GUARDIAN RE (SAC) LTD.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2022

(Expressed in United States dollars)

GUARDIAN RE (SAC) LTD.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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GUARDIAN RE (SAC) LTD.

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

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 2022, 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 Insurance Act, 1978 (Bermuda) and Related Regulations as amended;
- 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	Nalini Gopiechansingh NALINI GOPIECHANSINGH
PRESIDENT	VICE PRESIDENT - FINANCE
24 April 2023	24 April 2023

Independent auditor’s report

To the shareholder of Guardian Re (SAC) Ltd.

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Guardian Re (SAC) Ltd. (the Company) as at 31 December 2022, 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 2022;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *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 Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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.

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.

PricewaterhouseCoopers

Port of Spain
Trinidad, West Indies
28 April 2023

GUARDIAN RE (SAC) LTD.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022
(Expressed in United States dollars)

	Notes	2022 $'000	2021 $'000
Assets			
Investment securities	5	9,473	3,500
Reinsurance assets	6	24,219	26,614
Due from parent and affiliated companies	7	20,048	25,040
Receivables	8	19,781	12,513
Deferred acquisition costs		-	341
Cash and cash equivalents	9	24,006	28,986
Total assets		97,527	96,994
Equity and liabilities			
Shareholders' equity			
Share capital	10	26,338	26,338
Contributed surplus	11	3,382	3,382
Retained earnings		20,137	11,840
Total equity		49,857	41,560
Liabilities			
Insurance contracts	12	42,919	51,682
Due to affiliated companies		-	6
Payables and accruals	13	4,751	3,746
Total liabilities		47,670	55,434
Total equity and liabilities		97,527	96,994

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

On 24 April 2023, 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 2022
(Expressed in United States dollars)

	Notes	2022 $'000	2021 $'000
Gross premiums written		32,883	36,801
Outward reinsurance premiums		(26,544)	(25,808)
Net premiums written		6,339	10,993
Change in net provision for unearned premiums		685	1,310
Net insurance premium revenue		7,024	12,303
Reinsurance commission		5,286	2,663
Underwriting revenue		12,310	14,966
Gross claims incurred	12.1(a)	3,443	18,964
Reinsurers' share of claims incurred	12.1(a)	735	(2,950)
Net claims incurred		4,178	16,014
Acquisition costs		455	1,506
Change in deferred acquisition costs		323	2
Expenses of management		488	338
Underwriting expenses		5,444	17,860
Underwriting profit/(loss)		6,866	(2,893)
Investment income	14	476	111
Net impairment gain on financial assets		21	5
Other operating income/(loss)	15	934	(13)
Net investment and other income		1,431	103
Results of operating activities		8,297	(2,790)
Total comprehensive income/(loss) for the period		8,297	(2,790)
Comprehensive income/(loss) attributable to equity holders of the parent		8,297	(2,790)

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 2022
(Expressed in United States dollars)

		Attributable to equity holders of the parent			
		Share capital $'000	**Contributed surplus $'000**	**Retained earnings $'000**	**Total equity $'000**
Balance at 1 January 2022		26,338	3,382	11,840	41,560
Total comprehensive income		–	–	8,297	8,297
Balance at 31 December 2022		26,338	3,382	20,137	49,857
Balance at 1 January 2021		26,338	3,382	25,145	54,865
Total comprehensive loss		–	–	(2,790)	(2,790)
Dividends paid	17	–	–	(10,515)	(10,515)
Balance at 31 December 2021		26,338	3,382	11,840	41,560

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 2022
(Expressed in United States dollars)

	Notes	2022 $'000	2021 $'000
Cash flows from operating activities			
Profit/(loss) before taxation		8,297	(2,790)
Adjustment for non-cash items:			
Impairment gain of financial assets		(21)	(5)
Adjustment for specific items included on the accruals basis:			
Investment income	14	(476)	(111)
Interest received		413	94
Operating profit/(loss) before changes in operating assets/liabilities		8,213	(2,812)
(Decrease)/increase in insurance liabilities		(8,763)	8,473
Decrease in reinsurance assets		2,394	1,332
Net (increase)/decrease in other operating assets/liabilities		(940)	8,916
Purchase of financial assets		(9,394)	(3,500)
Proceeds from sale of financial assets		3,500	–
Cash (used in)/provided by operating activities		(4,990)	12,409
Net cash (used in)/provided by operating activities		(4,990)	12,409
Cash flows from financing activities			
Dividends paid to equity holders of the parent		–	(10,515)
Net cash used in financing activities		–	(10,515)
Net (decrease)/increase in cash and cash equivalents	9	(4,990)	1,894

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

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. With effect from 1 April 2023 the Principal Office Address of the Company changed to Point House, 6 Front Street, Hamilton

GHL is 61.77% (2021: 61.77%) 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 Group Limited ('NCBFG'). NCBFG was incorporated in Jamaica in April 2016 and is the financial holding company for the NCB Group. NCBFG is 52.72% (2021: 52.67%) 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 Group 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 the Jamaica Stock Exchange. NCBFG's ordinary shares are listed on the Jamaica 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 2022.

The Company provides reinsurance coverage to both affiliated insurance companies and non-related commercial insurance companies.

The affiliated insurance companies 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.

Commencing 1 January 2021, Guardian General Insurance Company (GGIL), an affiliate, partcipated on various geographically defined catastrophe aggregate excess of loss treaties in respect of business written by SiriusPoint Ltd and retroceded to the Company by way of a 100% quota share arrangement. GGIL did not renew the reinsurance arranegments upon its expiration at 31 December 2021.

The non-affiliated reinsurance is principally:

(1) Quota share participation on various geographically defined catastrophe aggregate excess of loss treaties in respect of business written by SiriusPoint Ltd. The Company did not renew the reinsurance arranegments upon its expiration at 31 December 2020.

(2) 50% quota share treaty of the General Insurance Account of Markerstudy Insurance Services Ltd. comprised principally of automobile and property insurance. The reinsurance arrangement with Markerstudy Insurance Services Ltd. is in run from 1 January 2010.

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 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 2022

The following amendment to published standards took effect for the Company's accounting periods beginning on or after 1 January 2022:

IFRS 16 Leases - Amendments - Covid-19-Related Rent Concessions beyond 30 June 2021 - Extension of the practical expedient

In May 2020, the IASB published an amendment to IFRS 16 that provided lessees with relief in the form of an optional practical expedient from assessing whether a rent concession related to Covid-19 is a lease modification. Lessees could elect to account for qualifying rent concessions in the same way as they would if they were not lease modifications.

The practical expedient applied only to rent concessions occurring as a direct consequence of the Covid-19 pandemic and only if all of the conditions were met:

a. the change in lease payments resulted in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

b. any reduction in lease payments affected only payments originally due on or before 30 June 2021; and

c. there was no substantive change to the other terms and conditions of the lease.

The amendment to IFRS 16, issued on 31 March 2021, extends the date in condition b from 30 June 2021 to 30 June 2022.

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

Annual Improvements to IFRSs 2018 - 2020 Cycle:

IFRS 9 Financial Instruments - Amendments - Fees in the '10 per cent' test for derecognition of financial liabilit

This amendment clarifies which fees an entity includes when it applies the '10 per cent' test in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either entity or lender on the other's behalf.

The amendment had no impact on the consolidated financial statements of the Company.

(b) New standards and amendments/revisions to published standards and interpretations effective in 2022 but not applicable to the Company

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

► Annual Improvements to IFRSs 2018 - 2020 Cycle:

► IFRS 1 First-time Adoption of International Financial Reporting Standards - Amendments - Subsidiary as a first-time

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

The following is a list of new IFRS standards, interpretations and amendments issued that are not yet effective as at 31 December 2022 and have not been early adopted by the Company. The Company expects to implement these standards when they become effective.

Effective 1 January 2023:

► IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 - Amendments - Disclosure of accounting policies

► IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Amendments - Definition of accounting estimates

► IFRS 17 Insurance Contracts

IFRS 17 will materially change the recognition and measurement of insurance contracts and the corresponding presentation and disclosures in the Company's financial statements (See Note (d) below for additional details). All other amendments, effective 1 January 2023, are not expected to have a material impact on the Company's financial statements.

Effective 1 January 2024:

► IAS 1 Presentation of Financial Statements - Amendments - Classification of liabilities as current or non-current

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.

(d) IFRS 17 Insurance Contracts

IFRS 17 Effective Date

IFRS 17, 'Insurance Contracts' was issued in May 2017 with an original effective date of 1 January 2021. Amendments to IFRS 17 "Insurance Contracts" were issued in June 2020 and included a two-year deferral of the effective date to 1 January 2023. 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. The Company will implement IFRS 17 effective 1 January 2023. The Company has already implemented IFRS 9.

Transition Approach

IFRS 17 must be applied retrospectively. However, if full retrospective application to a group of contracts is impractical, the modified retrospective or fair value methods may be used. The drivers for impracticability for retrospective application relate to a lack of required data and the use of hindsight, consistent with the principles of IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors. The transition approach can have a significant impact on the contractual service margin ("CSM"), and relatedly, on both shareholders' equity and profits on in-force business in future reporting periods. On transition, the Company will apply the fair value approach and the full retrospective approach according to the data that is available for the various group of contracts, and the date from which it is available.

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

(d) IFRS 17 Insurance Contracts (continued)

Redesignation of Finance Assets

The Company, having previously applied IFRS 9, is permitted to change its classification and designation of financial assets. This reassessment is relevant only to eligible financial assets held in connection with insurance contracts under the scope of IFRS 17. Any redesignation will be based on facts and circumstances that exist at the date of initial application of IFRS 17 and will be applied on that date. When applying the IFRS 9 transition requirements, the date of initial application is considered the date of initial application of IFRS 17. Some financial assets will be reclassified upon implementation of IFRS 17.

Level of Aggregation

For measurement purposes, IFRS 17 requires contracts to be grouped together into contracts that are managed together and have similar risk and profitability profiles, all within the same issue year. The resulting portfolios are roughly similar to that which existed under IFRS 4 for internal management reporting purposes, although the profitability and cohort grouping requirements are new. With respect to cohort grouping, the Company decided to apply annual cohorts to all portfolios where the Premium Allocation Approach ("PAA") is applied, and quarterly cohorts to all other portfolios.

Scope, Definition, and Classificatioı

All contracts classified as insurance products under IFRS 4 will continue to be defined as such under IFRS 17, and similarly, all contracts that meet the definition of an insurance contract under IFRS 17 also had done so under IFRS 4. The definition of insurance risk will also be maintained, except to add that benefits payable is determined on a present value basis. Further, there was no significant impact on the recognition and derecognition of insurance contracts under IFRS 4 as compared with IFRS 17.

Measurement Models

The standard requires that insurance liabilities be measured using the General Measurement Model ("GMM"), with modifications to this approach available for certain types of contracts. The Premium Allocation Approach ("PAA") will be automatically applied to short-term contracts where the coverage period is within twelve months, but also for contracts where coverage period is greater than 1 year and the PAA eligibility criteria were successfully met.

Onerous contracts

IFRS 17 requires the identification of groups of onerous contracts. When these groups are identified, the Company is required to recognise a loss immediately in profit or loss along with an increase in the insurance contract liability known as a loss component. Where the Company has reasonable and supportable information to conclude that a set of contracts will all be in the same profitability group for IFRS 17, these contracts are evaluated together based on aggregate expected profitability to determine if the insurance contracts are onerous in the reporting period in which they are first effective.

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

(d) IFRS 17 Insurance Contracts (continued)

Reinsurance contracts held

Reinsurance contracts held will apply PAA, adapted to reflect the characteristics of a reinsurance contract held.

Major Accounting Policies

Discount Rates

As allowed by IFRS 17.B80, the Company developed discount rates using the bottom-up approach. For PAA business, no discounting will be applied to the Liability for Remaining Coverage ("LRC") or to claims and other cash flows that are expected to occur within 1 year of the reporting period.

Risk Adjustment

The Company will apply the Overdispersed - Poisson (ODP) Bootstrap approach for the risk adjustment.

Insurance acquisition costs

The Company has elected not to apply the option allowed under IFRS 17.59(a) for contracts measured under the PAA to recognise insurance acquisition cash flows as an expense when incurred. Instead, these costs will be captured within the insurance contract liability and then amortised over the life of the insurance contract. Additionally, cost related to the starting, selling or underwriting of insurance contracts which are directly attributable to a portfolio are eligible to be capitalised on the statement of financial position within insurance acquisition cost as insurance acquisition cash flows and amortised over the life of the related group of insurance contracts to which they are allocated. The Company expects that this will result in additional cost being eligible to be capitalised and amortised as compared to IFRS 4.

Presentation and Disclosure

The Company has made the following presentation and disclosure decisions:

- As allowed by IFRS 17.81, the entire change in the risk adjustment for non-financial risk will be included as part of the insurance service result.
- As allowed by IFRS 17.86, income and expenses from reinsurance contracts held will be presented on a net basis in the statement of comprehensive income.
- As allowed by IFRS 17.89, the Company will disaggregate insurance finance income or expenses between amounts allocated to profit or loss to eliminate accounting mismatches with income and expenses in profit or loss on the underlying items held, and to other amounts allocated to other comprehensive income.
- As allowed by IFRS 17.96(a), the Company will aggregate insurance contracts by type of contract or major product line for disclosure purposes; Property & Casualty.

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

(d) IFRS 17 Insurance Contracts (continued)

Impact on Insurance Contract Balances and Profitability

IFRS 17 introduces many new measurement criteria that will have an impact on the Group's results, including the following:

► Insurance Revenue

IFRS 17 measures revenue based on the delivery of services to policyholders and, importantly, excludes any premiums related to the investment elements of policies.

► Insurance Service Expenses

IFRS 17 requires the identification of all fulfilment cash flows including operating expenses and overheads that are directly attributable to the acquisition and management of insurance contracts. Such expenses have been classified within operating expenses under IFRS 4. A systematic and rational method to identify and allocate such overheads to insurance and reinsurance contracts has been implemented. These expenses will be reallocated – either directly to insurance service expenses, or initially as a reduction in the insurance contract liability, where they are then amortised to the insurance service expense over the contract duration. The result is a reduction in operating expenses, and a commensurate increase in insurance service expenses and decrease in the insurance contract liability.

► Insurance Contract Liability

Risk Adjustment

Risk adjustment (RA) for non-financial risk is a defined term in IFRS 17 which states:

"An entity shall adjust the estimate of the present value of future cash flows to reflect the compensation that the entity requires for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risk." (IFRS17.37) Further clarification is provided in IFRS17.B86-B92. These paragraphs emphasize that the RA relates only to non-financial risk. Insurance risk, lapse risk, and expense risk are listed as examples of risks that are included, whereas operational risks and market risks are excluded. IFRS17.B91 clearly states that IFRS17 does not prescribe the estimation technique(s) used to determine the RA, and IFRS 17.B92 notes that "an entity shall apply judgment."

IFRS17.B91 states that the RA would have the following characteristics:

► risks with low frequency and high severity will result in higher risk adjustments for non-financial risk than risks with high frequency and low severity;

► for similar risks, contracts with a longer duration will result in higher risk adjustments for non-financial risk than contracts with a shorter duration;

► risks with a wider probability distribution will result in higher risk adjustments for non-financial risk than risks with a narrower distribution;

► the less that is known about the current estimate and its trend, the higher will be the risk adjustment for non-financial risk; and

► to the extent that emerging experience reduces uncertainty about the among and timing of cash flows, risk adjustments for non-financial risk will decrease and vice versa.

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

(d) IFRS 17 Insurance Contracts (continued)

Impact on Insurance Contract Balances and Profitability (continued)

Discount Rates

Under IFRS17 the allowed discount rate must be company-specific and principle based; it should reflect the risk characteristics of the cash flows arising from the insurance contracts. It should not reflect risk characteristics of financial instruments held by the insurer unless the insurance contract cash flows have the same risk characteristics.

Under IFRS 17, the discount rate used to present value future cashflows is disconnected from the assets the Company holds to support its insurance contract liabilities. As a result, the Company is considering electing the other comprehensive income option under IFRS 17 for insurance contract liabilities and the fair value through other comprehensive income option under IFRS 9 for fixed income assets.

The Timing of Recognition of Losses and Gains

Under IFRS 17, new business gains are recorded on the Statement of Financial Position (in the CSM component of the insurance contract liability) and amortised into income as services are provided. New business losses are recorded into income immediately. Under CPPM, both new business gains and new business losses are recognised in income immediately.

Note that the above changes, while impacting the insurance contract liability, may also have consequential impacts on revenue recognition, insurance service expenses, finance expenses, and other items in the statement of comprehensive income.

Overall, 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. Despite these changes in recognition criteria, IFRS 17 does not impact the cash flows generated by the business, and hence, does not impact the economics of the Company's business.

Implementation Project Structure and Status

There is an IFRS 17 implementation programme, led by an Executive Project Sponsor, which involves significant enhancements to the Company's IT, actuarial, and finance systems. These three (3) elements were organised into three (3) separate but highly collaborative project streams to ensure attention to detail while achieving the cohesiveness required of the programme. Key tasks within the programme included:

- **Identifying data requirements**

  This is one of the most significant aspects of the IFRS 17 implementation. This new standard requires a higher level of granularity in cash flow and other data to appropriately measure insurance contracts and make the necessary disclosures for reporting purposes.

- **Identifying and implementing changes to systems and processes**

  As a result of the IFRS 17 implementation, new systems were acquired, and functionality of existing systems were expanded. Functionality was expanded for accounting and reporting systems.

- **Modifying actuarial models**

  Changes to actuarial models and methodologies around discount rates and risk adjustment.

- **Determining the appropriate accounting policies and formulating disclosures**

  There are many accounting policy options with IFRS 17, but also many ways in which a required policy or disclosure can be formulated. Various approaches were carefully considered before the Company arrived at its final result.

An IFRS 17 Executive and Technical Committee, which includes the Company's CEOs, provides oversight and strategic direction to the implementation programme. A Finance sub-committee was also in place to provide governance over the technical interpretation and accounting policies selected, design and delivery of the programme. During 2022, the Company finalised the build and testing of new finance systems and transitioned the new elements of the financial statement close process into its day-to-day operations. IFRS 17 will be implemented effective 1 January 2023, with further refinement and consideration of estimates and areas of judgement ongoing.

2. Significant accounting policies (continued)

Foreign currency translation

2.2 (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.

Financial assets

2.3 (a) Initial recognition and measurement

Financial assets are recognised when the Company becomes a party to the contractual provisions of the instrument.

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 comprehensive income.

The Company's financial assets include cash and short-term deposits, investment in debt securities, interest receivable, receivables arising from insurance contracts and reinsurance contracts, loan to parent and other loans and receivables.

2. Significant accounting policies (continued)

2.3 (b) Classification and subsequent measurement

Subsequent to initial recognition, the Company's debt instruments are measured in accordance with the business models determined by the Company’s respective business units for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Company classified its debt

(i) Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. The carrying amounts of these assets are adjusted by any expected credit loss allowance recognised. In addition to certain debt securities, the Company's loans and receivables are carried at amortised cost.

(ii) Fair value through other comprehensive income: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets’ cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss.

The Company reclassifies debt instruments when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be infrequent.

(c) 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 amortised 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.

(d) 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 derecognised 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. Significant accounting policies (continued)

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.

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

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.

2. Significant accounting policies (continued)

2.4 *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'.

Definition of default

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

► 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

Measurement of expected credit losses

The measurement of expected credit losses is a function of:

► Probability of default (PD) - an estimate of the likelihood of default over a given time horizon;

► Loss given default (LGD) - an estimate of the loss arising in the case where a default occurs at a given time; and

► Exposure at default (EAD) - 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.

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 comprehensive income, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

2. Significant accounting policies (continued)

2.5 Fair value measurement

The Company measures financial instruments 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 either:

- 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.

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.

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.

Cash and cash equivalents are carried at amortised cost on the statement of financial position.

2. Significant accounting policies (continued)

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 recognised 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.

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 recognised 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 capitalised as an intangible asset and subsequently amortised over the terms of the policies as the premium is earned. All other costs are recognised as expenses when incurred.

2. Significant accounting policies (continued)

2.9 Insurance contracts (continued)

(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.

The benefits to which the Company is entitled under its reinsurance contracts held are recognised 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 recognised 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 recognises that impairment loss in the statement of comprehensive income.

(f) Receivables and payables related to insurance contracts

Receivables and payables are recognised when due and are based on the terms outlined in the contracts. 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 recognises that impairment loss in the statement of comprehensive income.

2. Significant accounting policies (continued)

2.10 (a) Premium income

Premium income is recognised on the accrual basis in accordance with the terms of the underlying contracts as outlined in Note 2.9 (a). 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 recognised as an asset and is included in reinsurance assets.

(b) Interest income

Interest income is recognised using the effective interest method.

(c) Commission income

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

2.11 Dividend distribution

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

3. Critical accounting estimates and judgements in applying accounting policies

The Company makes estimates and assumptions that may affect the reported amounts of assets and liabilities during the succeeding financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Covid-19 Pandemic

A source of estimation uncertainty that originated in 2020 and continues to affect the Company into 2021 is the ongoing Covid-19 pandemic. While uncertainty remains about the speed of the economic recovery, the trajectory has undoubtedly been positive, with the development and distribution of vaccines and the gradual reopening of economies worldwide. Further positive developments include increased tourism for Bermuda and record prices accompanied by narrowing credit spreads in the international market for stocks and bonds. 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 ongoing 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. These uncertainties predominantly affected the measurement of expected credit losses on financial assets (see Note 4.2.2).

(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 2022, the carrying amount of insurance contracts was $42,919,000 (2021: $51,682,000).

3. Critical accounting estimates and judgements in applying accounting policies (continued)

(b) Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Company monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. Factors considered by the Company in determining the business model for a group of assets are disclosed in Note 2.3(a).

(c) Impairment losses on financial assets

The measurement of expected credit loss allowance for financial assets measured at amortised cost and fair value through other comprehensive income requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Company's expected credit loss calculations are outputs of models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the expected credit loss models that are considered accounting judgements and estimates include:

- The Company's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime expected credit loss basis and the qualitative assessment
- The segmentation of financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs
- Selection of forward-looking macroeconomic scenarios to derive the economic inputs into the expected credit loss models
- Development of forward-looking scenarios probability weighted based on macroeconomic trends and expectations
- Determination of associations between macroeconomic scenarios and, economic inputs and the effect on probabilities of default, exposure at default and loss given default

The Company regularly reviews its internal models in the context of actual loss experience and adjust when necessary. The carrying amount of expected credit loss allowance on financial assets are disclosed in Note 4.2.2(d).

3. Critical accounting estimates and judgements in applying accounting policies (continued)

(c) Impairment losses on financial assets (continued)

Forward-looking macroeconomic variables

The estimation and application of forward-looking information requires significant judgment. PD and LGD and EAD inputs used to estimate Stage 1 and Stage 2 credit loss allowances are modelled based on the macroeconomic variables (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio. The estimation of ECL on 12-month ECL and Lifetime ECL is a discounted probability-weighted estimate that considers three future macroeconomic scenarios, with macroeconomic projections varying by territory. The base case scenario assumes that a stable economic environment where current conditions, based on available macroeconomic data, will largely continue. Upside and downside scenarios are set relative to the base case scenario based on reasonably possible alternative macroeconomic conditions, considering macroeconomic forecasts and trends.

Scenarios are reassessed on at least an annual basis and more frequently if conditions warrant. Scenarios are probability-weighted separately for each territory modeled according to the best estimate of their relative likelihood based on historical frequency and current trends and conditions. Probability weights are updated on an annual basis or more frequently as warranted.

Covid-19 Pandemic

For the two previous financial years, to incorporate the economic impact of the COVID-19 pandemic, the Company made adjustments to its ECL models such as increasing the likelihood of pessimistic scenarios and overlaying a further pessimistic scenario that explicitly accounts for acute negative economic fallout. For the year ended 31 December 2022, the overlay for the acute negative scenario remains; however, the likelihood attributed to this and other pessimistic scenarios have been further reduced given the improvements in the current and expected economic environment. The resulting probability of default and losses given default were applied to all financial assets with credit risk.

Management also maintains the position that the lifetime default risk of assets with several years remaining to maturity has not significantly changed since the onset of the COVID-19 pandemic, an important factor given that IFRS 9 requires that entities assess the risk of default over the life of expected assets. Such assets account for a significant portion of the Company's investment portfolio.

The carrying amounts of expected credit loss allowance on financial assets are disclosed in Note 4.2.2(d).

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.

4. Management of insurance and financial risk (continued)

4.1 Insurance risk (continued)

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

4.2 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 (2021: 1%) and 1% for the United States market (2021: 1%). There is no effect in the statement of comprehensive income for 2022 (2021: NIL).

4. Management of insurance and financial risk (continued)

4.2 Financial risk (continued)

4.2.1 Market risk (continued)

(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.

The tables below summarizes the Company’s exposure to foreign currency exchange rate risk as at 31 December 2022. The Company's assets and liabilities at carrying amounts are included in the table categorized by currency positions expressed in US$ equivalents.

As at 31 December 2022	USD $'000	GBP $'000	EUR $'000	Total $'000
Total assets	56,249	23,962	17,316	97,527
Total liabilities	8,620	23,730	15,319	47,669
Net statement of financial position	47,629	232	1,997	49,858
As at 31 December 2021				
Total assets	56,146	26,679	14,169	96,994
Total liabilities	7,697	26,302	21,435	55,434
Net statement of financial position	48,449	377	(7,266)	41,560

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 2022, -5.2% movement in exchange rates was used for GBP while -4.7% was used for EUR. For 2021, 6.7% movement in exchange rates was used for GBP while -3.7% 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
2022	(12)	(94)	(106)
2021	25	269	294

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.

	Gross exposure		Net carrying amount	
	2022 $'000	**2021 $'000**	**2022 $'000**	**2021 $'000**
Receivables	19,786	12,518	19,781	12,514
Due from parent and affiliated companies	20,112	25,115	20,048	25,040
Reinsurance assets	24,219	26,614	24,219	26,614
Investment securities	9,394	3,500	9,394	3,500
Cash and cash equivalents	24,047	29,039	24,006	28,986
Balance at end of year	97,558	96,786	97,448	96,654

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

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.

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

		Lifetime ECL		
Receivables	**12-month ECL $'000**	**Not credit impaired $'000**	**Credit impaired $'000**	**Total $'000**
As at 31 December 2022				
A	–	19,786	–	19,786
Gross carrying amount	–	19,786	–	19,786
Loss allowance	–	(5)	–	(5)
Net carrying amount	–	19,781	–	19,781
As at 31 December 2021				
A	–	12,518	–	12,518
Gross carrying amount	–	12,518	–	12,518
Loss allowance	–	(5)	–	(5)
Net carrying amount	–	12,513	–	12,513

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)

		Lifetime ECL		
	12-month ECL $'000	**Not credit impaired $'000**	**Credit impaired $'000**	**Total $'000**
Due from parent and affiliated companies				
As at 31 December 2022				
A	2	–	–	2
Below BBB	20,110	–	–	20,110
Gross carrying amount	20,112	–	–	20,112
Loss allowance	(64)	–	–	(64)
Net carrying amount	20,048	–	–	20,048
As at 31 December 2021				
A	5	–	–	5
Below BBB	25,110	–	–	25,110
Gross carrying amount	25,115	–	–	25,115
Loss allowance	(75)	–	–	(75)
Net carrying amount	25,040	–	–	25,040

		Lifetime ECL		
	12-month ECL $'000	**Not credit impaired $'000**	**Credit impaired $'000**	**Total $'000**
Cash and cash equivalents				
As at 31 December 2022				
A	5,686	–	–	5,686
BBB	11,615			11,615
Below BBB	6,746	–	–	6,746
Gross carrying amount	24,047	–	–	24,047
Loss allowance	(41)	–	–	(41)
Net carrying amount	24,006	–	–	24,006
As at 31 December 2021				
A	9,998	–	–	9,998
BBB	12,402			12,402
Below BBB	6,638	–	–	6,638
Gross carrying amount	29,038	–	–	29,038
Loss allowance	(52)	–	–	(52)
Net carrying amount	28,986	–	–	28,986

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 tables set out the credit quality analysis for financial assets measured at fair value through other comprehensive income

	12-month ECL	
	2022	**2021**
	$'000	**$'000**
Investment securities		
AA	2,829	
BBB	6,644	3,500

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

	A
As at 31 December 2022	**$'000**
Reinsurance assets	24,219

	A
As at 31 December 2021	**$'000**
Reinsurance assets	26,614

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

The Company had no credit-impaired assets as at 31 December 2022.

(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.

		Lifetime ECL		
	12-month ECL $'000	**Not credit impaired $'000**	**Credit impaired $'000**	**Total $'000**
Cash and cash equivalents				
Balance at 1 January 2022	52	–	–	52
Remeasurements	(10)	–	–	(10)
Balance at 31 December 2022	42	–	–	42

4. Management of insurance and financial risk (continued)

4.2 Financial risk (continued)

4.2.2 Credit risk (continued)

(d) Loss allowance (continued)

		Lifetime ECL		
	12-month ECL $'000	**Not credit impaired $'000**	**Credit impaired $'000**	**Total $'000**
Due from parent and affiliated companies				
Balance at 1 January 2022	75	–	–	75
Remeasurements	(11)	–	–	(11)
Balance at 31 December 2022	64	–	–	64

Credit Risk - Economic Variable Assumptions

The most significant period-end assumptions used for the ECL estimate as at 31 December 2022 and 2021 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.

	2022 Assumptions			2021 Assumptions		
	GDP growth	**Inflation**	**Weigths**	**GDP growth**	**Inflation**	**Weigths**
Scenario						
Base	Stable	Positive	55% - 60%	Stable	Positive	15% - 50%
Optimistic	Positive	Positive	7.5% - 40%	Positive	Positive	40% - 70%
Pessimistic	Negative	Negative	5% - 25%	Negative	Negative	5% - 10%
Acute pessimistic	Negative	Negative	5% - 7.5%	Negative	Negative	5%

Refer to Note 3(c) for descriptions of the scenarios.

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	
	2022	**2021**		**2022 $'000**	**2021 $'000**
Cash and cash equivalents	0.101% - 0.659%	0.052% - 0.626%	+/- 20%	7	10
Due from parent and affiliated companies	0.414% - 0.414%	0.409% - 0.409%	+/- 20%	13	15
				20	25

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

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

	A	BBB	BBB	Total 2022
As at 31 December 2022	**$**	**$**	**$**	**$**
Receivables	19,779	–	–	19,779
Due from parent and affiliated companies	2	–	20,046	20,048
Reinsurance assets	24,219	–	–	24,219
Cash and cash equivalents	5,686	11,595	6,725	24,006
	49,686	11,595	26,771	88,052

	A	BBB	BBB	Total
As at 31 Decemebr 2021	**$'000**	**$'000**	**$'000**	**$'000**
Receivables	12,160	–	–	12,160
Due from parent and affiliated companies	5	–	25,035	25,040
Reinsurance assets	26,614	–	–	26,614
Cash and cash equivalents	9,998	12,370	6,618	28,986
	48,777	12,370	31,653	92,800

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

	Financial institutions $'000	Reinsurers $'000	Other $'000	Total $'000
As at 31 December 2022				
Receivables	–	19,779	–	19,779
Due from parent and affiliated companies	–	–	20,048	20,048
Reinsurance assets	–	24,219	–	24,219
Cash and cash equivalents	24,006	–	–	24,006
	24,006	43,998	20,048	88,052
As at 31 December 2021				
Receivables	16	12,497	–	12,513
Due from parent and affiliated companies	–	–	25,040	25,040
Reinsurance assets	–	26,614	–	26,614
Cash and cash equivalents	28,986	–	–	28,986
	29,002	39,111	25,040	93,153

4. 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 tables 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.

		Contractual/expected undiscounted cash flows	
Insurance and financial liabilities	**Carrying amount**	**Less than one year**	**One - five years**
As at 31 December 2022	**$'000**	**$'000**	**$'000**
Insurance contracts	42,919	30,927	11,992
Other payables and accruals	4,751	4,751	–
Due to affiliated companies	–	–	–
Total	47,670	35,678	11,992
As at 31 December 2021			
Insurance contracts	51,682	37,709	13,973
Other payables and accruals	3,746	3,746	–
Due to affiliated companies	6	6	–
Total	55,434	41,461	13,973

4. Management of insurance and financial risk (continued)

4.2 Financial risk (continued)

4.2.3 Liquidity risk (continued)

		Contractual/expected undiscounted cash flows	
Reinsurance and financial assets	**Carrying amount $'000**	**Less than one year $'000**	**One - five years $'000**
As at 31 December 2022			
Investment securities	9,394	9,394	–
Receivables	19,781	19,781	–
Reinsurance assets	24,219	13,261	10,958
Cash and cash equivalents	24,006	24,006	–
Due from parent and affiliated companies	20,048	20,048	–
Total	97,448	86,490	10,958
As at 31 December 2021			
Investment securities	3,500	3,500	–
Receivables	12,513	12,513	–
Reinsurance assets	26,614	14,378	12,236
Cash and cash equivalents	28,986	28,986	–
Due from parent and affiliated companies	25,040	25,040	–
Total	96,653	84,417	12,236

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

4. Management of insurance and financial risk (continued)

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.

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 2022 and 2021, 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 2022 and 2021.

	2022 $'000	2021 $'000
Regulatory capital held	49,857	41,560
Minimum regulatory capital	8,598	8,515

5. Investment securities

	2022 Carrying value $'000	 Fair value $'000
Interest receivable	79	79
Investment securities at measured at fair value through other comprehensive income (FVOCI)	9,394	9,394
	9,473	9,473

	2021 Carrying value $'000	 Fair value $'000
Investment securities at measured at fair value through other comprehensive income (FVOCI)	3,500	3,500

6. Reinsurance assets

	Current $'000	Non-current $'000	Total $'000
2022			
Claims reported and loss adjustment expenses	6,060	7,090	13,150
Claims incurred but not reported	2,624	3,868	6,492
Unearned premiums	4,577	–	4,577
	13,261	10,958	24,219
2021			
Claims reported and loss adjustment expenses	7,487	8,065	15,552
Claims incurred but not reported	2,830	4,171	7,001
Unearned premiums	4,061	–	4,061
	14,378	12,236	26,614

7. Due from parent and affiliated companies

	2022 $'000	2021 $'000
Guardian International Inc.	20,046	25,035
Guardian General Insurance Limited	2	5
	20,048	25,040

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

The outstanding balance as at year end amounted to $20,046,000 is broken down as follows:

	2022 $'000	2021 $'000
As at 1 January	25,035	35,515
Less: Capital repayment	(5,000)	-
	20,035	35,515
Less In-specie dividends	–	(10,515)
	20,035	25,000
Net movement in loss allowance	11	35
As at 31 December	20,046	25,035

8. Receivables

	2022 $'000	2021 $'000
Brokers and insurance companies	4,272	4,395
Reinsurers	15,509	7,766
Sundry receivables	-	352
	19,781	12,513
Current	19,781	12,513

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.

9. Cash and cash equivalents

	2022 $'000	2021 $'000
Cash at bank and in hand	17,281	22,368
Cash and cash equivalents in mutual funds	6,725	6,618
	24,006	28,986

The average effective interest rate on cash and cash equivalents was 6.44% (2021: 2.64%).

	2022 $'000	2021 $'000
Cash and cash equivalents	17,302	19,600
Deposits less than 90 days	–	2,800
Cash and cash equivalents of mutual fund unit holders	6,746	6,638
	24,048	29,038
Loss allowance	(42)	(52)
Net cash and cash equivalents	24,006	28,986
At beginning of year	28,986	27,122
Net movement in loss allowance	10	(30)
	28,996	27,092
At end of year	24,006	28,986
Net (decrease)/increase in cash used in cash flow	(4,990)	1,894

10. Share capital

Authorised
100,000,000 orinary shares of no par value

	2022 $'000	2021 $'000
26,388,140 ordinary shares of par value $1.00 each issued and fully paid as at 31 December	26,338	26,338

11. Contributed Surplus

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

12. Insurance contracts

	Current $'000	Non-current $'000	Total $'000
2022			
Reported claims outstanding	21,391	7,765	29,156
Claims incurred but not reported	3,645	4,227	7,872
Outstanding claims	25,036	11,992	37,028
Unearned premiums (Note 12.1 (b))	5,891	–	5,891
Total gross insurance liabilities	30,927	11,992	42,919
2021			
Reported claims outstanding	22,160	9,220	31,380
Claims incurred but not reported	9,392	4,753	14,145
Outstanding claims	31,552	13,973	45,525
Unearned premiums (Note 12.1 (b))	6,157	–	6,157
Total gross insurance liabilities	37,709	13,973	51,682

12. Insurance contracts (continued)

12.1 Movements in insurance liabilities and reinsurance assets

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

	2022			**2021**		
	Gross	**Reinsurance**	**Net**	**Gross**	**Reinsurance**	**Net**
Year ended 31 December	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Notified claims	31,380	(15,552)	15,828	27,072	(18,010)	9,062
Incurred but not reported	14,145	(7,001)	7,144	7,407	(4,889)	2,518
Total at beginning of year	45,525	(22,553)	22,972	34,479	(22,899)	11,580
Cash paid for claims settled in the year	(8,931)	430	(8,501)	(5,109)	2,421	(2,688)
Increase in liabilities	3,443	735	4,178	18,964	(2,950)	16,014
Net exchange differences and other movements	(3,010)	1,744	(1,266)	(2,809)	875	(1,934)
Total at end of year	37,027	(19,644)	17,383	45,525	(22,553)	22,972
Notified claims	29,156	(13,149)	16,007	31,380	(15,552)	15,828
Incurred but not reported	7,871	(6,493)	1,378	14,145	(7,001)	7,144
	37,027	(19,642)	17,385	45,525	(22,553)	22,972

(b) Provision for unearned premiums

	2022			**2021**		
	Gross	**Reinsurance**	**Net**	**Gross**	**Reinsurance**	**Net**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Total at beginning of year	6,157	(4,059)	2,098	8,730	(5,045)	3,685
Increase in the period	5,988	(4,577)	1,411	6,434	(4,061)	2,373
Release in the period	(6,157)	4,061	(2,096)	(8,730)	5,047	(3,683)
Net exchange differences	(97)	–	(97)	(277)	–	(277)
Total at end of year	5,891	(4,575)	1,316	6,157	(4,059)	2,098

12.2 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.

	Gross	**Net**
	$'000	**$'000**
Insurance claims		
- By accident year	1,384	133
- By underwriting year	35,643	17,251
Total liability (Note 12.1 (a))	37,027	17,384

Insurance contracts (continued)

12.2 Development claim tables - insurance contracts (continued)

Insurance claims - gross Accident year	**2017 $'000**	**2018 $'000**	**2019 $'000**	**2020 $'000**	**2021 $'000**	**2022 $'000**	**Total $'000**
Estimate of ultimate claims costs:							
- at end of accident year	92,250	-	39,956	273	161	-	
- one year later	83,830	-	27,993	887	109		
- two years later	79,100	-	27,318	511			
- three years later	76,959	-	27,288				
- four years later	76,972	-					
- five years later	76,924						
Current estimate of cumulative	76,924	–	27,288	511	109	–	104,833
Cumulative payments to date	(76,968)	-	(27,043)	(266)	(21)	-	(104,299)
Liability recognised in the statement of financial position	(44)	–	245	245	88	–	534
Liability in respect of prior years							850
Total liability							1,384

Insurance claims - gross Underwriting year	**2017 $'000**	**2018 $'000**	**2019 $'000**	**2020 $'000**	**2021 $'000**	**2022 $'000**	**Total $'000**
Estimate of ultimate claims costs:							
- at end of underwriting year	3,310	2,542	1,352	2,809	15,307	–	
- one year later	4,051	2,883	2,132	3,699	17,677		
- two years later	3,898	2,706	1,976	3,355			
- three years later	3,828	2,662	1,918				
- four years later	3,775	2,649					
- five years later	3,746						
Current estimate of cumulative	3,746	2,649	1,918	3,355	17,677	-	29,345
Cumulative payments to date	(3,346)	(2,168)	(1,256)	(1,356)	(6,977)	–	(15,103)
Liability recognised in the statement of financial position	400	481	662	1,999	10,700	–	14,242
Liability in respect of prior years							21,401
Total liability							35,643

Insurance contracts (continued)

12.2 Development claim tables - insurance contracts (continued)

Insurance claims - net **Accident year**	**2017** **$'000**	**2018** **$'000**	**2019** **$'000**	**2020** **$'000**	**2021** **$'000**	**2022** **$'000**	**Total** **$'000**
Estimate of ultimate claims costs:							
- at end of accident year	6,740	–	8,811	–	–	–	
- one year later	7,190	–	9,277	–	–	–	
- two years later	7,450	–	9,276	–	–	–	
- three years later	7,502	–	9,276	–	–	–	
- four years later	7,502	–	–	–	–	–	
- five years later	7,503						
Current estimate of cumulative	7,503	–	9,276	–	–	–	16,779
Cumulative payments to date	(8,114)	–	(9,273)	–	–	–	(17,387)
Liability recognised in the statement of financial position	(611)	–	3	–	–	–	(608)
Liability in respect of prior years							741
Total liability							133

Insurance claims - net **Underwriting year**	**2017** **$'000**	**2018** **$'000**	**2019** **$'000**	**2020** **$'000**	**2021** **$'000**	**2022** **$'000**	**Total** **$'000**
Estimate of ultimate claims costs:							
- at end of underwriting year	3,310	2,542	1,352	2,809	15,307	–	
- one year later	4,051	2,883	2,132	3,699	17,677		
- two years later	3,898	2,706	1,976	3,355			
- three years later	3,828	2,662	1,918				
- four years later	3,775	2,649					
- five years later	3,746						
Current estimate of cumulative	3,746	2,649	1,918	3,355	17,677	-	29,345
Cumulative payments to date	(3,346)	(2,168)	(1,256)	(1,356)	(6,977)	–	(15,103)
Liability recognised in the statement of financial position	400	481	662	1,999	10,700	–	14,242
Liability in respect of prior years							3,009
Total liability							17,251

13. Payables and accruals

	2022 $'000	2021 $'000
Due to reinsurers	603	582
Trade payables and accrued expenses	4,148	3,164
	4,751	3,746

14. Investment income

	2022 $'000	2021 $'000
Interest income on funds held by ceding reinsurer	13	17
Investment securities at fair value through other comprehensive income	174	–
Cash and cash equivalents – interest income	289	94
	476	111

15. Other operating income/(loss)

	2022 $'000	2021 $'000
Foreign exchange gain/(loss)	934	(13)
	934	(13)

16. 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.

17. Dividends

	2022 $'000	2021 $'000
Final dividend for 2022 - NIL per share (2021 - $0.399 per share)	–	10,515

Under the Insurance Act, insurers are restricted in declaring or paying dividends in any financial year that are greater than 25% of statutory capital and surplus in relation to the previous financial year, unless an affidavit is filed with the Bermuda Monetary Authority (BMA) declaring that such dividends has not caused the insurer to meet its relevant margins, i.e. solvency and liquidity margins.

18. 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.

	2022 $'000	2021 $'000
Expenses		
Guardian Asset Management and Investment Services Limited	27	6

Premium ceded by Guardian group companies	2022 $'000	2021 $'000
Guardian General Insurance Limited	26,390	27,336
Guardian General Insurance Jamaica Limited	1,832	1,672
Guardian General Insurance OECS Limited	419	–
Fatum Aruba and Fatum Curacao	2,425	2,085
	31,066	31,093

Claim payments made to Guardian group company	2022 $'000	2021 $'000
Guardian General Insurance Limited	–	1,082
Guardian General Insurance Jamaica Limited	21	–
	21	1,082

Key management compensation	2022 $'000	2021 $'000
Director's fees	48	54