notes 7 and 15)*		1,065,130		839,634
Total liabilities	**$**	**46,286,723**	**$**	**49,874,328**

Insurance Company of The Bahamas Limited

Statement of Financial Position (continued)
(Expressed in Bahamian Dollars)

		2022		2021
EQUITY				
Share capital				
Authorized, issued and fully paid:				
3,000,000 ordinary shares of $1.00 each	$	3,000,000	$	3,000,000
General reserve *(Note 13)*		2,000,000		2,000,000
Retained earnings		34,767,635		31,729,577
Total equity		**39,767,635**		**36,729,577**
Total liabilities and equity	**$**	**86,054,358**	**$**	**86,603,905**

See accompanying notes to financial statements.

These financial statements were authorized for issue on behalf of the Board of Directors on March 30, 2023 by:

Approved by the Board:

Director

I. E. [illegible]

Director

Insurance Company of The Bahamas Limited

Statement of Comprehensive Income
(Expressed in Bahamian Dollars)

	Year Ended December 31	
	2022	**2021**
INCOME		
Gross written premiums *(Note 7)*	$ 85,642,238	$ 79,075,256
Premium tax	(1,779,249)	(1,661,644)
	83,862,989	77,413,612
Ceded to reinsurers	(75,539,530)	(69,594,829)
Net retained premiums	8,323,459	7,818,783
Change in unearned premium reserve *(Note 12)*	(131,641)	(38,821)
Net premiums earned	**8,191,818**	**7,779,962**
EXPENSES		
Net claims incurred *(Notes 12)*	1,409,174	1,205,178
Net commissions incurred *(Notes 7 and 11)*	(302,798)	(311,731)
Excess of loss reinsurance	3,512,780	3,317,247
	4,619,156	**4,210,694**
UNDERWRITING PROFIT	**3,572,661**	**3,569,268**
OTHER INCOME		
Interest income *(Notes 5, 6, and 8)*	606,043	603,345
Dividend and other income *(Note 8)*	961,401	991,751
Change in net unrealized gains on investments in securities *(Note 8)*	816,952	226,854
Allowance for Expected Credit Losses *(Note 16)*	(51,933)	(181,730)
	5,905,124	**5,209,488**
OPERATING EXPENSES		
Personnel expenses *(Note 14)*	(852,022)	(778,541)
Depreciation *(Note 10)*	(49,474)	(46,267)
General and administrative expenses *(Note 7)*	(828,155)	(593,294)
Total Operating Expenses	**(1,729,651)**	**(1,418,102)**
NET INCOME	**4,175,474**	**3,791,386**
TOTAL COMPREHENSIVE INCOME	**$ 4,175,474**	**$ 3,791,386**

Insurance Company of The Bahamas Limited

Statement of Changes in Equity
(Expressed in Bahamian Dollars)

	Share Capital	General Reserve	Retained Earnings	Total
Balance as at January 1, 2021	**$ 3,000,000**	**$ 2,000,000**	**$ 28,518,701**	**$ 33,518,701**
Total comprehensive income for the year:				
Net Income	-	-	3,791,386	3,791,386
Distributions to owners:				
Dividends *(Notes 3 and 15)*	-	-	(580,510)	(580,510)
Balance as at December 31, 2021	**$ 3,000,000**	**$ 2,000,000**	**$ 31,729,577**	**$ 36,729,577**
Total comprehensive income for the year:				
Net Income	-	-	4,175,474	4,175,474
Distributions to owners:				
Dividends *(Notes 3 and 15)*	-	-	(1,137,416)	(1,137,416)
Balance as at December 31, 2022	**$ 3,000,000**	**$ 2,000,000**	**$ 34,767,635**	**$ 39,767,635**

Insurance Company of The Bahamas Limited

Statement of Cash Flows
(Expressed in Bahamian Dollars)

	Year Ended December 31	
	2022	**2021**
Cash flows from operating activities		
Net Income	$ 4,175,474	$ 3,791,386
Adjustments for:		
Interest income *(Notes 5, 6 and 8)*	(606,043)	(603,345)
Dividend income and other income	(360,989)	(340,505)
Change in net unrealized gain on investments at fair value through profit and loss *(Note 8)*	(816,952)	(226,854)
Depreciation *(Note 10)*	49,474	46,267
Modification gain on investment *(Note 8)*	(129,346)	(120,083)
Allowance for Expected Credit Loss *(Note 16)*	51,933	181,730
Operating income before changes in operating assets and liabilities	2,363,551	2,728,596
(Increase)/decrease in operating assets:		
Reinsurance recoverables	3,620,980	9,578,129
Due from agent	1,135,143	4,254,684
Deferred commission reserve	(272,604)	(285,936)
Prepaid reinsurance premiums	(1,121,542)	(1,380,277)
Prepayments and other receivables	16,183	(3,306)
Increase/(decrease) in operating liabilities:		
Unearned premium reserve	131,641	38,821
Outstanding claims	(2,355,457)	(7,229,719)
Unearned commission reserve	261,050	291,607
Due to reinsurers	(1,850,333)	(4,879,452)
Accounts payable and accruals	57,652	(1,991,867)
Net cash provided by operating activities	$ 1,986,265	$ 1,121,280

Statement of Cash Flows (continued)

(Expressed in Bahamian Dollars)

	Year Ended December 31	
	2022	**2021**
Investing activities		
Net placement of term deposits	$ (50,024)	$ (3,629,957)
Purchase of property, plant and equipment *(Note 10)*	(41,936)	(73,058)
Purchase of investments in securities	-	(1,816,004)
Proceeds from principal repayments	1,896,233	1,169,787
Interest received	502,997	638,427
Dividends received	360,989	340,505
Net cash provided by/(used in) investing activities	2,668,259	(3,370,300)
Financing activities		
Dividends paid *(Note 15)*	(969,578)	(574,440)
Net cash used in financing activities	(969,578)	(574,440)
Net increase/(decrease) in cash and cash equivalents	3,684,945	(2,823,460)
Cash and cash equivalents at beginning of year	3,139,187	5,962,647
Cash and cash equivalents at end of year	$ 6,824,132	$ 3,139,187
Supplemental information		
Premium tax paid	$ 2,237,598	$ 2,078,298

Insurance Company of The Bahamas Limited

Notes to Financial Statements
(Expressed in Bahamian Dollars)

December 31, 2022

1. Incorporation and Principal Activity

Insurance Company of The Bahamas Limited ("the Company") is incorporated under the Companies Act, 1992 of The Commonwealth of The Bahamas and is licensed to operate as a property and casualty insurance company in The Bahamas under the Insurance Act, 2005, as amended, and Turks & Caicos Islands, B.W.I. under the Insurance Ordinance, 1989, amended December 2014. The parent of the Company is J.S. Johnson & Company Limited ("J.S. Johnson") which holds 40% of the Company's issued shares. J.S. Johnson and its subsidiaries carry on business as agents and brokers in general insurance in The Bahamas and the Turks & Caicos Islands.

The registered office of the Company is situated at the offices of Messrs. McKinney, Bancroft & Hughes, Mareva House, 4 George Street, Nassau, The Bahamas. The Company's principal place of business is located at 33 Collins Avenue, Nassau, The Bahamas.

2. Basis of Preparation

(a) Statement of Compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

(b) Basis of Measurement

The financial statements have been prepared on the historical cost basis, except for financial assets and financial liabilities that have been measured at fair value.

The methods used to measure fair value are discussed further in the significant accounting policies below.

(c) Functional and Presentation Currency

These financial statements are presented in Bahamian dollars, which is the Company's functional and reporting currency.

(d) Use of Estimates and Judgements

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which they are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in Notes 3(a), 3(d), 3(e), 3(f), 3(g), 8, 9, 10, 12 and 16.

(e) COVID-19 Considerations

The Company's results and operations have been and may continue to be impacted by the COVID -19 pandemic. The Covid-19 pandemic shows considerable signs of easing as many countries have lifted travel bans, ended lockdowns and eased quarantine measures. The effects include but are not limited to volatility in equity markets, change in interest rates, increase in credit risk, fluctuations in the frequency of insurance claims and disruption of business operations. The breadth and depth of these events and their duration contribute additional uncertainty around estimates used in determining the carrying value of certain assets and liabilities included in these financial statements. Management has considered the effect of COVID-19 to the extent possible in its estimates and assumptions.

3. Summary of Significant Accounting Policies

The principal accounting policies set out below have been applied consistently by the Company and are consistent with those used in the previous year.

(a) Insurance Contracts

(i) Classification, Recognition, and Measurement

The Company issues contracts that transfer insurance risk and/or financial risk or both. The Company considers an insurance risk to be significant where the sum insured or limit of indemnity exceeds $250,000. The classification of contracts identifies both the insurance and reinsurance contracts entered into by the Company.

Short term insurance contracts consist of Property, Casualty, Motor, and Marine insurance contracts.

Property insurance contracts, both personal and commercial, provide compensation for loss, or damage to property. Business Interruption coverage provides compensation for loss of earnings following physical damage to the insured premises.

Casualty/liability insurance contracts protect the insured against the risk of causing financial loss or injury to third parties following some act of negligence. Liability insurance contracts include both contractual and non-contractual protection. Two of the most common protections offered are "Employer's Liability", designed to indemnify employers who become legally liable to pay compensation to injured employees and "Public Liability", designed to indemnify individuals and businesses that become legally liable to pay compensation to third parties.

Motor insurance contracts cover the driver's liability to third parties in respect of personal injury or property damage. If comprehensive cover is purchased, the policy also covers damage to the policyholder's vehicle.

Marine insurance contracts include the insurance of goods in transit over land or sea and also the insurance of hulls. Hull insurance contracts typically cover both physical damage to the vessel and also the boat owner's liability to third parties in respect of personal injury or property damage.

Premiums generated from insurance and inward reinsurance contracts are recognized as revenue (gross written premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the reporting date is reported as unearned premium reserve, calculated using net retained premiums. Gross written premiums are shown before deduction of premium tax, premiums ceded to reinsurers, and commissions. Premiums received prior to the year end and processed after the year end by the agents are recognized at the time of processing.

Claims and loss adjustment expenses are charged to income as incurred based on the known or estimated liability for compensation owed to policyholders or third parties. They include direct or indirect claims settlement costs and arise from events that have occurred up to the reporting date regardless of whether or not they have been reported. Gross outstanding claims comprise the estimated cost of all claims incurred but not settled as of the reporting date whether reported or not. The Company does not discount its liabilities for outstanding claims. Liabilities for outstanding claims are estimated using: (a) the judgement of the agency's claims manager for routine claims, (b) external legal opinion in connection with more complex claims, and (c) statistical analyses for claims incurred but not reported.

(ii) Liability Adequacy Test

At each reporting date, liability adequacy tests are performed by both the Company and an external actuary, to ensure the adequacy of the contract liabilities. Tests include reviewing original estimates of ultimate claims cost for each accident year against the current year-end estimates. These tests are carried out at the portfolio level for the classes of property, motor, casualty and marine business. Should any trend in reserve deficiency, at total portfolio level, become apparent, then the deficiency would immediately be charged to income by establishing a provision for losses arising from liability adequacy tests.

(iii) Reinsurance Contracts Held and Assumed

The Company cedes (or assumes) reinsurance under a variety of formal treaty arrangements, with retention limits varying by the line of business. Under these treaties, which are classified as reinsurance contracts held (or assumed), the Company is compensated (or compensates) in respect of one or more losses under contracts that meet the classification requirements for insurance contracts.

Contracts that do not meet these classification requirements are classified as financial assets (or financial liabilities). The benefits to which the Company is entitled under its reinsurance contracts held are recognized as reinsurance assets. These assets are classified as reinsurance recoverables and comprise:

a) recoverables due from reinsurers in respect of claims paid, and
b) the reinsured portion of the reserves for outstanding claims allocated in accordance with the treaty arrangements for the class of business in question.

Amounts paid to the reinsurers relating to the unexpired portion of reinsured contracts are classified as prepaid reinsurance premiums.

Reinsurance liabilities are classified as due to reinsurers and are primarily premiums payable under treaty reinsurance contracts after deduction of reinsurance recoverables on proportional contracts. Premiums to be ceded are recognized as an expense from the date the gross premiums are written and over the term of the reinsurance contract in the statement of comprehensive income.

Amounts shown as reinsurance recoverables, prepaid reinsurance premiums or due to reinsurers are measured consistently with the amounts associated with reinsured insurance contracts and in accordance with the terms of each reinsurance contract.

The Company assesses its reinsurance assets for any indication of impairment on an ongoing basis. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognizes that impairment loss in the statement of comprehensive income.

(iv) Portfolio Transfer

At the anniversary date of the reinsurance agreements and at the Company's option, proportional reinsurers agree to assume the unexpired liability of all risks in force at such anniversary date. The unexpired liability is computed in accordance with the method outlined in the reinsurance agreement and accounted for when determined in the statement of comprehensive income. For 2022, portfolio transfer premiums totaling $123,924 (2021 - $nil) were included in the premiums ceded to reinsurers in the statement of comprehensive income.

(v) Receivables and Payables Related to Insurance Contracts

Receivables and payables are recognized when the contractual right to receive payment and contractual obligation to make payment arise, respectively. These include amounts due to and from agents and reinsurers and are assessed for impairment and doubtful accounts. As at December 31, 2022 and 2021, no provision was made for impairment or doubtful accounts in relation to insurance contracts.

(vi) Fronting Arrangements

Gross Written Premium includes the risk premium from fronting arrangements whereby the Company reinsures one hundred percent of an individual risk to an insurer not licensed to transact business in The Bahamas. The reinsured amounts are included within the amount shown as "Ceded to reinsurers". For 2022, the total risk premium pertaining to such arrangements amounts to $25,774,690 (2021: $23,205,795).

(b) Income and Expense Recognition

Premiums are recognized as revenue over the periods covered by the related policies after allowing for premiums ceded.

Commission expense is incurred on gross written premiums and commission income is received on premiums ceded, and these are recognized over the periods covered by the related policies.

Other revenues and expenses of the Company are recognized as follows:

i. Dividend income – recognized when the Company's right to receive payment has been established.

ii. Loyalty commission income and profit commission expense – recognized when the Company has right to receive, or obligation to make payment has been established.

iii. Treaty profit commission income – recognized in the year in which it is paid by reinsurers.

iv. Motor sliding scale commission income - recognized when the Company's right to receive payment has been established.

v. Fronting fees – recognized when premiums are billed to customers as the Company has no further service obligations associated with these fees.

(c) Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate prevailing at that date. Transactions in foreign currencies are translated to the functional currency at the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from settlement of such transactions and from translation of monetary assets and liabilities at year-end exchange rates are recognized in net income or loss in the statement of comprehensive income. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rates ruling at the dates that the values were determined. All foreign currency exchange differences relating to monetary items, including cash and bank balances, are recognized in the statement of comprehensive income.

(d) Investment Property

The Company classifies property held for capital appreciation as investment property. Investment property is carried at cost and measured in accordance with IAS 40 Property, Plant, and Equipment, and is stated at historical cost less accumulated depreciation and impairment losses. No depreciation is taken on land. The carrying value of investment property is assessed annually for any impairment losses.

The Company performs annual impairment assessments based on fair value less cost to sell. The fair value of investment property is determined by third-party professional appraisals, which are performed every three to five years.

The fair value of the investment property is based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

(e) Property, Plant, and Equipment

Property, plant, and equipment, except for land, are stated at historical cost less accumulated depreciation and impairment losses. Land is stated at cost and not subject to depreciation.

Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property, plant, and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant, and equipment. The cost of replacing part of an item of property, plant, and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognized in net income or loss in the statement of comprehensive income as incurred.

Depreciation is recognized in the statement of comprehensive income on a straight-line basis over the estimated useful lives of the assets, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives and depreciation rates for the current and corresponding period are as follows:

	Useful Lives Years	Depreciation Rates
Buildings	50	2%
Office furniture and equipment	6.67	15%
Computer equipment	5	20%
Motor vehicles	4	25%

When the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in other income on the statement of comprehensive income. Repairs and maintenance are charged to net income or loss in the statement of comprehensive income when the expenditure is incurred.

(f) Financial Instruments

A financial instrument is recognized when the Company becomes a party to the contractual provisions that give rise to a financial asset for one entity and the financial liability for another entity. Regular way purchases and sales of financial instruments are accounted for at trade date, that is, the date the Company commits itself to purchase or sell the asset.

Financial instruments comprise investments in equity and debt securities, term deposits, loans and receivables, cash and bank balances and accounts payable and accruals.

Financial assets are initially measured at fair value. For assets not measured at fair value through profit or loss, any directly attributable transaction costs are added to the carrying value. Financial assets are subsequently measured into the below categories:

- Amortized cost
- Fair value through profit or loss

Each measurement category is determined by the business model for managing the asset and the asset's contractual terms. The assessment of the business model for financial instruments are performed at aggregate level groupings. The business model test aligns each instrument to the Company's business and operational objectives surrounding liquidity, risks and overall performance objectives. The assessment of the contractual cashflows are considered on an instrument by instrument basis and considers the timing and value of solely payments of principal and interest on the outstanding principal amount.

(i) Investments at Fair Value Through Profit or Loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of comprehensive income. Financial assets classified as fair value through profit or loss include investments in common shares, preference shares and mutual funds.

(ii) Investments at Amortized Cost

The Company measures financial assets at amortized cost if it is both held within a business model with the objective to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognised, modified or impaired.

Financial assets classified as investments at amortized cost include all notes and bonds, loans and other receivables and term deposits.

(iii) Cash and Bank Balances

Cash and bank balances comprise cash and deposits held with financial institutions with original maturities of less than three months. Bank overdrafts and margin loans, if any, that are repayable on demand and form an integral part of the Company's cash management, are included as a component of cash and bank balances for the purpose of the statement of cash flows.

(iv) Financial Liabilities

Financial liabilities are initially classified at amortized cost using the effective interest method with specific exceptions. Financial liabilities may be subsequently measured at fair value through profit or loss by irrevocable option when permitted under the standard or when doing so results in more relevant information because it eliminates or reduces measurement or recognition inconsistency or if the financial liabilities performance is evaluated on a fair value basis.

The Company's financial liabilities are comprised of the accounts payable and accruals which are measured at amortized cost.

Financial liabilities arising from insurance contracts are measured at amortized cost.

(v) Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either; in the principal or, in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or most advantageous market must be accessible by the Company.

(vi) Fair Value Measurement

When available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Any equity security that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is stated at cost, including transaction costs, less impairment losses, if any. If a reliable measure of fair value becomes available subsequently, the instrument is measured at fair value.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price (i.e., the fair value of the consideration given or received). If the Company determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1 – quoted market price (unadjusted) in an active market for an identical instrument.

Level 2 – valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted market prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3 – valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

(g) Impairment

(i) *Financial Assets*

The Company recognizes a loss allowance for all debt securities measured at amortized cost or fair value through other comprehensive income using an expected credit loss model. The expected credit loss model uses forward looking information that is reasonable and supportable and does not depend solely on historical information. Expected credit losses (ECL) are the difference between the cashflows due in accordance with a contract and the cashflows that are expected to be received discounted using the effective interest rate. The expected credit loss model may assess financial assets on an individual basis or aggregated into groups with similar credit risk characteristics.

There are several approaches recommended for the calculations within the expected credit loss model including the below:

- General Approach

Under the general approach expected credit losses are categorized into one of three stages. Under stage 1 of the general approach, each financial asset or financial asset grouping will be measured for expected credit losses that result from default events that are possible within the 12 months subsequent to the current fiscal period (12-month ECL). Under stage 2 and 3 of the general approach, the financial asset or financial asset group must recognize an expected credit loss allowance for possible default events that may take place over the remaining life of the instrument (lifetime ECL). The categorization of an individual asset or asset group into stage 1, stage 2 or stage 3 is determined by whether there was a significant increase in credit risk since the initial recognition to the reporting date, with the exception of an asset that is categorized as low credit risk. The stage 1 ECL classification is used for low credit risk assets or assets that have shown significant improvement in credit quality and is reclassified from stage 2 or has had no significant change in credit risk since initial recognition. The stage 2 ECL classification is used for assets for which there has been a significant decrease in credit quality since initial recognition, or stage 3 assets that have shown significant improvement in credit quality. The stage 3 ECL is reserved for assets considered to be credit impaired.

The Company considers an instrument to be in default when contractual payments are 90 days past due or when information obtained indicates that the debtor is unlikely to pay outstanding contractual outstanding amounts in full.

- Simplified Approach

The simplified approach is applied to trade receivables and contract assets under the scope of IFRS 15 and lease receivables under the scope of IFRS 16. The approach enforces a lifetime expected credit loss calculation if elected and allows the use of a provision matrix. The provision matrix makes use of historical default patterns adjusted for forward looking factors and the current economic environment. The simplified approach does not require an entity to track the changes in credit risk, but, instead, requires the entity to recognize a loss allowance based on lifetime ECLs at each reporting date. This approach is not used as the Company does not have qualifying assets.

- Purchased or Originated Credit-Impaired Assets Approach

This approach is reserved for financial assets with high credit risk at initial recognition and at initial recognition a lifetime credit loss must be recognized. At the reporting date, cumulative changes in the lifetime expected credit loss since initial recognition are to be recognized.

This approach is not used as the Company does not have qualifying assets.

- Calculation of Expected Credit Losses

The approach elected by the Company is the general approach and all eligible assets have been assessed on an instrument by instrument basis. The calculation method selected by the Company is the probability of default method. The expected credit loss calculation considers several possible outcomes upon default and within certain outcomes a recovery rate is incorporated. Under this method factors including the probability of default (PD), the exposure at default (EAD), the loss given default (LGD) and the effective interest rate (EIR) are determined.

  - The Probability of Default is an estimate of the likelihood of default over a given time horizon. It is estimated with consideration of economic scenarios and forward-looking information.

  - The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, and accrued interest from missed payments.

  - The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Company would expect to receive. It is usually expressed as a percentage of the EAD.

For each eligible asset, supportable and relevant information that includes both historical and forward looking was evaluated to determine the credit risk at initial recognition and at the reporting date. Qualitative and quantitative information assessed included, debtor background, external and internal credit ratings, payment history, financial report releases and general macroeconomic conditions. The asset is then allocated into one of three stages where either the 12-month ECL or the lifetime-ECL calculation is selected. All expected credit losses calculated are then discounted using the effective interest rate.

(ii) Non-Financial Assets

The carrying amounts of non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in income or loss. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(h) Taxation

(i) Premium Tax

Premium tax is incurred at a rate of 3.00% of gross written premiums in The Commonwealth of The Bahamas and 2.50% of gross written premiums in the Turks & Caicos Islands, British West Indies. Premium tax is recognized when the Company's obligation to make payment has been established.

(ii) Value Added Tax

Value Added Tax ("VAT") is a consumption tax that is charged on most goods and services provided in The Bahamas from a registered business. Registration is required for all businesses that exceed $100,000 in taxable activity for the past 12 months. On January 1, 2015, the Value Added Tax Act, 2014 (VAT), came into force thereby imposing a tax on all Property and General (and other casualty insurance, except exempt supplies) insurance services provided by the Company and a tax on all taxable inputs purchased by the Company at a rate of 7.5%. The Company has paid VAT on taxable inputs comprised of claims, commission and operating expenses from January 1, 2015 onward. On July 1, 2018, this rate was amended to 12% and further amended January 1, 2022 to 10%.

(iii) Business Licence Fees

Effective 1st July 2022, the Business Licence (Amendment) Act, 2022 was enacted. This Act establishes that all insurers with respect to their operations in the Commonwealth of the Bahamas pay a fee equivalent to 2.25 percent of annual turnover.

(i) Employee Benefits

The Company has a defined contribution pension plan for eligible employees whereby the Company pays contributions to a privately administered pension plan. The Company has no further payment obligations once the contributions have been paid. The plan requires participants to contribute 5.00% of their eligible earnings and such amounts are matched by the Company. The Company's contributions to the defined contribution pension plan are charged to income or loss in the year to which they relate.

(j) Related Parties

In accordance with IAS 24 Related party disclosures, all related entities, shareholders, directors, and key management personnel who have authority and responsibility for planning, directing, control, joint control and significant influence over the activities of the Company directly or indirectly through control or significant influence over the aforementioned parties are classified as related parties. See Note 7 for balance and transaction amounts.

(k) Dividends

Dividends proposed or declared after the reporting date are not recognized at the reporting date.

(l) New Standards, Interpretations, and Amendments to Published Standards Relevant to the Company that are Not Yet Effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective. The Company is currently assessing the impact of the new and revised standards.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation, and disclosure. IFRS 17 is effective January 1, 2023, and will replace IFRS 4 Insurance Contracts (IFRS 4) issued in 2005. IFRS 17 applies to all types of insurance contracts. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

This standard will bring significant changes to the accounting for insurance and reinsurance contracts and while there will be an impact to the Company's financial statements, the magnitude is currently being assessed. The Company will restate comparative information upon the adoption of IFRS 17, effective January 1, 2023. The impact of the initial application of IFRS 17 on the December 31, 2022 financial statements are not yet reasonably estimable.

The core of IFRS 17 is the general model, supplemented by:

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

(i) Identifying contracts in the scope of IFRS 17

When identifying contracts in the scope of IFRS 17 in some classes, the Company will assess whether a set or series of contracts, needs to be treated as a single contract and whether derivatives investment components and goods and services components have to be separated and accounted for under another standard. For insurance and reinsurance contracts, the Company does not expect significant changes arising from the application of these requirements.

(ii) Level of aggregation

Under IFRS 17, insurance contracts are aggregated into groups for measurement purposes. Groups of contracts are determined by first identifying portfolios of contracts, each comprising contracts subject to similar risks and that are managed together. Contracts in different product lines are expected to be in different portfolios. Each portfolio is then divided into annual cohorts and each annual cohort divided into three groups.

- any contracts that are onerous at initial recognition
- any contract that is on initial recognition has no significant possibility of becoming onerous subsequently and
- any remaining contracts in the annual cohort

When a contract is recognized, it is added to an existing group of contracts or if the contract does not qualify for inclusion in an existing group, it forms a new group to which future contracts may be added. The level of aggregation requirements of IFRS 17 limit the offsetting of gains on groups of profitable contracts, against gains on groups of onerous contracts, which are recognized immediately. Compared with the level at which the liability adequacy test is performed under IFRS 4, the level of aggregation under IFRS 17 is more granular and may result in some contracts being identified as onerous and losses on those onerous contracts being recognized sooner compared to IFRS 4.

(iii) 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 a group. The Company expects for certain contracts, that contract boundary requirements may change the scope of cash flows to be included in the measurement of existing recognized contracts. The period covered by the premiums within the contract boundary is the 'coverage period.'

Insurance Contracts

For insurance contracts, cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay premiums or has the substantive obligation to provide services.

Reinsurance Contracts

For reinsurance contracts, cash flows are within the contract boundary if they arise from the substantive rights and obligations that exist during the reporting period in which the company is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer.

The contract boundary will be reassessed at each reporting date to include the effect of changes in circumstances on the Company's substantive rights and obligations and, therefore, may change over time. The measurement of reinsurance contracts generally aligns with that of the underlying contracts.

(iv) Measurement Overview

IFRS 17 introduces a measurement model based on the estimates of the present value of future cash flows that are expected to arise as the company fulfills contracts, an explicit risk adjustment for non-financial risk and a contractual service margin for contracts are subject to different requirements depending on how they are classified.

Premium Allocation Approach (PAA)

The premium allocation approach is an optional simplified measurement model in IFRS 17 that is available for insurance and reinsurance contracts that meet the eligibility criteria. The Company anticipates it will be eligible for the application of the premium allocation approach as the following criteria are expected to be met for its insurance and reinsurance contracts:

- Insurance contracts: The general coverage period of each contract in the group is one year or less. These contracts provide compensation for an insured event occurring during the period which a policyholder can make a valid claim (e.g. coverage period). For those few contracts that exceed one year or more, the liability for remaining coverage estimated for that group would not be materially different from that which would be produced when applying the general measurement model approach.

- Reinsurance contracts: The coverage period of each contract in the group is one year or less.

The measurement principles of the PAA differ from the 'earned premium approach' used by the Company under IFRS 4 in the following key areas:

- The liability for remaining coverage reflects premiums received less deferred insurance acquisition cash flows and less amounts recognized in revenue for insurance services provided;

- Measurement of the liability for remaining coverage includes an adjustment for the time value of money and the effect of financial risk where the premium due date and the related period of services are more than 12 months apart;

- Measurement of the liability for remaining coverage involves an explicit evaluation of risk adjustment for non-financial risk when a group of contracts is onerous in order to calculate a loss component (previously these may have formed part of the unexpired risk reserve provision);

- Measurement of the liability for incurred claims (previously claims outstanding and incurred-but-not-reported (IBNR) claims) is determined on a discounted probability-weighted expected value basis and includes an explicit risk adjustment for non-financial risk. The liability includes the Company's obligation to pay other incurred insurance expenses;

- Measurement of the asset for remaining coverage (reflecting reinsurance premiums paid for reinsurance held) is adjusted to include a loss-recovery component to reflect the expected recovery of onerous contract losses where such contracts reinsure onerous direct contracts.

Insurance acquisition cash flows arise from activities of selling, underwriting and starting up a group of contracts that are directly attributable to the portfolio of contracts to which the group belongs. The Company will determine whether the acquisition cash flows will be recognized as expenses when incurred or to allocate the acquisition cash flows to groups of insurance contracts issued or expected to be issued using a systematic and rational basis over the coverage period. Insurance acquisition cash flows include those that are directly attributable to a group and to future groups that are expected to arise from renewals of contracts in that group.

(v) Presentation and Disclosure

IFRS 17 will significantly change how insurance contracts and reinsurance contracts are presented and disclosed in the Company's financial statements. Portfolios of insurance and reinsurance contracts issued that are assets and those that are liabilities as well as portfolios of reinsurance contracts held that are assets and those that are liabilities will be presented separately on the statement of financial position. All rights and obligations arising from a portfolio of contracts including any assets for insurance acquisition cash flows will be presented on a net basis. Therefore, balances such as reinsurance recoverables and outstanding claims will no longer be presented separately. Under IFRS 17, amounts recognized in the statement of comprehensive income will be aggregated into an insurance service result.

Amounts from reinsurance contracts will be presented separately. The separate presentation of underwriting and financial results will provide added transparency about the sources of profits and quality of earnings.

IFRS 17 requires extensive new disclosures about amounts in the financial statements including detailed reconciliations of contracts and information on significant judgments made when applying IFRS 17. There will be expanded disclosures about the nature and extent of risks from insurance and reinsurance contracts. Disclosures will generally be made at a more granular level then under IFRS 4, providing more transparent information for assessing the effects of contracts on the financial statements.

(vi) Transition

Management are assessing the Company's transition for the implementation of IFRS 17. IFRS 17 requires the application of the full retrospective approach unless impracticable. Alternatively, the modified retrospective approach is permitted to allow use of reasonable and supportable information that is available without undue cost or effort to achieve the closest possible outcome to fully retrospective application.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. This standard will have limited impact to the Company.

Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Company.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary. The Company is currently assessing the impact of the amendments to determine the impact they will have on the Company's accounting policy disclosures.

(m) New Standards Adopted During the Year

The Company applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2022. Although these new standards and amendments have been applied for the first time in 2022, they did not have a material impact on the annual financial statements of the Company. The nature and the impact of each new standard or amendment are described below:

- **Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16**

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments had no material impact on the Company.

- **IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities**

As part of its 2018-2022 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The amendments had no material impact on the Company.

4. Underwriting Policies and Reinsurance Agreements

The Company follows the policy of underwriting and reinsuring all contracts of insurance, which limit the retained liability of the Company. The reinsurance of contracts does not, however, relieve the Company of its primary obligation to the policyholders. In the event that the reinsurers are unable to meet their obligations under the reinsurance agreements, the Company would also be liable for the reinsured amount. The Company's credit risk management procedures are detailed in Note 16.

Aon Limited, whose registered office is in London, England, a related party, is the Company's reinsurance broker and acts as the intermediary between the Company and the reinsurers. Reinsurance contracts between the Company and its reinsurers are renewable annually in accordance with the terms of the individual contracts.

	2022	**2021**
Recoverables under excess of loss reinsurance for claims paid and outstanding	$ 229,796	$ 556,587
Recoverables under proportional contracts for outstanding claims *(Note 12)*	7,481,000	10,775,189
	$ 7,710,796	**$ 11,331,776**

Amounts due to reinsurers of $2,286,120 (2021 – $4,136,453) represents premiums ceded to the reinsurers, less reinsurance recoverables on proportional contracts.

5. Cash and Bank Balances

The Company earned no interest per annum on operating accounts denominated in Bahamian dollars. Interest earned on demand deposits amounted to $nil (2021 – $nil).

6. Term Deposits

Term deposits with banks include accrued interest totalling $190,143 (2021 – $62,501). The term deposits are held for more than three months from the date of acquisition and have the following maturities and interest rates disclosed in the table below.

To meet its requirement under the Insurance Act 2005 in The Bahamas, as outlined in Note 17 under capital management, the Company renewed its term deposit of $1,285,988 (2021 – $1,279,591) with a maturity date of December 21, 2023, and it is held with a recognized financial institution in The Bahamas.

The Company is also required under the Insurance Regulations in Turks and Caicos to meet certain capital requirements as outlined in Note 17, and as such holds a restricted deposit of $535,902 (2021 – $534,726), with a maturity date of December 7, 2023, with a recognized financial institution in Turks and Caicos.

	Interest Rates – 2022		2022	Interest Rates – 2021		2021
3 months to one year	0.22%-2.25%	$	5,404,347	0.22%-2.25%	$	9,571,579
Over one to five years	1.95% - 2.50%		5,353,467	2.25%		1,008,569
Loss allowance for expected credit losses on term deposits			(2,366)			(2,366)
		$	**10,755,448**		**$**	**10,577,782**

7. Related Parties Balances and Transactions

J.S. Johnson, the Company's parent, serves as its sole agent (referred to as agents) in accordance with the Agency Agreement entered on January 1, 2000. The remaining shareholders of the Company represent certain shareholders and key management personnel of J.S. Johnson. The Company and J.S. Johnson also have certain directors in common. Aon UK Holdings Intermediaries Ltd. (formerly Bain Hogg Management Ltd.), a company incorporated in the United Kingdom, and a subsidiary of Aon Limited ("Aon"), is the principal shareholder of J.S. Johnson. Aon, through its subsidiaries, serves as the Company's reinsurance broker. Amounts due from agents are interest free and are settled over a 65-day period. Included in this balance is a $500,000 reserve held for the purpose of settling claims. The financial statements include the following balances and transactions with related parties:

Balances		2022		2021
Parent Company				
Due from agents	$	9,091,150	$	10,226,293
Deferred commission reserve		6,421,615		6,149,011
Investments in securities – fair value through profit or loss *(Note 8)*		472,800		465,000
Related Entity				
Due to reinsurers		(2,286,120)		(4,136,453)
Directors				
Directors fees payable		(25,500)		(25,500)
Other Shareholders				
Dividend payable		(201,957)		(34,119)
Transactions				
Parent Company				
Gross written premiums		59,867,548		55,869,461
Gross Premiums written - fronting arrangements		25,774,690		23,205,795
Dividend income		18,600		16,800
Commission expense *(Note 11)*		(13,022,447)		(12,216,728)
Profit and loyalty commission *(Note 11)*		(1,410,121)		(1,153,645)
Management fees		(50,000)		(50,000)
Dividend paid		(454,966)		(232,204)
Advertisement expenses		(19,500)		(10,000)
Other Shareholders				
Dividend paid		(682,450)		(348,306)
Directors				
Directors fees		(128,000)		(128,000)

8. Investments in Securities

(i) Securities at Fair Value Through Profit or Loss

Securities at fair value through profit or loss principally comprise marketable equity securities. Movements during the year were as follows:

	2022	2021
As of beginning of year	$ 9,524,871	$ 8,428,455
Additions	-	1,316,003
Disposals	-	(446,441)
Change in net unrealized gains during the year	816,952	226,854
As of end of year	$ 10,341,823	$ 9,524,871

As of December 31, 2022, the cost of securities fair valued through profit or loss was $7,058,241 (2021 – $7,058,241).

The Company holds 30,000 (2021 – 30,000) shares of J.S. Johnson valued at $472,800 (2021 – $465,000) (Note 7) at a cost of $211,500 (2021 – $211,500).

Included in prepayments and other receivables is $nil (2021 – $5,180) relating to dividends receivable at December 31, 2022.

(ii) Investments at Amortized Cost

Investments at Amortized cost consist of the following:

	Interest Rates	Maturity	Amortized Cost 2022	Interest Rates	Maturity	Amortized Cost 2021
Bahamas Government Registered Stock	4.39% - 5.60%	2023-2049	5,548,455	4.39% - 5.60%	2022-2049	6,328,526
Bahamas Government Stock Tranche 1	6.25%	2044	501,370	6.25%	2044	501,370
Bahamas Government Stock Tranche 2	-	-	-	4.50%	2022	1,021,674
Clifton Heritage Authority	5.50%	2035	282,980	5.50%	2035	282,980
College of The Bahamas	7.00%	2026	142,885	7.00%	2026	178,605
Nassau Airport Dev. Co. Senior Notes	8.50%	2031	285,066	8.50%	2031	315,000
Nassau Airport Dev. Co. Senior Notes	7.50%	2035	1,806,207	7.50%	2035	1,676,861
The Bridge Authority Bond	6.25%	2024	130,078	6.25%	2024	130,078
Public Hospital Authority Ser A	6.00%	2033	587,703	6.00%	2033	641,130
Loss Allowance			(396,940)			(345,007)
			$ 8,887,804			**$ 10,731,218**

Included in investments at amortized cost is accrued interest totalling $119,329 (2021 – $143,924). For the year ended December 31, 2022, the interest income for the investments at amortized cost was $405,627 (2021 - $486,669).

In accordance with the Note Purchase Agreement dated December 31, 2018 for Nassau Airport Development Company – 7.5% Participating Debt Note, the issuer exercised its rights under the Agreement to capitalize any unpaid interest due on the Quarterly Date and increase the principal amount of the Participating Debt Note by the amount equal to such capitalized interest. In accordance with IFRS 9, when modifying debt, the Company must determine whether the change in carrying value is substantial or replaced by new debt with substantially different terms. In accordance with the reporting standard, these contractual cash flows have been modified and did not result in derecognition, as such the Company has recognized a modification gain of $129,346 (2021 - $120,083) within in the statement of comprehensive income.

In accordance with the Note Purchase Agreement dated March 20, 2009, for Nassau Airport Development Company – 8.5% Senior Secured Note, the issuer has exercised its rights under the Agreement to prepay the principal in a number of instalments until the maturity date in 2031. During 2022, the Company received $30,000 (2021 – $30,000) towards the principal of the Secured Note.

In accordance with the Note Purchase Agreement dated June 24, 2011, for The College of The Bahamas, the issuer has exercised its rights under the Agreement to prepay the principal in a number of instalments until the maturity date in 2026. During 2022, the Company received $35,714 (2021 – $35,714) towards the principal of the Secured Note.

In accordance with the Note Purchase Agreement dated November 13, 2013, for Public Hospital Authority, the issuer has exercised its rights under the Agreement to prepay the principal in a number of instalments until the maturity date in 2033. During 2022, the Company received $52,632 (2021 – $52,632) towards the principal of the Secured Note.

(iii) Fair Value Hierarchy

Securities at fair value through profit or loss and available for sale securities are categorized as Level 2 as at December 31, 2022 and 2021. There has been no transfer of financial instruments between Level 1 and Level 2 during each of the years ended December 31, 2022 and 2021.

Fair Value of Financial Instruments:

The Company's financial instruments are either measured at fair value as of the reporting date or are carried at values that approximate fair value. Except for balances due from agents, fair value estimates are made at a specific point in time, based on market conditions, and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore, cannot be determined with precision.

Except as stated elsewhere in the Notes, the carrying amounts of the Company's financial assets and liabilities approximate their fair values due to one or both of the following reasons:

- immediate or short-term maturity;
- carrying amount approximates or equals market value.

Because of the interest-free nature and uncertainty surrounding the timing of the settlement of outstanding claims, management is unable to estimate the fair value of these financial instruments.

9. Investment Property

As at December 31, 2022, the Company's investment property is comprised of one parcel of land, with a carrying value of $536,916 (2021 – $536,916).

Investment property is assessed annually for any indication of impairment, one of the factors being considered is the estimated fair value. The fair value of the investment property based on the independent appraisal was $613,000. The Company has a policy in place to perform appraisals every three to five years for the purpose of facilitating impairment assessment only as the Company uses the cost method.

10. Property, Plant and Equipment

	Land	Building	Furniture & Equipment	Computer Equipment	Motor Vehicles	Total
Cost						
Balance as of January 1, 2022	$ 467,704	$ 953,379	$ 223,418	$ 302,353	$ 38,388	$ 1,985,242
Additions	-	-	2,822	39,114	-	41,936
Balance as of December 31, 2022	$ 467,704	$ 953,379	$ 226,240	$ 341,467	$ 38,388	$ 2,027,178
Accumulated depreciation						
Balance as of January 1, 2022	$ -	$ 295,541	$ 216,554	$ 155,064	$ 24,792	$ 691,951
Depreciation charge	-	27,384	3,473	9,020	9,597	49,474
Balance as of December 31, 2022	$ -	$ 322,925	$ 220,027	$ 164,084	$ 34,389	$ 741,425
Net carrying value as of:						
December 31, 2022	**$ 467,704**	**$ 630,454**	**$ 6,214**	**$ 177,384**	**$ 3,999**	**$ 1,285,753**
December 31, 2021	**$ 467,704**	**$ 657,838**	**$ 6,864**	**$ 147,289**	**$ 13,596**	**$ 1,293,291**

	Land	Building	Furniture & Equipment	Computer Equipment	Motor Vehicles	Total
Cost						
Balance as of January 1, 2021	$ 467,704	$ 953,379	$ 223,418	$ 229,295	$ 38,388	$ 1,912,184
Additions	-	-	-	73,058	-	73,058
Balance as of December 31, 2021	$ 467,704	$ 953,379	$ 223,418	$ 302,353	$ 38,388	$ 1,985,242
Accumulated depreciation						
Balance as of January 1, 2021	$ -	$ 268,156	$ 211,394	$ 150,939	$ 15,195	$ 645,684
Depreciation charge	-	27,385	5,160	4,125	9,597	46,267
Balance as of December 31, 2021	$ -	$ 295,541	$ 216,554	$ 155,064	$ 24,792	$ 691,951
Net carrying value as of:						
December 31, 2021	**$ 467,704**	**$ 657,838**	**$ 6,864**	**$ 147,289**	**$ 13,596**	**$ 1,293,291**
December 31, 2020	**$ 467,704**	**$ 685,223**	**$ 12,024**	**$ 78,356**	**$ 23,193**	**$ 1,266,500**

The Company did not have any disposals during the period (2021 - $nil).

11. Net Commissions Incurred

	2022	2021
Commission earned from reinsurers	$ (14,735,367)	$ (13,682,104)
Commission expenses allocated to J.S. Johnson	14,432,569	13,370,373
	$ (302,798)	**$ (311,731)**

12. Outstanding Claims and Net Claims Incurred and Unearned Premiums

Included in the statement of comprehensive income is net claims incurred as follows:

		2022		2021
Claims incurred	$	9,374,435	$	13,066,668
Less: recoverable from reinsurers		(7,965,261)		(11,861,490)
	$	**1,409,174**	**$**	**1,205,178**

Assumptions, Change in Assumptions and Sensitivity

(i) Process Used to Decide on Assumptions

The reserving process commences at the moment an insured reports a claim and there is prima facie evidence that the Company is liable under the policy. An initial reserve is established at that point based on the best information available. Assuming liability is subsequently confirmed, the reserve is revised whenever more detailed information becomes available concerning the nature of the injury or physical damage involved. The setting of reserves is the responsibility of the agency's claims manager who will use external legal or other expert advice where appropriate. Where the initial reserve exceeds the agency's claims settling threshold, the adequacy of the reserve will also be discussed with the Company. An established reserve is expected to be sufficient to meet the final cost of a claim whenever it is finally determined.

A provision for incurred but not reported ("IBNR") claims has been established for each class of business and is monitored for accuracy at each year end. In determining the accuracy of the provision, management reviews the historical cost of IBNR claims and amends the provision, where necessary, taking into account statistical trends, and changes in the shape and size of the portfolio. An additional provision for any inadequacy in case reserves, incurred but not enough reserved ("IBNER") may also be established following advice from the external actuary. Both provisions are combined to form the development IBNR balance.

All claims reserves are established on a gross basis and the Company accounts to proportional reinsurers for their share through quarterly returns. Claims recoverable against Excess of Loss reinsurers are made on a case by case basis on proof of payment being established.

(ii) Sensitivity Analysis – Claims Development

The development of long tail insurance liabilities provides a measure of the Company's ability to estimate the ultimate value of claims. Accurate claims reserving is crucial to the long-term health of the Company as it allows for more accurate pricing of products and also generates the necessary level of confidence on the part of both reinsurers and shareholders. Management uses a variety of statistical tools, including "Loss Triangulations" developed annually on an accident year basis to monitor the development of the Company's long tail liabilities.

The following table shows the development of the Company's claims costs by accident year over the period of 2017 to 2022:

Insurance Claims - Gross Accident Year		**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**Total**
Estimate of ultimate costs at end of accident year	$	22,949,341	11,847,932	238,746,786	10,649,200	9,781,200	10,750,538	
One year later		21,572,268	11,154,592	228,868,843	9,178,693	8,620,499		
Two years later		21,375,182	11,101,755	233,341,280	8,548,899			
Three years later		21,365,088	11,082,220	233,856,713				
Four years later		21,351,708	11,071,661					
Five years later		21,287,547						
Total Incurred to date	$	21,287,547	11,071,661	233,856,713	8,548,899	8,620,499	10,750,538	$ 294,135,857
Cumulative payments to date	$	(20,930,065)	(10,722,182)	(233,368,915)	(7,717,901)	(7,864,651)	(6,129,786)	(286,733,500)
Liability recognized in statement of financial position	$	357,482	349,479	487,798	830,998	755,848	4,620,752	7,402,357
Liability in respect of prior years (1997 to 2016)								1,561,643
Gross claims outstanding included in the statement of financial position								**$ 8,964,000**

Insurance Claims - Net Retention Accident Year		**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**Total**
Estimate of ultimate costs at end of accident year	$	3,811,300	1,936,539	25,674,981	1,738,095	1,523,799	1,822,157	
One year later		3,520,185	1,903,184	38,757,126	1,653,470	1,434,741		
Two years later		3,541,876	1,904,532	40,424,778	1,550,106			
Three years later		3,543,379	2,123,338	40,935,107				
Four years later		3,542,166	3,713,406					
Five years later		3,529,917						
Total Incurred to date	$	3,529,917	3,713,406	40,935,107	1,550,106	1,434,741	1,822,157	$ 52,985,434
Cumulative payments to date	$	(3,470,995)	(3,660,984)	(40,861,938)	(1,421,541)	(1,317,289)	(1,007,851)	(51,740,598)
Liability recognized in statement of financial position	$	58,922	52,422	73,169	128,565	117,452	814,306	1,244,836
Liability in respect of prior years (1997 to 2016)								238,164
Net claims outstanding included in the statement of financial position								**$ 1,483,000**

As at December 31, 2022, outstanding claims of $8,964,000 (2021 – $12,441,000) are shown gross of reinsurance recoverable of $7,481,000 (2021 – $10,775,189) as disclosed in Note 4.

Included in gross outstanding claims is a provision of $2,105,688 (2021 – $2,294,259) for gross claims incurred but not reported as of the year end.

Reinsurance balances shown on the below table are shown net of recoverables under the excess of loss reinsurance for claims paid and outstanding.

	2022			2021		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Outstanding claims at January 1 consists of:						
Notified claims	$ 10,146,741	$ (8,816,106)	$ 1,330,635	$ 18,554,914	$ (16,244,964)	$ 2,309,950
Development Incurred but not reported	2,294,259	(1,959,083)	335,176	2,496,082	(2,141,261)	354,821
Total claims outstanding	**$ 12,441,000**	**$ (10,775,189)**	**$ 1,665,811**	**$ 21,050,996**	**$ (18,386,225)**	**$ 2,664,771**
Cash paid for claims settled in the year	(12,587,522)	11,143,347	$ (1,444,175)	$ (21,494,491)	$ 20,000,762	$ (1,493,729)
Increase/(Decrease) in liabilities						
arising in current year claims	6,667,656	(5,690,096)	977,560	4,126,664	(4,396,434)	(269,769)
arising from prior years claims	2,631,439	(2,422,977)	208,462	8,959,654	(8,175,470)	784,184
movement in development IBNR	(188,573)	263,915	75,342	(201,823)	182,178	(19,645)
Total claims outstanding	**$ 8,964,000**	**$ (7,481,000)**	**$ 1,483,000**	**$ 12,441,000**	**$ (10,775,189)**	**$ 1,665,811**

	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Outstanding claims at December 31 consists of:						
Notified claims	$ 6,858,312	$ (5,785,829)	$ 1,072,483	$ 10,146,741	$ (8,816,106)	$ 1,330,635
Development Incurred but not reported	2,105,688	(1,695,171)	410,517	2,294,259	(1,959,083)	335,176
Total claims outstanding	**$ 8,964,000**	**$ (7,481,000)**	**$ 1,483,000**	**$ 12,441,000**	**$ (10,775,189)**	**$ 1,665,811**

(iv) Unearned Premium Reserve

	2022			2021		
Year Ended December 31	**Gross**	**Reinsurance**	**Net**	**Gross**	**Reinsurance**	**Net**
At beginning of the year	$ 26,733,994	$ (23,063,154)	$ 3,670,840	$ 25,314,896	$ (21,682,877)	$ 3,632,019
Net increase/(decrease) in the year	1,253,183	(1,121,542)	131,641	1,419,098	(1,380,277)	38,821
Total at end of the year	**$ 27,987,177**	**$ (24,184,696)**	**$ 3,802,481**	**$ 26,733,994**	**$ (23,063,154)**	**$ 3,670,840**

Included in the statement of comprehensive income is the net increase in unearned premium reserve of $131,641 (2021 – net increase of $38,821).

These provisions represent the liability for short-term insurance contracts for which the Company's obligations are not expired at year-end.

13. General Reserve

The Company has made an appropriation to a general reserve for unforeseeable risks and future losses. The general reserve can only be distributed following approval by the Board of Directors.

14. Pension Plan

The Company's employees are members of J.S. Johnson Pension Plan, a defined contribution plan covering all eligible employees. This plan provides for benefits to be paid upon retirement. Employees are required to contribute an amount equal to 5.00% of their eligible earnings, which is matched by the Company. The amount charged to income or loss in the statement of comprehensive income during the year for pension costs was $22,233 (2021 – $23,518).

15. Dividends

During 2022, the Board of Directors declared dividends in the amount of $1,137,416 (2021 – $580,510). As of December 31, 2022, dividends payable amounted to $201,957 (2021 – $34,119) included in accounts payable and accruals in the statement of financial position.

16. Risk Management

The Company is exposed to insurance risk and financial risk through its insurance assets and insurance liabilities, financial assets and financial liabilities. The insurance risk covers such things as the vagaries of the weather, the unpredictability of serious injury losses and fortuitous events such as outbreaks of fire. The main components of the financial risk are credit risk, liquidity risk and interest-rate risk. The Company's financial performance is affected by its capacity to understand and effectively manage these risks. The Company's challenge is not only to measure and monitor these risks but also to manage them as profit opportunities. A critical goal of the Company is to ensure that its financial assets are always more than sufficient to fund the obligations arising from its insurance contracts. The following Notes expand on the nature of the aforementioned risks and the manner in which the Company manages them.

(a) Insurance Risk

Insurance risk is the risk that an insured event might occur. At the individual policy level and also at the portfolio level, there is uncertainty in terms of both frequency of occurrence and severity of loss. For any given portfolio of insurance contracts, where the theory of probability is applied to pricing and loss reserving, the principal risk that the Company faces is that claims and other costs might exceed premiums earned. This could occur because the frequency or severity of claims is greater than estimated or that estimated original policy rates prove not to be sustainable or a combination of both.

Experience shows that the greater the commonality of risk within a class of business, the smaller will be the relative variability in the expected outcome.

In addition, a more diversified portfolio is less vulnerable to a deterioration in the loss experience in any particular class of business. The Company has developed its underwriting strategy to produce a diversified portfolio of insurance risks. Within each of the individual classes of business it has sought to achieve, wherever possible, a sufficiently large population of risks to reduce the variability of the expected outcome.

At the macro level, the Company suffers from a lack of diversification in the sense that it only insures the non-life risks of individuals located in The Bahamas and Turks and Caicos; therefore, there is a concentration of insurance risk within the industry sector and territory in which the Company operates.

<u>Casualty Insurance Risks</u>

(i) Frequency and Severity of Claims

The frequency and severity of claims can be affected by several factors. Claims frequency can be influenced by changes in the size, composition, and quality of a portfolio. Changes in social/economic conditions can also severely impact claims frequency.

Claim severity is impacted by such things as general inflation. In the case of liability claims, the most significant factor is the increasing level of awards for personal injury. Claims involving serious long-term injury can take five years or more to settle.

The Company manages these risks by means of its well-developed underwriting and reinsurance strategies and also by adopting a proactive approach to claims handling. The underwriting strategy attempts to ensure that the portfolio remains biased towards high quality risks. Underwriting guidelines are in place to enforce appropriate risk selection criteria. The reinsurance arrangements include both proportional and catastrophe excess of loss coverage. The effect of such reinsurance arrangements is to limit the total net insurance loss that the Company can suffer in any one year.

(ii) Sources of Uncertainty in the Estimation of Future Claim Payments

Claims on casualty contracts are payable on a claims-occurrence basis. The Company is liable for all insured events that occur during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, liability claims are settled over a long period of time and an element of the claims provision relates to IBNR claims and unexpired risks. Given the uncertainty in establishing claims provisions, it is likely in many cases that the final cost of a claim will vary significantly from the initial reserve. In calculating the estimated cost of outstanding claims (both reported or not), the Company uses various industry standard loss estimation techniques and the experience of its agents in settling claims of similar type.

<u>Property Insurance Contracts</u>

(i) Frequency and Severity of Claims

For property insurance contracts, climatic changes are giving rise to more frequent severe extreme weather events (e.g., hurricanes, flooding, etc.) and their consequences. The Company has the right to re-price each individual risk on renewal. It also has the ability to impose or increase deductibles. Contracts are priced on the basis of the commercial replacement value of the properties and contents insured. The sum insured represents the maximum amount payable under a policy. The cost of repairing or rebuilding properties, the cost of providing indemnity for damaged or stolen contents and the time taken to restart business operations (business interruption insurance) are the key factors that influence the value of claims under these policies. The most likely cause of major loss under the property portfolio arises from a hurricane or other serious weather-related event. The Company has reinsurance coverage in place to limit the impact of such losses in any one year.

The Company underwrites property insurance in The Bahamas and Turks and Caicos.

(ii) Sources of Uncertainty in the Estimation of Future Claim Payments

The development of large losses/catastrophes is analysed separately. Property claims can be estimated with greater reliability due to the shorter settlement period for these claims resulting in lesser amounts of IBNR held at year-end.

(b) Credit Risk

Credit risk arises from the failure of a counterparty to perform according to the terms of the contract. In the normal course of business, the Company seeks to limit its exposure to losses that may arise from any single occurrence. Reinsurance is primarily placed using a combination of proportional and excess of loss treaties. Obtaining reinsurance does not, however, relieve the Company of its primary obligations to the policyholders, therefore the Company is exposed to the risk that the reinsurers may be unable to fulfil their obligations under the contracts.

The Company seeks to mitigate this risk by placing its reinsurance coverage with large multi-national companies and syndicates. The Company, with the assistance of its reinsurance broker, also evaluates the financial condition of its reinsurers and monitors the credit risk of the reinsurers on an ongoing basis to minimize its exposure to significant losses from reinsurer insolvency. The Company’s placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract.

The Company’s main exposure to credit risk emanates from reinsurers in the form of prepaid premiums held or claims recoverables still to be made/paid under the various proportional and excess of loss treaties and is disclosed in total on the statement of financial position. It is the Company’s policy that no single counterparty exposure should exceed 25% of the total reinsurance assets at any given time. In addition, the Company’s proportional treaties contain a “Reinsurer Participation Review Clause”, which provides the Company with the option of cancelling any individual reinsurer’s participation whose financial strength rating (as determined by Standard & Poor’s and/or A.M. Best) falls below A- or equivalent and to call for the return of prepaid premiums and loss reserves. The Company is required to serve notice of its intention within thirty days of the date of downgrade.

The second largest concentration of credit risk outside of reinsurance contracts exists with the Company's investments categorized as debt securities. The Company invests solely in the Bahamas and Turks & Caicos geographic region. In order to ensure effective management of the investment assets, the Company has set in place an investment policy reviewed by the executive committee which defines the structure and procedures for the operation of the asset portfolio. Concentration of credit risk in relation to term deposits is mitigated by ensuring no more than 40% of all term deposits is in any one financial institution. All financial institutions used for term deposits and brokerage/custody services must be deemed reputable and credit worthy. Credit risk for loans and receivables is mitigated by ensuring sufficient and reasonable forms of secured collateral are set in place. Within the investment policy are portfolio allocation and tolerance ranges set out for each class of investment assets. This ensures that a higher allocation of funds available are invested in lower risk securities including bonds, government backed corporate entities and financially sound companies. There have been no changes to this policy from the previous period. The Summary of Significant Accounting Policies section (g) Impairment covers further procedures used to identify and calculate allowance for expected credit losses.

	January 1, 2022 ECL	ECL Adjustment	December 31, 2022 ECL
Term Deposits	$ 2,366	$ -	$ 2,366
Investments at Amortized Cost	345,007	51,933	396,940
	$ 347,373	$ 51,933	$ 399,306

Credit Risk Exposure

As a part of the assessment of credit risk for debt securities, a combination of qualitative and quantitative information is assessed including debtor background, external and internal credit ratings, payment history, financial report releases and general macroeconomic conditions. The assets can then be categorized into three internal credit risk grades: low, medium and high. The low-grade rating entails evidence of impairment incurred such as default or delinquent payments of principal or interest, or evidence of other indicators such as bankruptcy, restructuring or poor fiscal performance. The high-grade rating is defined mostly by the lack of historical default, high quality external ratings and solid fiscal performance. The medium grade ratings may entail a combination of the previously mentioned factors. The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit risks grades:

	2022		2021	
	High Grade	Medium Grade	High Grade	Medium Grade
Cash and Cash Equivalents	$ 6,824,132	$ -	$ 3,139,187	$ -
Term Deposits	10,755,448	-	10,577,782	-
Due from agents	9,091,150	-	10,226,293	-
Investments at Amortized Cost	-	8,887,804	-	10,731,218
Reinsurance Assets	7,710,796	-	11,331,776	-
Total Credit Risk Exposure	$ 34,381,526	$ 8,887,804	$ 35,275,038	$ 10,731,218

The below table shows the carrying value of the loss allowances measured at an amount equal to the 12-month expected credit losses and the loss allowances measured at an amount equal to lifetime expected credit losses by credit risk grade:

	2022		2021	
	12-month ECL	Lifetime ECL	12-month ECL	Lifetime ECL
High Grade	$ 2,366	$ -	$ 2,366	$ -
Medium Grade	-	396,940	-	345,007
Total Credit Risk Exposure	$ 2,366	$ 396,940	$ 2,366	$ 345,007

There are no credit impaired debt securities recognized at December 31, 2022.

Expected Credit Losses

The Company continuously monitors all assets subject to ECLs. In order to determine the stage of the ECL calculation under the general approach, the Company must assess whether there has been a significant increase in credit risk since initial recognition. Qualitative and quantitative information are used to analyze credit risk. These include a variety of sources such as multiple external credit rating sources like Moody's and Standards and Poor ratings agencies, changes in general macroeconomic conditions including but not limited to the GDP, unemployment rates, interest rates and debt ratios, historical and current payment defaults and other financial information releases. During 2020, the nation underwent a dramatic shift in economic status due to the outbreak of the COVID-19 global pandemic. The credit rating of the nation's sovereign debt weakened, unemployment levels increased and the gross domestic product linked to the country's main industry of tourism faced historic pressures as a result of government mandated restrictions. Since this time, the nation has shown slight signs of economic recovery with some ease of government mandated restrictions although the credit ratings further lowered in 2022. As a result of this analysis, the Company has determined that there remains a significant increase in credit risk for all Bahamas Government Registered Stock and government affiliated bonds and notes. Due to the increased risk, the expected credit loss for these investments will remain at the Stage 2: lifetime credit loss calculation.

The following table reconciles the aggregate opening ECL allowances to the ending aggregate ECL allowances under IFRS 9.

	January 1, 2022 ECL		ECL Adjustment		December 31, 2022 ECL	
	12m ECL	LT ECL	12m ECL	LT ECL	12m ECL	LT ECL
Term Deposits	$ 2,366	$ -	$ -	$ -	$ 2,366	$ -
Investments at Amortized Cost	-	345,007	-	51,933	-	396,940
	$ 2,366	$ 345,007	$ -	$ 51,933	$ 2,366	$ 396,940

The following table is an analysis of changes in the gross carrying value which corresponds to the above changes in ECL:

	January 1, 2022 Carrying Value		Change in Carrying Value		December 31, 2022 Carrying Value	
	12m ECL	LT ECL	12m ECL	LT ECL	12m ECL	LT ECL
Term Deposits	$ 10,577,782	$ -	$ 177,666	$ -	$ 10,755,448	$ -
Investments at Amortized Cost	-	10,731,218	-	(1,843,414)	-	8,887,804
	$ 10,577,782	$ 10,731,218	$ 177,666	$ (1,843,414)	$ 10,755,448	$ 8,887,804

(c) Liquidity Risk

The objective of liquidity management is to ensure the availability of sufficient funds to honour all of the Company's financial commitments including claims. The Company maintains a level of liquid assets, which mature or could be sold immediately to meet cash requirements for normal operating purposes.

The tables included in Note 6 for term deposits and Note 8 for investments in securities at amortized cost show the expected recovery or settlement of financial instruments held from the dates of acquisition. Cash and bank balances as disclosed in Note 5 have original maturities of less than three months.

The following Table summarizes the expected recovery or settlement of financial assets held (within 12 months from the reporting date) and the maturity profile of the Company's liabilities relating to financial instruments and insurance contracts:

	2022			2021		
	Current	Non-current		Current	Non-current	
Year Ended December 31	Less than 12 months	More than 12 months	Total	Less than 12 months	More than 12 months	Total
Cash and bank balances	$ 6,824,132	$ -	$ 6,824,132	$ 3,139,187	$ -	$ 3,139,187
Term deposits	5,404,347	5,351,101	10,755,448	9,571,579	1,006,203	10,577,782
Reinsurance recoveries	7,710,796	-	7,710,796	11,331,776	-	11,331,776
Due from agent	9,091,150	-	9,091,150	10,226,293	-	10,226,293
Investment in securities			-			
Fair value through profit or loss	10,341,823	-	10,341,823	9,524,871	-	9,524,871
Amortized cost	-	8,887,804	8,887,804	1,021,674	9,709,543	10,731,217
Total	**$ 39,372,248**	**$ 14,238,905**	**$ 53,611,153**	**$ 44,815,380**	**$ 10,715,746**	**$ 55,531,126**

	2022			2021		
	Current	Non-current		Current	Non-current	
Financial liabilities	Less than 12 months	More than 12 months	Total	Less than 12 months	More than 12 months	Total
Outstanding claims	$ 8,964,000	$ -	$ 8,964,000	$ 12,441,000	$ -	$ 12,441,000
Due to reinsurers	2,286,120	-	2,286,120	4,136,453	-	4,136,453
Accounts payable and accruals	859,073	206,057	1,065,130	801,415	38,219	839,634
Total	**$ 12,109,193**	**$ 206,057**	**$ 12,315,250**	**$ 17,378,868**	**$ 38,219**	**$ 17,417,087**
Liquidity Gap	**$ 27,263,055**	**$ 14,032,848**	**$ 41,295,903**	**$ 27,436,512**	**$ 10,677,527**	**$ 38,114,039**

(d) Market risk

Market risk is the risk that changes in market prices, such as interest rates and equity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Interest Rate Risk

Interest rate risk for the Company is comprised of the risk that the value of financial assets may fluctuate significantly as a result of changes in market interest rates. The Company mitigates this risk by investing in interest-bearing assets with floating interest rates or investing for short time periods. The rates of interest on financial instruments are disclosed in Notes 5, 6, and 8 in the financial statements.

The table below summarizes the Company's exposure to interest rate risk. Included in the table are the Company's assets and liabilities at carrying amounts, categorized by the earlier of contractual re-pricing or maturity dates.

At December 31, 2022	Up to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	Non-Interest Bearing	Total
Assets						
Cash & bank balances	$ -	$ -	$ -	$ -	$ 6,824,132	$ 6,824,132
Term deposits	-	5,404,347	5,351,101	-	-	10,755,448
Reinsurance recoverables	-	-	-	-	7,710,796	7,710,796
Due from agent	-	-	-	-	9,091,150	9,091,150
Deferred commission reserve	-	-	-	-	6,421,615	6,421,615
Prepaid reinsurance premium	-	-	-	-	24,184,696	24,184,696
Prepayments and other receivables	-	-	-	-	14,225	14,225
Investments in securities						
Fair value through profit or loss	-	-	-	-	10,341,823	10,341,823
Amortized cost	-	-	-	8,887,804	-	8,887,804
	$ -	$ 5,404,347	$ 5,351,101	$ 8,887,804	$ 64,588,437	$ 84,231,689
Liabilities						
Unearned premium reserve	$ -	$ -	$ -	$ -	$ 27,987,177	$ 27,987,177
Outstanding claims	-	-	-	-	8,964,000	8,964,000
Unearned commission reserve	-	-	-	-	5,984,296	5,984,296
Due to reinsurers	-	-	-	-	2,286,120	2,286,120
Accounts payable and accruals	-	-	-	-	1,065,130	1,065,130
	$ -	$ -	$ -	$ -	46,286,723	$ 46,286,723
Total interest sensitivity gap	$ -	$ 5,404,347	$ 5,351,101	$ 8,887,804	18,301,714	$ 37,944,966

At December 31, 2021	Up to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	Non-Interest Bearing	Total
Assets						
Cash & bank balances	$ -	$ -	$ -	$ -	$ 3,139,187	$ 3,139,187
Term deposits	-	9,571,579	1,006,203	-	-	10,577,782
Reinsurance recoverables	-	-	-	-	11,331,776	11,331,776
Due from agent	-	-	-	-	10,226,293	10,226,293
Deferred commission reserve	-	-	-	-	6,149,011	6,149,011
Prepaid reinsurance premium	-	-	-	-	23,063,154	23,063,154
Prepayments and other receivables	-	-	-	-	30,406	30,406
Investments in securities						
Fair value through profit or loss	-	-	-	-	9,524,871	9,524,871
Amortized cost	-	-	1,021,674	9,709,543	-	10,731,218
	$ -	$ 9,571,579	$ 2,027,877	$ 9,891,274	$ 63,464,698	$ 84,955,429
Liabilities						
Unearned premium reserve	$ -	$ -	$ -	$ -	26,733,994	$ 26,733,994
Outstanding claims	-	-	-	-	12,441,000	12,441,000
Unearned commission reserve	-	-	-	-	5,723,247	5,723,247
Due to reinsurers	-	-	-	-	4,136,453	4,136,453
Accounts payable and accruals	-	-	-	-	839,634	839,634
	$ -	$ -	$ -	$ -	49,874,328	$ 49,874,328
Total interest sensitivity gap	$ -	$ 9,571,579	$ 2,027,877	$ 9,891,274	13,590,371	$ 35,081,100

At December 31, 2022, an increase of 25 basis points in interest rates with all other variables remaining constant, would have increased the net income of the Company by approximately $49,108 (2021 – $53,727). A decrease of 25 basis points would have an equal but opposite effect with all other variables remaining constant.

Price Risk

Price risk is the risk that the value of the financial instruments will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all financial instruments traded in the market.

As the Company's investments in securities at fair value through profit or loss are carried at fair value with fair value changes recognized in income or loss in the statement of comprehensive income, all changes in market conditions will directly affect operating income.

The Company is exposed to price risks arising from equity investments. Price risk is mitigated by the Company by investing in a diversified portfolio of instruments. Equity investments are held for strategic rather than trading purposes and the Company does not actively trade these investments.

17. Capital Management

Externally imposed capital requirements are set by The Insurance Commission of the Bahamas ("the Commission") and by the Financial Services Commission in Turks and Caicos Islands ("TCI"). These requirements are put in place to ensure that the Company meets the relevant capital and solvency margins under the respective laws of The Bahamas and TCI.

The Company is registered under the Insurance Act 2005 ("the Act") and has met the required minimum paid up and unencumbered capital of $2,000,000. The Company maintains a statutory deposit in respect of its insurance business in The Bahamas, in accordance with Section 43(2) of the Act and regulation 62 of the Insurance (General) Regulations, 2012 ("the Regulations"). The Company established a Statutory Deposit Trust ("the Trust") in the sum of $1,000,000 with a recognized financial institution appointed as trustees of the Trust and the Insurance Commission of the Bahamas ("the Commission") as the protectors of the Trust; the deposit is included in the statement of financial position (refer to Note 6).

Solvency ratios are established on the basis of risk assessment for each particular entity. The Company is required to meet a minimum margin of solvency. The Act defines insolvency as the inability of the Company to pay its debts if, at any time, the value of its admissible assets does not exceed its liabilities by such amount as the Commission may prescribe. Of the value of admissible assets, at least 75% must be in the form of qualifying assets, as defined in regulation 70 of the Regulations.

As at December 31, 2022, the Company has complied with the regulatory imposed capital requirement, met the required restricted deposit and exceeded the minimum margin of solvency required under the Act.

The Company is registered as a Foreign Ordinary Company in accordance with the Insurance Ordinance 1989 ("Ordinance") in TCI and as such the Company's annual return, pursuant to section 4 of the Ordinance, includes the filing of the solvency margins on the consolidated business and TCI domestic business. The Company is required to maintain a minimum solvency margin relating to an excess of permitted assets over its liabilities. In addition, the Company is required to maintain a restricted deposit, as approved by the Financial Services Commission in TCI, with an approved financial institution in TCI, and as such $500,000 is included in term deposits in the statement of financial position (refer to Note 6).

As at December 31, 2022, the Company has met the required restricted deposit and its solvency requirement in accordance with the Ordinance.

18. Events After Reporting Date

Subsequent to December 31, 2022 up to the date of these financial statements, no events other than as set out in note 3(l) have occurred that would significantly impact these financial statements.

ICB