

GUARDIAN RE (SAC) LTD.  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31 DECEMBER 2020

GUARDIAN RE (SAC) LTD.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

<b>Contents</b>	<b>Page</b>
Statement of Management's Responsibility	2
Auditor's Report	3 - 4
Statement of Financial Position	5
Statement of Comprehensive Income	6
Statement of Changes in Equity	7
Statement of Cash Flows	8
Notes to the Financial Statements	9 - 46

GUARDIAN RE (SAC) LTD.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY

Management is responsible for the following:

- ▶ Preparing and fairly presenting the accompanying financial statements of Guardian Re (SAC) Ltd. which comprise the statement of financial position as at 31 December 2020, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information;
- ▶ Ensuring that the company keeps proper accounting records;
- ▶ Selecting appropriate accounting policies and applying them in a consistent manner;
- ▶ Implementing, monitoring and evaluating the system of internal control that assures security of the company's assets, detection/prevention of fraud, and the achievement of company operational efficiencies;
- ▶ Ensuring that the system of internal control operated effectively during the reporting period;
- ▶ Producing reliable financial reporting that comply with laws and regulations, including the Companies Act;
- ▶ Using reasonable and prudent judgement in the determination of estimates.

In preparing these audited financial statements, management utilised the International Financial Reporting Standards, as issued by the International Accounting Standards Board . Where International Financial Reporting Standards presented alternative accounting treatments, management chose those considered most appropriate in the circumstances.

Nothing has come to the attention of management to indicate that the company will not remain a going concern for the next twelve months from the reporting date; or up to the date the accompanying financial statements have been authorised for issue, if later.

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



DEAN ROMANY  
PRESIDENT  
23 April 2021



KEISHA THOMAS  
DIRECTOR  
23 April 2021



## **Independent Auditor's Report**

To the shareholder of Guardian Re (SAC) Limited

### **Report on the audit of the Company's financial statements**

#### **Our opinion**

In our opinion, the financial statements present fairly, in all material respects the financial position of Guardian Re (SAC) Limited (the Company) as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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

The Company's financial statements comprise:

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

#### **Basis for opinion**

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

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

#### ***Independence***

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

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

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

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

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

## **Independent Auditor's Report (Continued)**

### **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 scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The logo for PricewaterhouseCoopers, featuring the company name in a stylized, cursive blue font.

Port of Spain  
Trinidad, West Indies  
26 April 2021

GUARDIAN RE (SAC) LTD.

STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2020  
(Expressed in United States dollars)

	Notes	2020 \$'000	2019 \$'000
<b>Assets</b>			
Reinsurance assets	6	27,946	41,268
Due from parent	7	35,515	34,806
Receivables	8	11,415	13,998
Deferred acquisition costs	9	393	290
Cash and cash equivalents	10	<u>27,122</u>	<u>16,425</u>
<b>Total assets</b>		<u><u>102,391</u></u>	<u><u>106,787</u></u>
<b>Equity and liabilities</b>			
<b>Shareholders' equity</b>			
Share capital	11	26,338	26,338
Contributed surplus	12	3,382	3,382
Retained earnings		<u>25,145</u>	<u>15,429</u>
<b>Total equity</b>		<u>54,865</u>	<u>45,149</u>
<b>Liabilities</b>			
Insurance contracts	13	43,209	49,609
Due to affiliated companies	14	3	19
Payables and accruals	15	<u>4,314</u>	<u>12,010</u>
<b>Total liabilities</b>		<u>47,526</u>	<u>61,638</u>
<b>Total equity and liabilities</b>		<u><u>102,391</u></u>	<u><u>106,787</u></u>

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

On 23 April 2021, the Board of Directors of Guardian Re (SAC) Ltd. authorised these financial statements for issue.

 Director

 Director

GUARDIAN RE (SAC) LTD.

STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2020  
(Expressed in United States dollars)

	Notes	2020 \$'000	2019 \$'000
Gross premiums written		42,800	34,968
Outward reinsurance premiums		<u>(30,012)</u>	<u>(19,788)</u>
Net premiums written		12,788	15,180
Change in net provision for unearned premiums		<u>(994)</u>	<u>417</u>
Net insurance premium revenue		11,794	15,597
Reinsurance commission		<u>3,386</u>	<u>2,056</u>
<b>Underwriting revenue</b>		<u>15,180</u>	<u>17,653</u>
Gross claims incurred	13.1(a)	(5,114)	45,493
Reinsurers' share of claims incurred	13.1(a)	<u>10,202</u>	<u>(27,182)</u>
Net claims incurred		5,088	18,311
Acquisition costs		1,582	1,325
Change in deferred acquisition costs		(50)	101
Expenses of management		<u>304</u>	<u>339</u>
<b>Underwriting expenses</b>		<u>6,924</u>	<u>20,076</u>
<b>Underwriting profit/(loss)</b>		<u>8,256</u>	<u>(2,423)</u>
Investment income	16	53	3,794
Net realised loss on other assets	17	–	(2,468)
Net impairment (loss)/gain on financial assets		(9)	4
Other operating income	18	<u>1,416</u>	<u>1,039</u>
<b>Net investment and other income</b>		<u>1,460</u>	<u>2,369</u>
<b>Results of operating activities</b>		<u>9,716</u>	<u>(54)</u>
<b>Total comprehensive income/(loss) for the period</b>		<u>9,716</u>	<u>(54)</u>
Comprehensive income/(loss) attributable to equity holders of the parent		<u>9,716</u>	<u>(54)</u>

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

GUARDIAN RE (SAC) LTD.

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2020  
(Expressed in United States dollars)

	<b>Attributable to equity holders of the parent</b>			
	<b>Share capital \$'000</b>	<b>Contributed surplus \$'000</b>	<b>Retained earnings \$'000</b>	<b>Total equity \$'000</b>
<b>Balance at 1 January 2020</b>	26,338	3,382	15,429	45,149
Total comprehensive income	<u>—</u>	<u>—</u>	<u>9,716</u>	<u>9,716</u>
<b>Balance at 31 December 2020</b>	<u><u>26,338</u></u>	<u><u>3,382</u></u>	<u><u>25,145</u></u>	<u><u>54,865</u></u>
<b>Balance at 1 January 2019</b>	26,338	3,382	15,483	45,203
Total comprehensive loss	<u>—</u>	<u>—</u>	<u>(54)</u>	<u>(54)</u>
<b>Balance at 31 December 2019</b>	<u><u>26,338</u></u>	<u><u>3,382</u></u>	<u><u>15,429</u></u>	<u><u>45,149</u></u>

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



GUARDIAN RE (SAC) LTD.

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2020  
(Expressed in United States dollars)

	Notes	2020 \$'000	2019 \$'000
<b>Cash flows from operating activities</b>			
Profit/(loss) before taxation		9,716	(54)
<b>Adjustment for non-cash items:</b>			
Impairment of financial assets		9	(4)
Net realised loss on other assets	17	–	2,468
Impairment of receivables		–	8
<b>Adjustment for specific items included on the accruals basis:</b>			
Investment income	16	(53)	(3,794)
Dividends received from related party		–	3,603
Interest received		53	191
		<u>9,725</u>	<u>2,418</u>
<b>Operating profit before changes in operating assets/liabilities</b>			
(Decrease)/increase in insurance liabilities		(6,400)	11,698
Decrease/(increase) in reinsurance assets		13,322	(14,734)
Net movement in other operating assets/liabilities		<u>(5,953)</u>	<u>(5,918)</u>
<b>Cash generated/(used) by operating activities</b>			
		<u>10,694</u>	<u>(6,536)</u>
<b>Net cash provided by operating activities</b>			
		<u>10,694</u>	<u>(6,536)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>			
	10	<u>10,694</u>	<u>(6,536)</u>

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

GUARDIAN RE (SAC) LTD.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020  
(Expressed in United States dollars)

**1. Incorporation and business activities**

Guardian Re (SAC) Ltd. ("the Company") was incorporated under the laws of Bermuda on 6 November 1992. The Company is a wholly owned subsidiary of Guardian International Inc. ("GII"). GII is a company incorporated in Barbados on 5 October 2005 and is a licensed International Business Company which is wholly owned by Guardian Holdings Limited ("GHL"), which is incorporated in Trinidad and Tobago. The Company's registered office is Swan building, 26 Victoria Street, Hamilton, Bermuda.

GHL is 61.97% owned by NCB Global Holdings Limited ('NCBGH' and the 'Parent'), a limited liability holding company, which was incorporated in Trinidad and Tobago in December 2017. NCBGH is 100% owned by NCB Financial Company Limited ('NCBFG').

NCBFG was incorporated in Jamaica in April 2016 and is the financial holding company for the NCB Company. NCBFG is 52.46% owned by AIC (Barbados) Limited and the ultimate parent company is Portland Holdings Inc., incorporated in Canada. Portland Holdings Inc. is controlled by Hon. Michael A. Lee-Chin, O.J., a director of the Company. The NCB Financial Company provides a diversified range of financial services through its subsidiaries and associates.

The ordinary shares of GHL are listed on the Trinidad and Tobago Stock Exchange and NCBFG's ordinary shares are listed on the Jamaica Stock Exchange and the Trinidad and Tobago Stock Exchange.

The Company is licensed as a Class 3A insurer under The Insurance Act, 1978 (Bermuda), related Regulations and amendments thereto. The Company is registered under the Segregated Accounts Companies Act 2000 of Bermuda. The Company may establish segregated accounts where directed by the related insurance policy or reinsurance agreements. Creditors of segregated accounts established have no claim upon the assets of other segregated accounts or upon the Company's general assets. The Company does not have any segregated account as of 31 December 2020.

The Company acts as a reinsurer on business from cedants, which can be categorized as (1) affiliated insurance companies and (2) non related commercial insurers.

The affiliated insurance company business comprise of catastrophe aggregate excess of loss, catastrophe excess of loss reinstatement premium protection, and risk excess of loss in respect of underlying business written in the Caribbean.

The non-affiliated reinsurance is principally quota share participation on various geographically defined catastrophe aggregate excess of loss treaties in respect of business written by Sirius International Insurance Corporation and a quota share treaty of the General Insurance Account of Markerstudy Insurance Services Ltd. comprised principally of automobile and property insurance. The Markerstudy's General Insurance Account quota share treaty is in run-off and was not renewed in 2010.

GUARDIAN RE (SAC) LTD.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020  
(Expressed in United States dollars)  
(Continued)

## 2. Significant accounting policies

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

### 2.1 Basis of preparation

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS.

The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB). They have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

#### (a) New standards and amendments/revisions to published standards and interpretations effective in 2020

The following amendments to published standards took effect for the Company's accounting periods beginning on or after 1 January 2020:

##### **IFRS 3 Business Combinations - Amendments - Definition of a Business**

The amendments to IFRS 3 clarify the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendments:

- ▶ clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- ▶ remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs;
- ▶ add guidance to help determine whether a substantive process has been acquired;

GUARDIAN RE (SAC) LTD.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020  
(Expressed in United States dollars)  
(Continued)

**2. Significant accounting policies** (continued)

**2.1 Basis of preparation** (continued)

**(a) New standards and amendments/revisions to published standards and interpretations effective in 2020 (continued)**

**IFRS 3 Business Combinations - Amendments - Definition of a Business (continued)**

- ▶ narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs and other economic benefits; and
- ▶ introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or Company of similar assets.

**IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates Errors - Amendments - Definition of Material**

The amendments provide a revised definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.”

The amendments also clarify:

- ▶ that the reference to 'obscuring' information addresses situations in which the effect is similar to omitting or misstating that information. It also states that an entity assesses materiality in the context of the financial statements as a whole.
- ▶ the meaning of 'primary users of general purpose financial statements' to whom the financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

The amendments had no impact on the financial statements of the Company.

GUARDIAN RE (SAC) LTD.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020  
(Expressed in United States dollars)  
(Continued)

**2. Significant accounting policies** (continued)

**2.1 Basis of preparation** (continued)

**(a) New standards and amendments/revisions to published standards and interpretations effective in 2020 (continued)**

**IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates Errors - Amendments - Definition of Material (continued)**

**Revised Conceptual Framework for Financial Reporting**

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions. Key changes include:

- ▶ Increasing the prominence of stewardship in the objective of financial reporting, which is to provide information that is useful in making resource allocation decisions.
- ▶ Reinstating prudence, defined as the exercise of caution when making judgements under conditions of uncertainty, as a component of neutrality.
- ▶ Defining a reporting entity, which may be a legal entity, or a portion of an entity.
- ▶ Revising the definition of an asset as a present economic resource controlled by the entity as a result of past events.
- ▶ Revising the definition of a liability as a present obligation of the entity to transfer an economic resource as a result of past events.
- ▶ Removing the probability threshold for recognition and adding guidance on derecognition.
- ▶ Adding guidance on the information provided by different measurement bases and explaining factors to consider when selecting a measurement basis.
- ▶ Stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

The amendments had no impact on the Company's financial statements.

GUARDIAN RE (SAC) LTD.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020  
(Expressed in United States dollars)  
(Continued)

**2. Significant accounting policies** (continued)

**2.1 Basis of preparation** (continued)

**(b) New standards and amendments/revisions to published standards and interpretations effective in 2020 but not applicable to the Company**

The following new IFRS amendments that have been issued do not apply to the activities of the Company:

- ▶ IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, and IFRS 7 Financial Instruments: Disclosures - Amendments - Interest Rate Benchmark Reform

**(c) New standards, interpretations and revised or amended standards that are not yet effective and have not been early adopted by the Company**

The following is a list of new IFRS standards, interpretations and amendments issued that are not yet effective as at 31 December 2020 and have not been early adopted by the Company. The Company expects to implement these standards when they become effective.

**Effective 1 January 2021:**

- ▶ IFRS 16 Leases - Amendments - Covid-19-Related Rent Concessions

**Effective 1 January 2022:**

- ▶ IFRS 3 Business Combinations - Amendments - Reference to the Conceptual Framework
- ▶ IAS 1 Presentation of Financial Statements - Amendments - Classification of liabilities as current or non-current
- ▶ IAS 16 Property, Plant and Equipment - Amendments - Proceeds before intended use
- ▶ IAS 37 Provisions, Contingent Liabilities and Contingent Assets - Amendments - Onerous contract - Cost of fulfilling a contract
- ▶ Annual Improvements to IFRSs 2018 - 2020 Cycle:
  - ▶ IFRS 1 First-time Adoption of International Financial Reporting Standards - Amendments - Subsidiary as a first-time
  - ▶ IFRS 9 Financial Instruments - Amendments - Fees in the '10 per cent' test for derecognition of financial liabilities

The Company is currently evaluating the impact of these amendments, however they are not expected to have a material impact on the Company's financial statements.

GUARDIAN RE (SAC) LTD.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020  
(Expressed in United States dollars)  
(Continued)

**2. Significant accounting policies** (continued)

**2.1 Basis of preparation** (continued)

(c) **New standards, interpretations and revised or amended standards that are not yet effective and have not been early adopted by the Company** (continued)

**Effective 1 January 2023:**

► **IFRS 17 Insurance Contracts**

IFRS 17 will replace IFRS 4 Insurance Contracts and will materially change the recognition and measurement of insurance contracts and the corresponding presentation and disclosures in the Company's financial statements. In June 2020, the IASB released amendments which among other things, addressed concerns raised on the initial release of the standard, dealt with some implementation challenges, and confirmed the deferral of the standard's effective date as 1 January 2023.

IFRS 17 must be applied retrospectively, however if full retrospective application to a Company of contracts is impractical, the modified retrospective or fair value methods may be used. The standard requires entities to measure insurance contract liabilities in the statement of financial position as the total of (a) the fulfilment cash flows – the current estimates of amounts that the Company expects to collect from premiums and pay out for claims, benefits and expenses, including an adjustment for the timing and risk for those amounts; and (b) the contractual service margin – the future profit for providing insurance coverage.

The Company expects that IFRS 17 will have a significant impact on the Company's financial statements, tax and regulatory capital positions and other financial metrics that are dependent upon IFRS accounting values. The Company's assessment of the impact of IFRS 17, including work to ensure implementation by the effective date, is ongoing.

**Amendments Postponed:**

- **IFRS 10 and IAS 28 - Amendments - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture** - In December 2015, the IASB deferred the effective date of the amendments until such time it has finalised any amendments that result from its research project on the equity method of accounting.

GUARDIAN RE (SAC) LTD.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020  
(Expressed in United States dollars)  
(Continued)

**2. Significant accounting policies** (continued)

**2.2 Foreign currency translation**

**(a) Translation of transactions in foreign currencies**

The financial results of Guardian Re (SAC) Ltd. are prepared in the currency in which they conduct their ordinary course of business, which is referred to as functional currency.

Transactions occurring in currencies other than the functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

**(b) Translation to the presentation currency**

In preparing the financial statements, the results and financial position of all the Company's business segments are translated from their respective functional currencies to United States dollars, the presentation currency, as follows:

- (i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;
- (ii) Income and expenses for each statement of comprehensive income are translated at average exchange rates; and
- (iii) All resulting exchange differences are recognised as a separate component of equity.

**2.3 Financial assets**

**(a) Initial recognition and measurement**

Financial assets are recognised when the Company becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on settlement date, the date on which the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

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

The Company's financial assets include cash and cash equivalents, receivables arising from insurance contracts and reinsurance contracts and intergroup loan.

**(b) Receivables**

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, receivables are measured at amortized cost, using the effective interest rate method.

The business model is to hold assets and collect contractual cash flows or to collect contractual cash flows and sell and therefore the Company's business units assess whether the financial assets' cash flows represent solely payments of principal and interest. In making this assessment, the business units considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. the definition of interest. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020  
(Expressed in United States dollars)  
(Continued)

**2. Significant accounting policies** (continued)

**2.3 Financial assets** (continued)

(c) **Derecognition of financial assets**

A financial asset (or when applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- ▶ The rights to receive cash flows from the asset have expired.
- ▶ The Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement.
- ▶ The Company has transferred its rights to receive cash flows from the asset and either:
  - ▶ has transferred substantially all the risk and rewards of the asset, or
  - ▶ has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

**2.4 Impairment of financial assets**

At each reporting date, the Company assesses, on a forward-looking basis, the expected credit losses (ECL) associated with its financial assets measured at amortised cost .

- ▶ Debt securities that are determined to have low credit risk at the reporting date; and
- ▶ Other financial instruments for which credit risk has not increased significantly since initial recognition.

Lifetime ECL is the ECL that result from all possible default events over the expected life of a financial asset, whereas 12-month ECL is the portion of ECL that results from default events that are possible within the 12 months after the reporting date.

For receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Loss allowances for ECL are presented in the financial statements as follows:

- ▶ Financial assets measured at amortised cost: the loss allowance is deducted from the gross carrying amount of the assets in the statement of financial position. Movement in ECL is recognised in the statement of comprehensive income.

GUARDIAN RE (SAC) LTD.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020  
(Expressed in United States dollars)  
(Continued)

**2. Significant accounting policies** (continued)

**2.4 Impairment of financial assets** (continued)

*Significant increase in credit risk*

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring as at the reporting date with the risk of default occurring as at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

The quantitative assessment to identify whether a significant increase in credit risk has occurred for an exposure is performed by comparing:

- ▶ the remaining lifetime probability of default as at the reporting date; with
- ▶ the remaining lifetime probability of default for this point in time that was estimated at the time of initial recognition of the exposure.

The qualitative assessment to identify whether credit risk has increased significantly since initial recognition takes into account the following:

- ▶ Actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- ▶ Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations;
- ▶ Actual or expected significant changes in the operating results of the debtor;
- ▶ Significant increases in credit risk on other financial instruments of the debtor;
- ▶ Significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtor;
- ▶ Actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant change in the debtor's ability to meet its debt obligation.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020  
(Expressed in United States dollars)  
(Continued)

**2. Significant accounting policies** (continued)

**2.4 Impairment of financial assets** (continued)

*Significant increase in credit risk (continued)*

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrated otherwise.

Despite the aforementioned, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if the financial instrument has a low risk of default, the debtor has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the debtor to fulfil its contractual cash flow obligations. The Company considers a debt instrument to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

*Credit-impaired financial assets*

At each reporting date, the Company assesses whether financial assets carried at amortised cost is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- ▶ Significant financial difficulty of the debtor or issuer;
- ▶ A breach of contract, such as a default or past due event;
- ▶ The disappearance of an active market for a financial asset because of financial difficulties;
- ▶ It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation;  
or
- ▶ Rating agencies' assessments of creditworthiness.

*Definition of default*

The Company considers a financial asset to be in default when:

- ▶ the debtor is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- ▶ the debtor is past due more than 90 days unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate

In assessing whether a debtor is in default, the Company considers indicators that are qualitative, quantitative and based on data developed internally and obtained from external sources.

*Write-off*

The Company writes off financial assets, either partially or in full, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include ceasing enforcement activity and where the Company's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020  
(Expressed in United States dollars)  
(Continued)

**2. Significant accounting policies** (continued)

**2.4 Impairment of financial assets** (continued)

*Write-off (continued)*

If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount.

- (i) Probability of default - an estimate of the likelihood of default over a given time horizon;
- (ii) Loss given default - an estimate of the loss arising in the case where a default occurs at a given time; and
- (iii) Exposure of default - 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.

The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Forward-looking information considered by the Company includes economic data and forecasts published by governmental bodies and monetary authorities, supranational organisations such as the Organization for Economic Cooperation and Development and the International Monetary Fund, and selected private-sector and academic forecasters.

Expected credit losses are measured as the present value of all cash shortfalls i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive, discounted at the original effective interest rate.

The mechanics of the expected credit losses method are summarised below:

- ▶ A financial instrument that is not credit-impaired on initial recognition, a 12-month ECL allowance is calculated. The Company calculates the 12-month ECL allowance based on the expectation of a default occurring in the twelve months following the reporting date. The expected 12-month default probability is applied to a forecast exposure at default and multiplied by the expected loss given default, and discounted by the original effective interest rate.
- ▶ When a financial instrument has shown a significant increase in credit risk since initial recognition, the Company records an allowance for life-time ECL. The mechanics are similar to 12-month ECL calculation on a financial instrument that is not credit-impaired on initial recognition, but default probability and loss given default are estimated over the life of the instrument.
- ▶ A financial instrument that is credit-impaired, but is not a purchased or originated credit-impaired financial instrument, the Company records an allowance for lifetime ECL calculated similar to lifetime ECL on a financial instrument that has shown a significant increase in credit risk since initial recognition.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a Company of financial assets with similar credit risk characteristics and that Company of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment. The impairment assessment is performed at each statement of financial position date.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

(Expressed in United States dollars)  
(Continued)

**2. Significant accounting policies** (continued)

**2.4 Impairment of financial assets** (continued)

*Measurement of expected credit losses* (continued)

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the statement of income, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

**2.5 Fair value measurement**

The Company measures financial instruments and non-financial assets at fair value at each statement of financial position date.

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

- ▶ In the principal market for the asset or liability, or
- ▶ In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- ▶ Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- ▶ Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- ▶ Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable. Assets and liabilities, with the exception of freehold and investment properties, included in level 3 are held at cost, being the fair value of the consideration paid on acquisition and are regularly assessed for impairment. Freehold and investment properties included in level 3 are held at fair value which is currently the replacement value.

GUARDIAN RE (SAC) LTD.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020  
(Expressed in United States dollars)  
(Continued)

**2. Significant accounting policies** (continued)

**2.5 Fair value measurement** (continued)

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

**2.6 Offsetting financial instruments**

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

**2.7 Cash and cash equivalents**

Cash and cash equivalents include cash in hand, money market placements that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts and other short-term highly liquid investments with original maturities of three months or less.

**2.8 Share capital**

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

**2.9 Insurance contracts**

The Company issues contracts that transfer insurance risk. Insurance contracts are those contracts that transfer significant insurance risk. As a general guideline, the Company defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

**(a) Recognition and measurement**

For all these contracts, premiums are recognized as revenue (earned premiums) on a pro-rata basis over the period of coverage. The portion of premiums received on in-force contracts that relate to unexpired risks at the statement of financial position date is reported as an unearned premium liability. Premiums are shown before deduction of commissions payable to brokers and exclude any taxes or duties levied on such premiums. Premium income includes premiums collected by brokers not yet received by the Company.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

(Expressed in United States dollars)

(Continued)

**2. Significant accounting policies** (continued)

**2.9 Insurance contracts** (continued)

**(a) Recognition and measurement** (continued)

Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders. They arise from events that have occurred up to the statement of financial position date, even if they have not yet been reported to the Company. The Company does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using techniques such as the input of assessments for individual cases reported to the Company and statistical analyses for the claims incurred but not reported ("IBNR"). Estimates are continually revised as more information becomes available and for the effects of anticipated inflation. Adjustments arising on these revisions are recognized within claims expense in the current year.

**(b) Outstanding claims**

Provision for outstanding claims and the related costs of settlement are based on incidents reported before the end of the financial year and include appropriate provisions for claims incurred but not yet reported. Estimates are continually revised as more information becomes available and for the effects of anticipated inflation. Adjustments arising on these revisions are included with claims expense in the current year.

**(c) Deferred acquisition costs ("DAC")**

Commissions paid to brokers relating to securing new contracts and renewing existing contracts are capitalized as an intangible asset and subsequently amortized over the terms of the policies as the premium is earned. All other costs are recognized as expenses when incurred.

**(d) Liability adequacy test**

At each statement of financial position date, the Company assesses whether its recognized insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate, the deficiency is recognized in the statement of income and the amount of the relevant insurance liabilities is increased.

**(e) Reinsurance contracts held**

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held.

Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Company under which the contract holder is another insurer (inward reinsurance) are included within insurance contracts.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

(Expressed in United States dollars)

(Continued)

**2. Significant accounting policies** (continued)

**2.9 Insurance contracts** (continued)

**(e) Reinsurance contracts held** (continued)

The benefits to which the Company is entitled under its reinsurance contracts held are recognized as reinsurance assets. These assets consist of short-term balances due from reinsurers, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognized as an expense when due.

The Company assesses its reinsurance assets for impairment on a quarterly 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 income.

**(f) Receivables and payables related to insurance contracts**

Receivables and payables are recognized when due. These include amounts due to and from brokers and insurance contract holders. If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognizes that impairment loss in the statement of income.

**2.10 Revenue recognition**

**(a) Premium income**

Premium income is recognized on the accrual basis in accordance with the terms of the underlying contracts as outlined in Note 2.9 (b) (i) . The portion of unearned premium related to the unexpired portion of the policy is reflected in unearned premiums at the end of the year and is included in insurance contract liabilities. The reinsurer's share of unearned premiums is recognized as an asset and is included in reinsurance assets.

**(b) Interest income**

Interest income is recognized using the effective interest method. Dividend income is recognized when the right to receive payment is established.

**(c) Commission income**

Commissions are recognized on the accrual basis when the services have been provided.

**2.11 Dividend distribution**

Dividend distribution to the Company's shareholder is recognized as an appropriation in the financial statements in the period in which the dividends are approved by the Company's Board of Directors.



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020  
(Expressed in United States dollars)  
(Continued)

**3. Critical accounting estimates and judgements in applying accounting policies**

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. A source of estimation uncertainty in 2020 relates to the ongoing Covid-19 pandemic, which has impacted and continues to impact the (re)insurance markets in which the Company operates. Despite promising news in vaccine development, uncertainty remains over the extent and duration of the ongoing disruption to business while vaccine distribution scales up, and the timing and degree of the economic recovery that may be expected to follow. The Company has made forward-looking projections using the macroeconomic indicators, such as real GDP, unemployment, and inflation, which were available as at the end of the reporting period. The heightened uncertainty means an increased likelihood that actual economic outcomes will vary from estimates used, resulting in differences between the current accounting estimates and the actual future results of the Company.

**(a) The ultimate liability arising from claims made under insurance contracts**

The estimation of the ultimate liability arising from claims made under insurance contracts is an important accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims; in particular, the claims arising from motor contracts. At 31 December 2020, the carrying amount of insurance contracts was \$43,209,000 (2019: \$49,609,000).

**4. Management of insurance and financial risk**

The Company issues contracts that transfer insurance risk. This section summarizes these risks and the way the Company manages them.

**4.1 Insurance risk**

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

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

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and the type of industry covered.

**4.1.1 Property insurance contracts**

**Frequency and severity of claims**

For property insurance contracts, climatic changes give rise to more frequent and severe extreme weather events (for example, river flooding and hurricanes) and their consequences (for example, subsidence claims). For certain contracts, the Company has also limited the number of claims that can be paid in any policy year or introduced a maximum amount payable for claims in any policy year.

The Company's reinsurance arrangements consists of non proportional excess of loss placements on a per claimant and a per occurrence basis.

**4. Management of insurance and financial risk (continued)**

**4.2 Financial risk**

The Company is exposed to financial risk through its financial assets, reinsurance assets and insurance liabilities. In particular the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contracts. The components of this financial risk are interest rate risk, foreign currency risk, liquidity risk and credit risk. These risks arise from open positions in interest rate and currency, all of which are exposed to general and specific market movements.

Risk management is carried out by Executive Investment and Insurance Committees under policies approved by the Company's board of directors. The Company identifies, evaluates and hedges financial risks. The board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

**4.2.1 Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises two types of risk - interest rate risk and currency risk each of which are outlined below.

**(a) Interest rate risk**

Insurance contracts do not expose the Company to interest rate risk as these are undiscounted and contractually non-interest bearing. Exposure is managed largely by the use of natural hedges that arise by matching interest sensitive assets with liabilities of a similar nature. The Company also mitigates the effect of interest rate risk of the investment portfolio through the functioning of an Executive Investment Committee.

The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. For the sensitivity analysis, a 1% movement in interest rates was used for the United Kingdom (2019: 1%) and 1% for the United States market (2019: 1%). The effect of an increase in the above rates would result in no increase/decrease in the statement of comprehensive income for 2020 (2019: no increase/decrease).

**(b) Currency risk**

The Company takes on exposure to effects of fluctuations in the prevailing foreign currency rates on its financial position and cash flows. The Company acts as a reinsurer for cedant Guardian group companies that have operations in the Caribbean as well as participates in reinsurance arrangements with Sirius Insurance International corporation and Markerstudy Insurance Services Ltd. that underwrites risks on a worldwide basis. The main exposure to risks are in respect to the Euro and the Sterling. The Company's strategy for dealing with foreign exchange risk is to offset as far as possible foreign currency liabilities with assets denominated in the same currency.

The Company has an Executive Investment Committee that has oversight for the management of currency risk.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020  
(Expressed in United States dollars)  
(Continued)

4. Management of insurance and financial risk (continued)

4.2 Financial risk (continued)

4.2.1 Market risk (continued)

(b) Currency risk (continued)

The tables below summarize the Company's exposure to foreign currency exchange rate risk as at 31 December 2020. The Company's assets and liabilities at carrying amounts are included in the table categorized by currency positions expressed in US\$ equivalents.

	USD \$'000	GBP \$'000	EUR \$'000	Total \$'000
<b>As at 31 December 2020</b>				
<b>Total assets</b>	<u>61,949</u>	<u>25,580</u>	<u>14,861</u>	<u>102,391</u>
<b>Total liabilities</b>	<u>11,786</u>	<u>25,128</u>	<u>10,613</u>	<u>47,527</u>
<b>Net statement of financial position</b>	<u>50,163</u>	<u>452</u>	<u>4,248</u>	<u>54,864</u>
<b>As at 31 December 2019</b>				
<b>Total assets</b>	<u>73,609</u>	<u>20,901</u>	<u>12,276</u>	<u>106,786</u>
<b>Total liabilities</b>	<u>32,424</u>	<u>19,368</u>	<u>9,846</u>	<u>61,638</u>
<b>Net statement of financial position</b>	<u>41,185</u>	<u>1,533</u>	<u>2,430</u>	<u>45,148</u>

*Sensitivity analysis – currency risk*

The Company has significant foreign operations whose functional currencies are Pound Sterling (GBP) and Euro dollars (EUR). The Company is subject to foreign exchange risk as a result of the translation of the foreign operations whose functional currencies are different from the presentation currency of the Company. The sensitivity analysis for currency rate risk illustrates how changes in the fair value of the future cash flows of a financial instrument will fluctuate because of changes in the foreign currency exchange rates at the reporting date. For the sensitivity analyses in 2020, -1.7% movement in exchange rates was used for GBP while -8.9% was used for EUR. For 2019, 4.7% movement in exchange rates was used for GBP while 3.3% was used for EUR.

The table below shows the impact on the statement of comprehensive income at the reporting date:

	GBP \$'000	EUR \$'000	Total \$'000
Impact on statement of comprehensive income			
2020	(8)	(378)	(386)
2019	72	(80)	(8)

GUARDIAN RE (SAC) LTD.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020  
(Expressed in United States dollars)  
(Continued)

**Management of insurance and financial risk** (continued)

**4.2 Financial risk** (continued)

**4.2.2 Credit risk**

Credit risk is defined as the potential for loss that can occur as a result of an individual, counterparty or issuer being unable or unwilling to honour its contractual obligations to us. Some of the credit risk mitigation techniques include, where appropriate, the right to require initial collateral or margin, the right to terminate transactions or to obtain collateral (including guarantees) should unfavorable events occur.

(a) **Assets bearing credit risk**

The Company actively monitors the financial status of its reinsurers both by reference to publicly available information and the Financial Strength Ratings of Standard and Poors. All of the Company's reinsurers are rated "A-" or above by Standard and Poors. The ratings are assigned to reinsurance companies that have, in the opinion of Standard and Poors, a superior ability to meet their ongoing obligations to the primary insurer.

	<b>Gross exposure</b>		<b>Net Exposure</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Receivables	11,419	14,002	11,414	13,997
Due from parent	35,625	34,904	35,515	34,806
Reinsurance assets	27,946	41,268	27,946	41,268
Cash and cash equivalents	27,144	16,449	27,122	16,425
<b>Balance at end of year</b>	<b>102,134</b>	<b>106,623</b>	<b>101,997</b>	<b>106,496</b>

GUARDIAN RE (SAC) LTD.

NOTES TO THE FINANCIAL STATEMENTS

Gain on sale of associated company  
(Expressed in United States dollars)  
(Continued)

**Management of insurance and financial risk** (continued)

**4.2 Financial risk** (continued)

**4.2.2 Credit risk** (continued)

(b) **Credit quality of assets**

The credit quality of assets that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates.

**AAA**

An obligation rated 'AAA' has the highest rating assigned by Standard & Poor's. The obligor's capacity to meet its financial commitment on the obligation is extremely strong.

**AA**

An obligation rated 'AA' differs from the highest-rated obligations only to a small degree. The obligor's capacity to meet its financial commitment is very strong.

**A**

An obligation rated 'A' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor's capacity to meet its financial commitment on the obligation is still strong.

**BBB**

An obligation rated 'BBB' exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.

**Below BBB**

Obligations rated 'Below BBB' are regarded as having significant speculative characteristics. While such obligations will likely have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposures to adverse conditions.

**Not Rated**

This indicates that there is insufficient information on which to base a rating. These balances are current and are monitored regularly for impairment. This classification includes obligations due from individuals, short term securities and receivables arising under contracts of insurance underwritten in the international property and casualty business of the Company.

GUARDIAN RE (SAC) LTD.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020  
(Expressed in United States dollars)  
(Continued)

**Management of insurance and financial risk** (continued)

**4.2 Financial risk** (continued)

**4.2.2 Credit risk** (continued)

**(b) Credit quality of assets** (continued)

The following tables set out the credit quality analysis for financial assets measured at amortised cost

	12-month ECL \$'000	Lifetime ECL		Total \$'000
		Not credit impaired \$'000	Credit impaired \$'000	
<b>Receivables</b>				
<b>As at 31 December 2020</b>				
A	–	11,420	–	11,420
Gross carrying amount	–	11,420	–	11,420
Loss allowance	–	(5)	–	(5)
Net carrying amount	–	11,415	–	11,415
<b>As at 31 December 2019</b>				
A	–	14,003	–	14,003
Gross carrying amount	–	14,003	–	14,003
Loss allowance	–	(5)	–	(5)
Net carrying amount	–	13,998	–	13,998

GUARDIAN RE (SAC) LTD.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020  
(Expressed in United States dollars)  
(Continued)

4. Management of insurance and financial risk (continued)

4.2 Financial risk (continued)

4.2.2 Credit risk (continued)

(b) Credit quality of assets (continued)

	12-month ECL \$'000	Lifetime ECL		Total \$'000
		Not credit impaired \$'000	Credit impaired \$'000	
<b>Due from parent</b>				
<b>As at 31 December 2020</b>				
A	-	-	-	-
Below BBB	35,625	-	-	35,625
Gross carrying amount	35,625	-	-	35,625
Loss allowance	(110)	-	-	(110)
Net carrying amount	35,515	-	-	35,515
<b>As at 31 December 2019</b>				
A	-	-	-	-
Below BBB	34,904	-	-	34,904
Gross carrying amount	34,904	-	-	34,904
Loss allowance	(97)	-	-	(97)
Net carrying amount	34,806	-	-	34,806
<b>Cash and cash equivalents</b>				
<b>As at 31 December 2020</b>				
A	10,308	-	-	10,308
BBB	15,274	-	-	15,274
Below BBB	1,562	-	-	1,562
Gross carrying amount	27,144	-	-	27,144
Loss allowance	(22)	-	-	(22)
Net carrying amount	27,122	-	-	27,122
<b>As at 31 December 2019</b>				
A	9,022	-	-	9,022
BBB	7,427	-	-	7,427
Gross carrying amount	16,449	-	-	16,449
Loss allowance	(25)	-	-	(25)
Net carrying amount	16,425	-	-	16,425

GUARDIAN RE (SAC) LTD.  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 31 DECEMBER 2020  
 (Expressed in United States dollars)  
 (Continued)

**4. Management of insurance and financial risk** (continued)

**4.2 Financial risk** (continued)

**4.2.2 Credit risk** (continued)

**(b) Credit quality of assets** (continued)

The following table sets out the credit quality analysis for reinsurance assets.

<b>As at 31 December 2020</b>	<b>A</b>
Reinsurance assets	<b>\$'000</b> 27,946
<b>As at 31 December 2019</b>	<b>A</b>
Reinsurance assets	<b>\$'000</b> 41,268

**(c) Credit-impaired reinsurance and financial assets and collateral held**

The Company had no credit-impaired assets as at December 2020.

**(d) Loss allowance**

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial asset. Reconciling items include the following:

► Remeasurements, which comprise the impact of changes in model inputs or assumptions, including changes in forward-looking macroeconomic conditions.

	12-month ECL \$'000	Lifetime ECL		Total \$'000
		Not credit impaired \$'000	Credit impaired \$'000	
<b>Cash and cash equivalents</b>				
<b>Balance at 1 January 2020</b>	25	–	–	25
Remeasurements	(3)	–	–	(3)
<b>Balance at 31 December 2020</b>	<u>22</u>	<u>–</u>	<u>–</u>	<u>22</u>



GUARDIAN RE (SAC) LTD.  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 31 DECEMBER 2020  
 (Expressed in United States dollars)  
 (Continued)

4. Management of insurance and financial risk (continued)

4.2 Financial risk (continued)

4.2.2 Credit risk (continued)

(d) Loss allowance (continued)

	12-month ECL \$'000	Lifetime ECL		Total \$'000
		Not credit impaired \$'000	Credit impaired \$'000	
<b>Due from parent</b>				
<b>Balance at 1 January 2020</b>	25	–	–	25
Exchange rate adjustments	–	–	–	–
Remeasurements	(3)	–	–	(3)
<b>Balance at 31 December 2020</b>	<u>22</u>	<u>–</u>	<u>–</u>	<u>22</u>

**Credit Risk - Economic Variable Assumptions**

The most significant period-end assumptions used for the ECL estimate as at 31 December 2020 and 2019 are set out below.

The PDs and LGDs are impacted by long-term changes in the various data sets gathered from external rating agencies such as Moody's. Macroeconomic variables used in the Group's ECL models also include, but are not limited to, gross domestic product growth, inflation rates, national budget deficits, debt to GDP ratios for the various territories. Refer to the tables below for the ranges applied to each scenario for the two most significant assumptions.

	Scenario	Assumption
GDP Growth	Base	Stable
	Optimistic	Positive
	Pessimistic	Negative
	Acute Pessimistic	Negative
Inflation	Base	Positive
	Optimistic	Positive
	Pessimistic	Negative
	Acute Pessimistic	Negative

The weightings assigned to each economic scenario as at 31 December 2020 vary by jurisdiction and were as follows:

	Base	Optimistic	Pessimistic	Acute Pessimistic
Scenarios	65% - 70%	5% - 10%	15% - 20%	5% - 10%

GUARDIAN RE (SAC) LTD.  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020  
(Expressed in United States dollars)  
(Continued)

**4. Management of insurance and financial risk** (continued)

**4.2 Financial risk** (continued)

**4.2.2 Credit risk** (continued)

**(d) Loss allowance** (continued)

**Sensitivity analysis**

Set out below are the changes in ECL allowance at the reporting date that would result from a reasonably possible change in the probabilities of default (PDs) used by the Company.

	Actual PDs applied		Change in PD	Impact on ECL	
	2020	2019		2020 \$'000	2019 \$'000
Cash and cash equivalents	0.059% - 0.126%	0.050% - 0.160%	+/- 20%	4	5
Due from parent	0.436% - 0.436%	0.050% - 0.430%	+/- 20%	<u>22</u>	<u>20</u>
				<u>26</u>	<u>25</u>

**(e) Concentrations of risks of reinsurance and financial assets with credit risk exposure**

The concentration of credit risk is substantially unchanged compared to the prior year.

	A	BBB	Below BBB	Total
	\$	\$	\$	2020 \$
<b>As at 31 December 2020</b>				
Receivables	11,415	–	–	11,415
Due from parent	–	–	35,515	35,515
Reinsurance assets	27,946	–	–	27,946
Cash and cash equivalents	<u>10,308</u>	<u>15,257</u>	<u>1,557</u>	<u>27,122</u>
	<u>49,669</u>	<u>15,257</u>	<u>37,072</u>	<u>101,998</u>

	A	BBB	Below BBB	Total
	\$'000	\$'000	\$'000	\$'000
<b>As at 31 Decemebr 2019</b>				
Receivables	13,998	–	–	13,998
Due from parent	–	–	34,806	34,806
Reinsurance assets	41,268	–	–	41,268
Cash and cash equivalents	<u>9,022</u>	<u>7,403</u>	<u>–</u>	<u>16,425</u>
	<u>64,288</u>	<u>7,403</u>	<u>34,806</u>	<u>106,497</u>

**4. Management of insurance and financial risk** (continued)**4.2 Financial risk** (continued)**4.2.2 Credit risk** (continued)**(e) Concentrations of risks of reinsurance and financial assets with credit risk exposure** (continued)

The following table breaks down the Company's main credit risk exposure, as categorized by the industry sectors o

	<b>Financial institutions</b>	<b>Reinsurers</b>	<b>Other</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>As at 31 December 2020</b>				
Receivables	–	11,415	–	11,415
Due from parent	–	–	35,515	35,515
Reinsurance assets	–	27,946	–	27,946
Cash and cash equivalents	27,122	–	–	27,122
	<u>27,122</u>	<u>39,361</u>	<u>35,515</u>	<u>101,998</u>
<b>As at 31 December 2019</b>				
Receivables	–	13,998	–	13,998
Due from parent	–	–	34,806	34,806
Reinsurance assets	–	41,268	–	41,268
Cash and cash equivalents	16,425	–	–	16,425
	<u>16,425</u>	<u>55,266</u>	<u>34,806</u>	<u>106,497</u>

**Management of insurance and financial risk** (continued)**4.2 Financial risk** (continued)**4.2.3 Liquidity risk**

The Company is exposed to calls on its available cash resources mainly from claims arising from catastrophe events in relation to short term insurance contracts. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. An internally constituted investment committee sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of borrowing facilities that should be in place to cover claims.

The following table analyze the reinsurance and financial assets and insurance liabilities of the Company into relevant maturity groupings on the remaining period to the contractual or expected maturity date. Insurance contracts are at expected undiscounted cash flows. Reinsurance and financial assets are at contractual or expected discounted cash flows.

<b>Insurance and financial liabilities</b>	<b>Carrying amount</b>	<b>Contractual/expected undiscounted cash flows</b>	
		<b>Less than one year</b>	<b>One - five years</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>As at 31 December 2020</b>			
Insurance contracts	43,209	29,852	13,357
Other payables and accruals	4,315	4,315	–
Due to affiliated companies	3	3	–
<b>Total</b>	<u>47,527</u>	<u>34,170</u>	<u>13,357</u>
<b>As at 31 December 2019</b>			
Insurance contracts	49,609	39,928	9,680
Other payables and accruals	12,010	12,010	–
Due to affiliated companies	19	19	–
<b>Total</b>	<u>61,638</u>	<u>51,958</u>	<u>9,680</u>

GUARDIAN RE (SAC) LTD.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020  
(Expressed in United States dollars)  
(Continued)

4. Management of insurance and financial risk (continued)

4.2 Financial risk (continued)

4.2.3 Liquidity risk (continued)

	<u>Contractual/expected undiscounted cash flows</u>		
	Carrying amount \$'000	Less than one year \$'000	One - five years \$'000
<b>Reinsurance and financial assets</b>			
<b>As at 31 December 2020</b>			
Receivables	11,415	11,415	–
Reinsurance assets	27,946	16,542	11,404
Cash and cash equivalents	27,122	27,122	–
Due from parent	<u>35,515</u>	<u>35,515</u>	<u>–</u>
<b>Total</b>	<u>101,998</u>	<u>90,594</u>	<u>11,404</u>
<b>As at 31 December 2019</b>			
Receivables	13,997	13,997	–
Reinsurance assets	41,268	32,672	8,596
Cash and cash equivalents	16,425	16,425	–
Due from parent	<u>34,806</u>	<u>34,806</u>	<u>–</u>
<b>Total</b>	<u>106,496</u>	<u>97,900</u>	<u>8,596</u>

Insurance contracts and other financial liabilities are carried at undiscounted amounts. Reinsurance and financial assets are at contractual or expected discounted cash flows.

4.2.4 Capital management

The Company's objectives when managing capital are:

- a. To comply with the insurance capital requirements required by the regulators of the insurance markets where the Company operates;
- b. To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- c. To provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk.

GUARDIAN RE (SAC) LTD.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020  
(Expressed in United States dollars)  
(Continued)

**4. Management of insurance and financial risk** (continued)

**4.2 Financial risk** (continued)

**4.2.4 Capital management** (continued)

The Company is subject to insurance solvency regulations in accordance to the statutory requirements of Section 6 of Insurance Act. Every class 3A insurer is required to maintain minimum margin of solvency which is the greater of (A) \$1,000,000; (B) \$1,200,000 plus 15% of net premiums written greater than \$6,000,000; (C) 15% of net loss reserves and (D) 25% of insurer's Enhanced Capital Requirement (ECR) where ECR is calculated based on Bermuda Solvency Capital Requirement (BSCR) model. The BSCR is a risk-based mathematical model employed by the BMA to determine the capital adequacy levels of insurers.

For 2020 and 2019, the Company has met the minimum solvency and capital requirements.

The table below summarizes the regulatory capital held and the minimum regulatory capital requirement.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2020 and 2019.

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Regulatory capital held	<u>54,865</u>	<u>45,149</u>
Minimum regulatory capital	<u>5,812</u>	<u>6,442</u>

**5. Associate company**

The Company held interest of 39.217% in an un-listed UK-based holding company, Appleclaim Insurance Holdings Limited. This associate was dissolved in 15 June 2020. Prior to the winding-up of the company, a final distribution was made to the existing shareholders; the Company's share being US\$112,000 (Note 18).

GUARDIAN RE (SAC) LTD.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

(Expressed in United States dollars)

(Continued)

<b>6. Reinsurance assets</b>	<b>Current \$'000</b>	<b>Non- current \$'000</b>	<b>Total \$'000</b>
<b>2020</b>			
Claims reported and loss adjustment expenses	9,519	8,491	18,010
Claims incurred but not reported	1,976	2,913	4,889
Unearned premiums	<u>5,047</u>	<u>–</u>	<u>5,047</u>
	<u><u>16,542</u></u>	<u><u>11,404</u></u>	<u><u>27,946</u></u>
<b>2019</b>			
Claims reported and loss adjustment expenses	28,803	8,340	37,143
Claims incurred but not reported	173	256	429
Unearned premiums	<u>3,696</u>	<u>–</u>	<u>3,696</u>
	<u><u>32,672</u></u>	<u><u>8,596</u></u>	<u><u>41,268</u></u>

<b>7. Due from Parent</b>	<b>2020 \$'000</b>	<b>2019 \$'000</b>
Guardian International Inc.	35,515	34,806

The amount due from parent is unsecured, interest bearing and has fixed repayment

The outstanding balance as at year end amounted to \$35,515,000 broken down as follows:

	<b>\$'000</b>	<b>\$'000</b>
As at 31 December 2019	34,806	33,750
Add: Loan interest accrued	<u>721</u>	<u>1,049</u>
	35,527	34,799
Net movement in loss allowance	<u>(12)</u>	<u>7</u>
As at 31 December 2020	<u><u>35,515</u></u>	<u><u>34,806</u></u>

GUARDIAN RE (SAC) LTD.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020  
(Expressed in United States dollars)  
(Continued)

<b>8. Receivables</b>	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Brokers and insurance companies	938	4,674
Reinsurers	<u>10,477</u>	<u>9,324</u>
	<u>11,415</u>	<u>13,998</u>
Current	<u>11,415</u>	<u>13,998</u>

The fair values of receivables approximate their carrying values due to the short term nature of the expected cash flows.

There are no concentrations of credit risk with respect to receivables.

<b>9. Deferred acquisition costs</b>	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Total at beginning of year	290	396
Increase in the period	340	295
Release in the period	(290)	(396)
Net exchange differences	<u>53</u>	<u>(5)</u>
Total at end of year	<u>393</u>	<u>290</u>

GUARDIAN RE (SAC) LTD.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020  
(Expressed in United States dollars)  
(Continued)

<b>10. Cash and cash equivalents</b>	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash at bank and in hand	25,565	14,899
Cash and cash equivalents in mutual funds	<u>1,557</u>	<u>1,526</u>
	<u><u>27,122</u></u>	<u><u>16,425</u></u>

The average effective interest rate on cash and cash equivalents was 1.69% (2019: 1.22%).

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash and cash equivalents	25,582	14,913
Cash and cash equivalents of mutual fund unit holders	<u>1,562</u>	<u>1,537</u>
	27,144	16,450
Loss allowance	<u>(22)</u>	<u>(25)</u>
Net cash and cash equivalents	<u><u>27,122</u></u>	<u><u>16,425</u></u>
At beginning of year	16,425	22,966
Net movement in loss allowance	<u>3</u>	<u>(5)</u>
	16,428	22,961
At end of year	<u><u>27,122</u></u>	<u><u>16,425</u></u>
Net increase/(decrease) in cash used in cash flow	<u><u>10,694</u></u>	<u><u>(6,536)</u></u>

**11. Share capital**

*Authorized*

An unlimited number of ordinary shares of no par value

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Ordinary shares in issue as at 31 December 2020	26,338	26,338



GUARDIAN RE (SAC) LTD.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020  
(Expressed in United States dollars)  
(Continued)

**12. Contributed Surplus**

Contributed surplus represents cash contributed to the Company by its original shareholder in addition to its subscription to share capital.

<b>13. Insurance contracts</b>	<b>Current \$'000</b>	<b>Non-current \$'000</b>	<b>Total \$'000</b>
<b>2020</b>			
Reported claims outstanding	17,164	9,908	27,072
Claims incurred but not reported	<u>3,958</u>	<u>3,449</u>	<u>7,407</u>
Outstanding claims	21,122	13,357	34,479
Unearned premiums (Note 13.1 (b))	<u>8,730</u>	<u>—</u>	<u>8,730</u>
Total gross insurance liabilities	<u><u>29,852</u></u>	<u><u>13,357</u></u>	<u><u>43,209</u></u>
<b>2019</b>			
Reported claims outstanding	32,009	9,275	41,283
Claims incurred but not reported	<u>1,819</u>	<u>406</u>	<u>2,225</u>
Outstanding claims	33,827	9,680	43,507
Unearned premiums (Note 13.1 (b))	<u>6,101</u>	<u>—</u>	<u>6,101</u>
Total gross insurance liabilities	<u><u>39,928</u></u>	<u><u>9,680</u></u>	<u><u>49,609</u></u>

GUARDIAN RE (SAC) LTD.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

(Expressed in United States dollars)

(Continued)

**13. Insurance contracts** (continued)

**13.1 Movements in insurance liabilities and reinsurance assets**

**Insurance contracts:**

**(a) Claims and loss adjustment expenses/claims incurred but not reported**

Year ended 31 December	2020			2019		
	Gross \$'000	Reinsurance \$'000	Net \$'000	Gross \$'000	Reinsurance \$'000	Net \$'000
Notified claims	41,283	(37,143)	4,140	31,741	(22,861)	8,880
Incurred but not reported	<u>2,224</u>	<u>(429)</u>	<u>1,795</u>	<u>863</u>	<u>(1,218)</u>	<u>(355)</u>
Total at beginning of year	43,507	(37,572)	5,935	32,604	(24,079)	8,525
Cash paid for claims settled in the year	(6,066)	5,222	(844)	(35,099)	14,304	(20,795)
Increase in liabilities	(5,114)	10,202	5,087	45,493	(27,182)	18,311
Net exchange differences and other movements	<u>2,152</u>	<u>(750)</u>	<u>1,402</u>	<u>509</u>	<u>(614)</u>	<u>(105)</u>
Total at end of year	<u>34,479</u>	<u>(22,899)</u>	<u>11,580</u>	<u>43,507</u>	<u>(37,572)</u>	<u>5,935</u>
Notified claims	27,072	(18,010)	9,062	41,283	(37,143)	4,140
Incurred but not reported	<u>7,407</u>	<u>(4,889)</u>	<u>2,518</u>	<u>2,224</u>	<u>(429)</u>	<u>1,795</u>
	<u>34,479</u>	<u>(22,899)</u>	<u>11,580</u>	<u>43,507</u>	<u>(37,572)</u>	<u>5,935</u>

**(b) Provision for unearned premiums**

	2020			2019		
	Gross \$'000	Reinsurance \$'000	Net \$'000	Gross \$'000	Reinsurance \$'000	Net \$'000
Total at beginning of year	6,101	(3,695)	2,407	5,307	(2,454)	2,853
Increase in the period	8,447	(5,047)	3,400	6,133	(3,696)	2,437
Release in the period	(6,101)	3,697	(2,405)	(5,307)	2,455	(2,852)
Net exchange differences	<u>283</u>	<u>—</u>	<u>283</u>	<u>(31)</u>	<u>—</u>	<u>(31)</u>
Total at end of year	<u>8,730</u>	<u>(5,047)</u>	<u>3,685</u>	<u>6,101</u>	<u>(3,695)</u>	<u>2,407</u>

GUARDIAN RE (SAC) LTD.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020  
(Expressed in United States dollars)  
(Continued)

**13. Insurance contracts** (continued)

**13.2 Development claim tables - insurance contracts**

The development of insurance liabilities provides a measure of the Company's ability to estimate the ultimate value of claims. Claims development tables are disclosed on an accident year basis (where the reference is to the actual date of the event that caused the claim), with the exception of international property, motor and marine claims, which is disclosed by underwriting year account.

The top half of each table below illustrates how the Company's estimate of total claims outstanding for each accident year/underwriting year has changed at successive year ends. The bottom half of the table reconciles the cumulative claims to the amount appearing on the statement of financial position as per summary below.

						<b>Total \$'000</b>
Insurance claims - gross						
- By accident year						3,091
- By underwriting year						<u>31,388</u>
Total liability (Note 13.1 (a))						<u><u>34,479</u></u>
Insurance claims - net						
- By accident year						(667)
- By underwriting year						<u>12,247</u>
Total liability (Note 13.1 (a))						<u><u>11,580</u></u>
<b>Insurance claims - gross</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>Total</b>
<b>Accident year</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Estimate of ultimate claims costs:						
- at end of accident year	4,509	92,250	–	39,956	273	
- one year later	3,363	83,830	–	27,993	–	
- two years later	2,748	79,100	–	–	–	
- three years later	2,998	76,959	–	–	–	
- four years later	2,898	–	–	–	–	
Current estimate of cumulative claims	2,898	76,959	–	27,993	273	108,123
Cumulative payments to date	<u>(2,184)</u>	<u>(77,855)</u>	<u>–</u>	<u>(25,067)</u>	<u>(28)</u>	<u>(105,134)</u>
Liability recognised in the statement of financial position	<u>714</u>	<u>(896)</u>	<u>–</u>	<u>2,926</u>	<u>245</u>	2,989
Liability in respect of prior years						<u>102</u>
Total liability						<u><u>3,091</u></u>

GUARDIAN RE (SAC) LTD.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

(Expressed in United States dollars)

(Continued)

**Insurance contracts** (continued)

**13.2 Development claim tables - insurance contracts** (continued)

**Insurance claims - gross**

<b>Underwriting year</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Estimate of ultimate claims costs:						
- at end of underwriting year	3,855	4,011	3,104	1,640	3,234	
- one year later	4,392	4,921	3,513	2,438	-	
- two years later	4,122	4,732	3,262	-	-	
- three years later	4,024	4,660	-	-	-	
- four years later	3,968	-	-	-	-	
Current estimate of cumulative claims	3,968	4,660	3,262	2,438	3,234	17,562
Cumulative payments to date	<u>(3,580)</u>	<u>(3,606)</u>	<u>(2,225)</u>	<u>(931)</u>	<u>-</u>	<u>(10,342)</u>
Liability recognised in the statement of financial position	<u>388</u>	<u>1,054</u>	<u>1,037</u>	<u>1,507</u>	<u>3,234</u>	<u>7,220</u>
Liability in respect of prior years						<u>24,167</u>
Total liability						<u><u>31,388</u></u>

**Insurance claims - net**

<b>Accident year</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Estimate of ultimate claims costs:						
- at end of accident year	3,260	6,740	-	8,811	-	
- one year later	2,498	7,190	-	9,277	-	
- two years later	1,883	7,450	-	-	-	
- three years later	2,133	7,502	-	-	-	
- four years later	2,033	-	-	-	-	
Current estimate of cumulative claims	2,033	7,502	-	9,277	-	18,812
Cumulative payments to date	<u>(1,428)</u>	<u>(9,000)</u>	<u>-</u>	<u>(9,153)</u>	<u>-</u>	<u>(19,581)</u>
Liability recognised in the statement of financial position	<u>20</u>	<u>(1,498)</u>	<u>-</u>	<u>124</u>	<u>-</u>	<u>(769)</u>
Liability in respect of prior years						<u>102</u>
Total liability						<u><u>(667)</u></u>

GUARDIAN RE (SAC) LTD.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

(Expressed in United States dollars)  
(Continued)

**13. Insurance contracts** (continued)

**13.2 Development claim tables - insurance contracts** (continued)

<b>Insurance claims - net</b>						
<b>Underwriting year</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Estimate of ultimate claims costs:						
- at end of underwriting year	3,855	4,011	3,104	1,640	3,234	
- one year later	4,392	4,921	3,513	2,438	-	
- two years later	4,122	4,732	3,262	-	-	
- three years later	4,024	4,660	-	-	-	
- four years later	3,968	-	-	-	-	
Current estimate of cumulative claims	3,968	4,660	3,262	2,438	3,234	17,562
Cumulative payments to date	<u>(3,580)</u>	<u>(3,606)</u>	<u>(2,225)</u>	<u>(931)</u>	<u>-</u>	<u>(10,342)</u>
Liability recognised in the statement of financial position	<u>389</u>	<u>1,054</u>	<u>1,037</u>	<u>1,507</u>	<u>3,234</u>	7,221
Liability in respect of prior years						<u>5,026</u>
Total liability						<u><u>12,247</u></u>

GUARDIAN RE (SAC) LTD.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

(Expressed in United States dollars)

(Continued)

	2020	2019
	\$'000	\$'000
<b>14. Due to affiliated companies</b>		
Guardian General Insurance Limited	3	14
Guardian Shared Services Limited	<u>–</u>	<u>5</u>
	<u><u>3</u></u>	<u><u>19</u></u>

The amounts due to affiliated companies are unsecured, non-interest bearing and have no fixed repayment terms.

	2020	2019
	\$'000	\$'000
<b>15. Payables and accruals</b>		
Due to reinsurers	1,185	7,824
Trade payables and accrued expenses	<u>3,129</u>	<u>4,186</u>
	<u><u>4,314</u></u>	<u><u>12,010</u></u>

	2020	2019
	\$'000	\$'000
<b>16. Investment income</b>		
Receivables – interest income	24	26
Dividend income from related party	–	3,603
Cash and cash equivalents – interest income	<u>29</u>	<u>165</u>
	<u><u>53</u></u>	<u><u>3,794</u></u>

	2020	2019
	\$'000	\$'000
<b>17. Net realised loss on other assets</b>		
Loss on disposal of subsidiary	<u>–</u>	<u>(2,468)</u>

	2020	2019
	\$'000	\$'000
<b>18. Other operating income</b>		
Foreign exchange gain/(loss)	582	(10)
Other income	112	–
Loan interest from related party	<u>721</u>	<u>1,049</u>
	<u><u>1,416</u></u>	<u><u>1,039</u></u>

**19. Taxation**

Bermuda does not impose any form of taxation on receipts, dividends, capital gains, gifts or net income. In the event that such taxes are levied, the Company has received an assurance from the Bermuda government to be exempted from all such taxes until 31 March 2035.

GUARDIAN RE (SAC) LTD.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

(Expressed in United States dollars)

(Continued)

**20. Related party transactions**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. The following transactions were entered into with subsidiaries within the Guardian Holdings Limited Group in the normal course of business.

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Income</b>		
Nemwil Corporate Capital Limited	–	3,603
Guardian International Inc.	721	1,049
	<u>721</u>	<u>4,652</u>

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Premium ceded by Guardian group companies</b>		
Guardian General Insurance Limited	33,244	27,323
Guardian General Insurance Jamaica Limited	1,516	1,003
Fatum Aruba and Fatum Curacao	2,454	1,634
	<u>37,214</u>	<u>29,960</u>

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Claim payments made to Guardian group company</b>		
Guardian General Insurance Limited	2,273	24,383

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Key management compensation</b>		
Director's fees	50	50